

# 2014 Interim Results

14<sup>th</sup> August 2014

# Financial Highlights

- Combination with Cinema City completed 28 February 2014
- Revenue growth of 0.3% in UK & Ireland and 4% in CEE<sup>1</sup> and Israel on a pro forma<sup>2</sup> basis
- EBITDA<sup>3</sup> growth of 5.1% on a pro forma basis
- Strong cash generation – net debt £286.1m
- Adjusted EPS up 18.7%; interim dividend increased by 2.7% to 3.8p on a rights adjusted basis<sup>4</sup>
- Initial annualised synergy target of £2m achieved, revised target of £5m



1. CEE is defined as Central and Eastern Europe and includes Poland, Hungary, Romania, Czech Republic, Bulgaria and Slovakia

2. Pro forma refers to the continuing trade of Cineworld and Cinema City prior to the business combination

3. EBITDA is defined as operating profit before depreciation and amortisation, impairment charges, adjustments to goodwill, onerous leases and other non-recurring charges, transaction and reorganisation costs and profit on disposal of cinema sites

4. The 2013 interim dividend per share has been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014

# Financial Review

# Key Financial Indicators

	UK & Ireland 26 weeks	CEE & Israel 17 weeks	Group H1 2014	Group H1 2013	Group FY 2013
Admissions	25.1m	10.7m	35.8m	25.9m	51.5m
Box office	£140.2m	£39.8m	£180.0m	£140.9m	£279.9m
Retail	£47.0m	£14.6m	£61.6m	£46.3m	£94.1m
Other	£15.1m	£11.9m	£27.0m	£14.4m	£32.1m
<b>Total revenue</b>	<b>£202.3m</b>	<b>£66.3m</b>	<b>£268.6m</b>	<b>£201.6m</b>	<b>£406.1m</b>
EBITDA	£32.5m	£13.4m	£45.9m	£32.0m	£72.3m
Adjusted profit before tax			£25.3m	£17.3m	£43.4m
Adjusted diluted EPS			8.9p	7.5p	18.6p
Dividend per share			3.8p	3.7p <sup>1</sup>	10.1p <sup>2</sup>

1. The 2013 interim dividend per share has been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014 and was 4.1p as previously stated

2. The 2013 dividend per share has been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014

# Box Office and Retail Performance<sup>1</sup>

	Admissions		Average Ticket Price		Spend Per Person	
	H1 2014	% PY	H1 2014	% PY	H1 2014	% PY
UK	25.1m	-3.4%	£5.58	+2.6%	£1.87	+4.5%
Poland	6.5m	+5.8%	£3.74	-0.6%	£1.11	-1.1%
Hungary	3.7m	+9.5%	£3.02	+2.7%	£1.35	+8.0%
Romania	3.0m	+28.7%	£2.96	+2.0%	£1.38	+1.4%
Israel	2.3m	-8.8%	£5.19	-3.1%	£2.11	-1.4%
Czech Republic	1.7m	+0.0%	£3.98	+0.9%	£1.10	+3.9%
Bulgaria	1.1m	+21.3%	£3.16	+3.5%	£0.92	+2.5%
Slovakia	0.6m	+2.3%	£4.10	-0.3%	£1.35	+1.4%
<b>Group</b>	<b>43.9m</b>	<b>+1.0%</b>	<b>£4.76</b>	<b>+0.4%</b>	<b>£1.63</b>	<b>+2.5%</b>

1. Information in respect of Cinema City has been presented on a pro forma basis with admissions, average ticket price and spend per person reflecting the 26 week period from 27 December 2013 to 26 June 2014. % year on year performance indicators have been prepared on a constant currency basis.

# Pro Forma Performance

	UK & Ireland		CEE & Israel		Group	
	H1 2014	% PY	H1 2014 <sup>1</sup>	% PY <sup>2</sup>	H1 2014	% PY
Admissions	25.1m	-3.4%	18.8m	+7.6%	43.9m	+1.0%
Box office	£140.2m	-0.5%	£68.7m	+6.0%	£208.9m	+1.5%
Retail	£47.0m	+1.5%	£24.8m	+7.8%	£71.8m	+3.6%
Other	£15.1m	+4.9%	£20.4m	-5.9%	£35.5m	-1.9%
Total revenue	£202.3m	+0.3%	£113.9m	+4.0%	£316.2m	+1.5%
EBITDA	£32.5m	+1.6%	£22.6m	+10.7%	£55.1m	+5.1%
EBITDA Margin	16.1%	+0.2 ppts	19.8%	+1.2 ppts	17.4%	+0.6 ppts

