IBISWorld

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Big screen: Rising disposable income will boost demand, though competition will hamper growth

IBISWorld Industry Report 51213

Movie Theaters in the US

December 2019

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About this Industry

Industry Definition

This industry comprises businesses that primarily show movies. It includes cinemas, drive-in and outdoor movie theaters and film festival exhibitors.

Main Activities

The primary activities of this industry are

Operating movie theaters

Operating drive-in movie theaters

Film festival exhibition

Motion picture exhibition for airlines

The major products and services in this industry are

Admissions to feature films

Advertising revenue

Food and beverage sales

All other

Similar Industries

51212 Movie & Video Distribution in the US
This industry distributes discs with movie and TV shows to retailers.

53223 DVD, Game & Video Rental in the US
This industry offers films for rent as tapes or DVDs.

51711a Cable Providers in the US
This industry transmits movies to TVs through coaxial cables.

51711b Satellite TV Providers in the US
This industry transmits movies to TVs through satellite antennas.

Additional Resources

For additional information on this industry

www.boxoffice.com
BOXOFFICE

www.mpaa.org
Motion Picture Association of America

www.natoonline.org
National Association of Theatre Owners

www.filmratings.com
The Classification & Rating Administration

www.census.gov
US Census Bureau

www.variety.com
Variety

Industry at a Glance

Movie Theaters in 2019

Key Statistics Snapshot

Revenue
$18.9bn

Annual Growth 14–19
3.6%

Annual Growth 19–24
1.0%

Profit
$1.9bn

Wages
$2.1bn

Businesses
1,915

Market Share

AMC Entertainment Inc. 22.2%

Cineworld Group PLC 19.0%

Cinemark Holdings Inc. 13.5%

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Key External Drivers

- Per capita disposable income
- Number of K-12 students
- Number of broadband connections
- Technological change for television networks and providers

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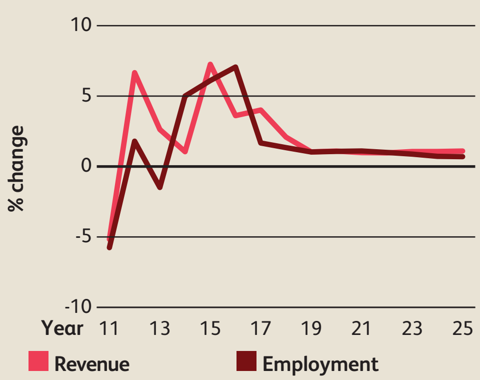
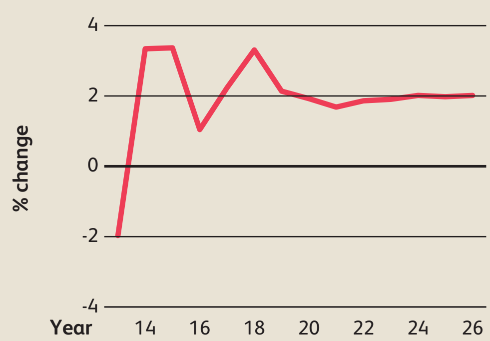
Revenue vs. employment growth

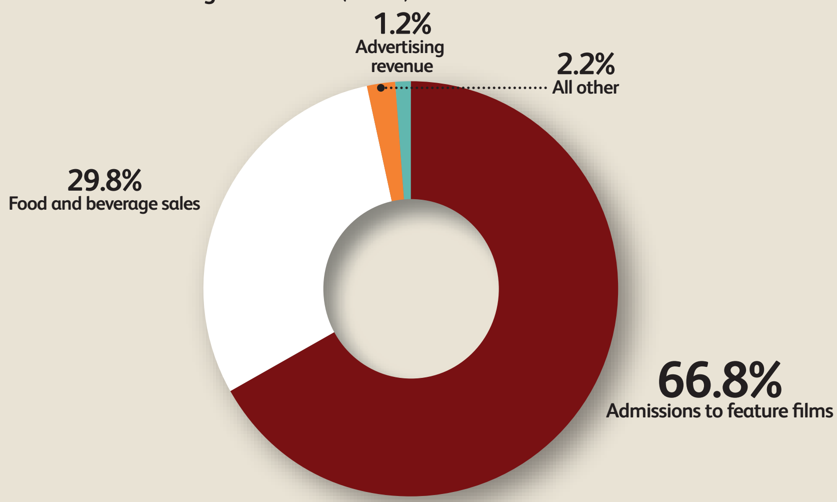


Per capita disposable income



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	High	Barriers to Entry	High
Industry Assistance	None	Industry Globalization	High
Concentration Level	Medium	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 33