1. Pro forma information based on the full six month performance of Cinema City

2. Year on year performance based on comparing the full six month H1 2014 Cinema City performance against H1 2013 performance adjusted for rent on sale and lease back properties. Performance % based on constant currencies

- Other income includes advertising, distribution, screen hires and sponsorship etc.
- Overall, other income has decreased by 1.9% on a pro forma basis<sup>1</sup>
- Excluding distribution, other income has increased by 3.1% on a pro forma basis
  - Phasing of distribution income different to prior year - full year expected to be in line
- Positive advertising performance
  - +7.3% in UK and Ireland
  - +4.5% in CEE and Israel



1. Information in respect of Cinema City has been presented on a pro forma basis with Other Income reflecting the 26 week period from 27 December 2013 to 26 June 2014. % year on year performance indicators have been prepared on a constant currency basis.

# Statutory Group Income Statement

£m	Group H1 2014	Group H1 2013	Group FY 2013
Revenue	268.6	201.6	401.6
Gross profit	71.0	53.0	112.8
EBITDA	45.9	32.0	72.3
Depreciation and amortisation	(19.9)	(12.0)	(24.0)
Exceptional costs	(6.4)	-	(10.8)
Operating profit	19.6	20.0	37.5
Finance income and expense	(5.5)	(3.2)	(6.5)
Share of JV losses	(0.2)	(0.3)	(0.1)
Profit before tax	13.9	16.5	30.9
Tax	(2.1)	(4.5)	(9.9)
<b>Profit after tax</b>	<b>11.8</b>	<b>12.0</b>	<b>21.0</b>
Diluted earnings EPS	5.1	7.9	13.8
Adjusted diluted EPS	8.9	7.5	18.6

- Includes amortisation of £2.4m, £1.5m of which resulting from the Cinema City acquisition
- Depreciation in the UK & Ireland totalled £11.2m, with the residual £6.3m being the depreciation charge for Cinema City for the four month period post acquisition

- Exceptional costs of £6.4m includes £5.1m in respect of Cinema City acquisition costs
- The residual £1.3m relates to the increase in provisions for dilapidations and litigation

- Net financing costs includes £4.2m bank interest (increase of £1.6m due to the change in finance structure of the Group post business combination)
- Amortisation of finance charges and onerous lease provisions - £2.4m
- There was a one-off charge of £1.9m as a result of the change in hedge accounting for two of the six interest rate swaps
- There was also a £3.0m foreign exchange gain on the translation of the Euro term loan



# Cash Flow & Net Debt

£m	Cash	Debt	Other	Net debt
<b>Opening position at 27 December 2013</b>	<b>19.0</b>	<b>(122.7)</b>	<b>(8.6)</b>	<b>(112.3)</b>
Operating profit	19.6	-	-	19.6
Non-cash movements	23.1	-	-	23.1
Cash generated from operations	42.7	-	-	42.7
Tax paid	(4.4)	-	-	(4.4)
Net interest paid	(3.5)	-	-	(3.5)
Proceeds from rights issue	107.2	-	-	107.2
Draw down from old RCF	5.0	(5.0)	-	-
Repayment of old facility	(127.7)	127.7	-	-
Draw down of new facility	309.0	(309.0)	-	-
Acquisition of Cinema City	(278.5)	(3.3)	-	(281.8)
Capital related items	(19.1)	-	0.4	(18.7)
Dividends paid	(16.9)	-	-	(16.9)
Forex and other non-cash movements	(0.4)	2.0	-	1.6
<b>Closing position at 26 June 2014</b>	<b>32.4</b>	<b>(310.3)</b>	<b>(8.2)</b>	<b>(286.1)</b>

- Of the £23.1m non-cash movements, £19.9m relates to the add back of depreciation and amortisation

- Movements in working capital resulted in a £3.2m inflow

- Total cash consideration paid was £302.6m. Cash in acquisition balance sheet totalled £24.1m, giving a net cash outflow on acquisition of £278.5m

- Cinema City has £3.3m of local currency overdrafts

- Non cash movements includes foreign exchange gains of £3.1m

- Other non-cash movements relate to accrued interest

# Return on Investment

	Cineworld	Cinema City	Group
Average ARR	51.4%	48.7%	49.9%
Average payback period	4 years	3 years	
Typical lease terms	25 years	10+5+5+5 years	