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Movie Theaters industry has grown over the five years to 2019, despite strong external competition. Over the five years to 2019, industry revenue is estimated to grow an annualized 3.6%, reaching $18.9 billion in 2019, including revenue growth of 1.6% in 2019 alone. With increases in per capita disposable income and the success of blockbuster films during the period, industry revenue has grown despite competition from substitute film viewing methods, other forms of entertainment and a decrease in total theater attendance.

External competition has increasingly shifted movie consumption away from theaters

External competition from substitute entertainment products and other ways of accessing films, including online video, on-demand services, internet-enabled TVs, smartphones and tablets, have increasingly shifted movie consumption away from theaters. Over the past five years, admissions have slowly declined, leading to an increase in acquisitions of unprofitable players by larger industry chains. The size of theaters has grown, with an increasing number of screens per theater, since costs can be spread over higher admissions and concessions sales.

Despite competition, ticket prices have risen over the past five years and have driven revenue growth for industry operators. In addition, 3D ticket sales and higher-value concession items have also helped drive growth. Profit, measured as earnings before interest and taxes, has increased over the five years to 2019.

The most competitive operators focus on keeping their projection and audio systems upgraded, which will continue to drive capital investment over the five years to 2024. In addition, over the next five years, the industry will continue to benefit from rising per capita disposable income, driving demand for ticket sales and concession items, especially higher-value items that help differentiate the movie-going experience from at-home movie viewing. Higher-value sales such as 3D, IMAX and full-service dinner theaters will continue to increase the amount of revenue per consumer, even as the total number of admissions declines. Overall, external competition is expected to limit industry growth, especially if the theatrical release window continues to follow its downward trend. Hence, revenue growth for the Movie Theaters industry is expected to slow over the five years to 2024, growing at an estimated annualized rate of 1.3% to $20.1 billion in 2024.

Key External Drivers

Per capita disposable income

As a leisure activity, movie attendance relies on household disposable income levels, which, in turn, are affected by the employment rate, tax rates and the general state of the economy. When disposable income levels rise, people are increasingly able and willing to spend on discretionary items, driving up ticket and concession sales. Conversely, consumers may defer or reduce trips to the movies when they have lower disposable income. Per capita disposable income is expected to increase in 2019, representing a potential opportunity for the industry.

Number of K-12 students

Adolescents aged 17 and younger contribute about one-quarter of industry revenue, as many successful movies are

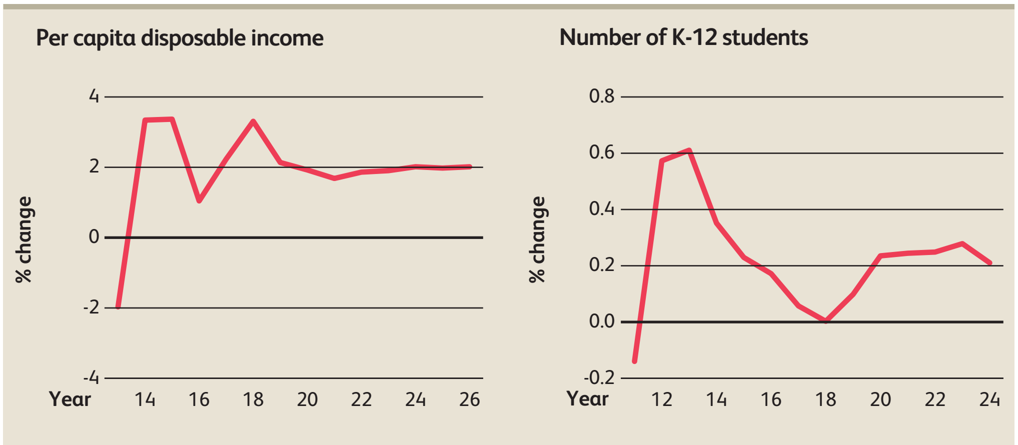
Industry Performance

Key External Drivers continued

geared toward younger audiences. As the number of primary and secondary school-age children rises, demand for movie tickets typically rise, increasing industry revenue. The number of K-12 students is expected to increase slightly in 2019.

Number of broadband connections
The number of broadband connections indicates the extent to which consumers use high-speed internet for a variety of purposes, including accessing competing streaming platforms. With the rapid rise in broadband connection numbers, more consumers are using the internet to download or stream movies, which directly reduces demand for the Movie Theaters industry. The number of broadband connections is expected to rise in 2019, posing a potential threat to the industry.

Technological change for Television Networks and Providers
As movie theaters continue to switch to digital and 3D projection systems, ticket prices typically rise, enabling industry revenue gains. Advances in movie-making and projection technologies have helped stimulate demand for cinematic screenings, an experience that viewers cannot get from streaming movies at home. Technological change for TV networks and providers is expected to increase in 2019.

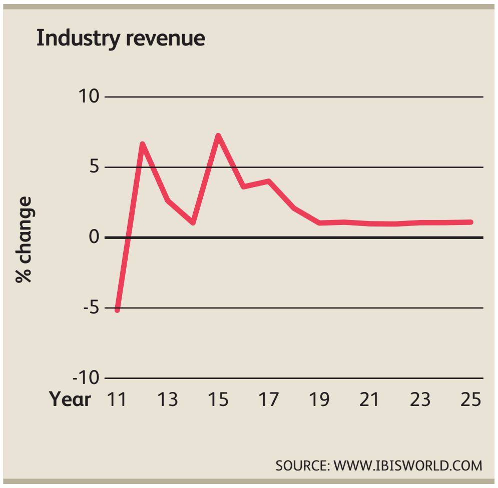


SOURCE: WWW.IBISWORLD.COM

Industry Performance

Current Performance

The Movie Theaters industry consists of businesses that primarily show movies. It includes cinemas, drive-in and outdoor movie theaters and film festival exhibitors. Over the five years to 2019, an increase in the average movie ticket price and a rise in per capita disposable income have supported revenue growth for the Movie Theaters industry despite a slow decline in total admissions. In 2019, industry revenue is estimated to reach $18.9 billion, growing an estimated 1.6% in 2019 alone, and rising at an estimated annualized rate of 3.6% during the five-year period. Challenged by high external competition, industry operators have found an increasing number of ways to differentiate the movie-going experience, with the number of 3D-capable theaters and full-service, dine-in theaters on the rise.



Online competition

The Movie Theaters industry competes with other sources of entertainment for consumer discretionary spending and leisure time. Over the past five years, rising external competition for movie exhibitors has contributed to a very slow decline in movie theater attendance. Online streaming of TV and movies stands as the primary external threat to industry operators. As the number of broadband connections has increased, more people were able to stream movies over the internet, through services such as Netflix or online movie rental services such as Vudu, instead of going to a movie theater. External competition is expected to be quite high during the period, with the number of broadband connections estimated to increase at an annualized rate of 6.2%. The number of internet-accessible devices, such as computers, tablets, smartphones and smart TVs, has also continued increasing during the period, contributing to external competition as well.

Currently, the theatrical release window provides some protection to industry operators. It prohibits movies from being distributed through other media forms during the release window, which currently averages 90 days, at which time they are playing in theaters only. This helps to protect producers from piracy and industry operators from external competition, at a point when excitement surrounding a new release is generally highest.

Industry Performance

3D on the rise

Over the five years to 2019, per capita disposable income is estimated to increase an annualized 2.4%, enabling consumers to spend more on discretionary areas, such as entertainment. As movies and film are a popular form of entertainment in the United States, the rise in disposable income has meant more people have been willing to buy movie tickets, especially higher-value tickets to 3D and IMAX movies. Over the five years to 2019, the total number of 3D movie screens has increased as the technology has improved and more consumers are interested in seeing blockbuster releases in 3D. More importantly, admissions sales to 3D movies have increased during the past decade. The Motion Picture Association of America's (MPAA) annual report states that 3D box office sales for 2017 totaled $1.3 billion (latest data available). Using this data, IBISWorld estimates that 3D admissions have increased an annualized 6.8% during the period.