- Analysis based on the last five sites opened for each region
- Typical length of lease the same (extensions at the option of the tenant in Cinema City)



- **Business on track to deliver plans for 2014**
- **Revised synergy target £5m, with £3.5m - £4.0m savings in 2015**
- **Acquisition accounting adjustments provisional**
- **Net debt may rise slightly to year end due to phasing of capital expenditure**
- **Normalised tax rate expected to trend towards 20%**

# Business Update

# Business Update – Initial Thoughts

- Cineworld and Cinema City both have efficient and well run Cinema operations
- Integration process underway with initial synergy target achieved
- Organic growth prospects in all countries
- Key actions to date:
  - Allocated seating
  - Booking fee
  - Positive supplier negotiations



# Customer Experience – Refurbishments

- General condition of cinemas in UK compared to competition is good
- In certain local areas new competition provides opportunity to refresh cinema offerings
- Examples
  - Milton Keynes – full refurbishment to include
    - Superscreen, 4DX, Starbucks, new foyer concepts and seating
  - Glasgow
    - Renfrew Street – seating, Starbucks and general refresh



# Customer Experience - Innovation

- Maintaining the cinema as a destination is a core part of the strategy. Innovations are a key part of this and include :
  - IMAX
    - Proven format. Exclusivity in Israel and Eastern Europe, leading position in UK
  - 4DX
    - The enriched sensory experience, 4 auditoria in Eastern Europe and Israel, with Milton Keynes this year
  - Laser
    - Industry trials started, delivers improved 3D experience and lower maintenance costs
  - Sound
    - Continuing development of improved sound systems
  - Online Booking
    - Allocated seating, print at home, ticket on device etc.



# Customer Experience - Retail

- Ongoing activities across the estate to maximise opportunity from retail
  - Starbucks
    - Successful introduction in 12 cinemas in UK with more to follow
    - Coffee options for Eastern Europe will be evaluated
  - Completion of rollout of pick 'n mix concessions in Cinema City estate





# Customer Experience – Unlimited & MyCineworld

- Both Unlimited and MyCineworld continue to grow
  - Unlimited now has in excess of 380k subscribers
  - MyCineworld membership now over 4 million
- Introducing one or both programmes into other countries will be evaluated but are dependant upon maturity of market



- Synergy target of £2m (annualised) savings achieved. Revised target of £5m
- Opportunities to bring best practice across all areas of the business
- New organisation structure being implemented. Senior Group Management team comprises Executive Directors, Renana Teperberg (SVP Commercial), Crispin Lilly (SVP Retail and Loyalty) and Matt Eyre (SVP Operations)



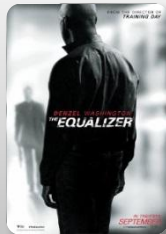
# New Openings : Signed Contracts

	2014 H2		2015		2016		2017		2018+	
	Sites	Screens	Sites	Screens	Sites	Screens	Sites	Screens	Sites	Screens
UK (Including Picturehouse)	1	11	13	101	6	44	5	40		
Poland	2	15	3	33	2	28			1	9
Romania	1	10	1	14	5	51	9	88	6	58
Bulgaria	1	12								
Israel			3	44						
<b>Total</b>	5	48	20	192	13	123	14	122	7	67

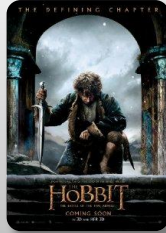
- These openings represent a circa 30% increase in the number of screens
- There are in addition a further nine sites (105 screens) in legals with the potential to open before 2018

# Films for H2 2014

Q3



Q4

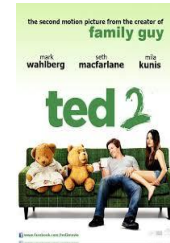
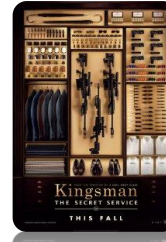
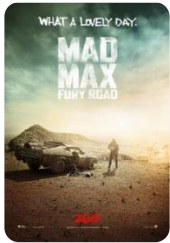


## Plus...

- Expendables 3
- Tracks
- Dolphin Tale 2
- Fury
- Boxtrolls
- The Judge
- The November Man

# 2015 – Key Titles

Cineworld  
Group plc



Q & A

**Cineworld**  
Group plc