Blockbuster releases during the period, such as Black Panther (2018), Incredibles 2 (2018), Star Wars: The Force Awakens (2015), Star Wars: The Last Jedi (2017), Jurassic World (2015), Beauty and the Beast (2017), Finding Dory (2016), Avengers: Age of Ultron (2015) and Wonder Woman (2017), were some of the top grossing movies in 3D and helped drive industry revenue growth during the period due to their higher ticket prices. Industry operators are increasingly looking to adopt 3D technology as it enables them to provide consumers an experience that they could not achieve through streaming movies at home, thereby providing industry operators an advantage over external sources of competition.

Revenue increasing, attendance decreasing

According to data from the MPAA and the National Association of Theatre Owners, IBISWorld expects box office admissions to decrease over the five years to 2019. According to the National Association of Theatre Owners, the number of attendees totaled 1.24 billion in 2019, a slight decrease from 1.27 billion attendees in 2014. This is illustrative of the entire five-year period, in which IBISWorld estimates attendance to decrease at an annualized rate of 0.4%.

Despite a decrease in admissions, industry revenue continues to grow. Industry operators have increased the price of movie tickets, working to partially offset decreasing attendance. Over the five years to 2019, the average price of a movie ticket is estimated to increase an annualized 2.7%, reaching an estimated $9.33 in 2019. Further, despite decreased admissions, industry operators are obtaining an increasing amount of revenue per consumer. To illustrate, overall admissions have declined during the period, yet 3D admissions have grown, as more and more blockbuster films are being released in both regular and 3D formats. As the technology has improved, more consumers are interested in the immersive experience that 3D films provide. Due to the higher ticket price, demand for 3D movies has also driven an increase in industry revenue.

Theaters are enhancing amenities and upgrading seats and services

Concessions have always been an important source of revenue for industry operators, generating higher profit margins than ticket sales. During the period, an expansion of concession offerings and service has been a primary area of focus for industry operators as a method for driving growth in revenue.

Industry Performance

Revenue increasing, attendance decreasing continued

Dine-in and full-service theaters have become more popular among large players and small operators alike. All major players have been investing in upgrades to some of their existing theaters to provide a full-service, dine-in experience, including an array of snacks, entrees and a full bar menu. Through these sorts of upgrades, industry operators have been able to increase the value they provide to consumers, increasing the amount of revenue per consumer and further differentiating themselves amid high external competition.

Consolidation

During the period, industry operators have engaged in a significant amount of acquisition activity. In 2019, the top three companies, AMC Entertainment Inc. (AMC), Cineworld Group PLC (Cineworld) and Cinemark Holdings Inc., are estimated to hold 51.6% of total industry revenue. In February 2018, Cineworld, the world's second-largest cinema chain, acquired Regal Entertainment Group (Regal). This marked Cineworld's entrance into the US market, in which it still operates under the Regal brand. AMC's acquisition of Carmike Inc. was also a primary driver for the increase in consolidation during the period. When the acquisition completed in December 2016 for $1.1 billion, AMC became the largest theater exhibitor in the world.

As smaller industry operators have a hard time competing with large chains, the industry will continue to consolidate. As consumers expect more from their experience, such as the latest in visual and audio technology, 3D and IMAX experiences and full-service dining experiences, larger chains will have the necessary capital and scale to invest in these upgrades and remain profitable. Small operators will not and will therefore be subject to buyouts. In 2019, profit for the average Movie Theaters industry operator is estimated to be 9.9% of revenue. Consolidation during the period is further evidenced by a declining number of enterprises and establishments. Over the five years to 2019, the number of enterprises is estimated to decline at an annualized rate of 1.0% to reach 1,928 companies. Employment is estimated to grow at an annualized rate of 4.3% to 164,622 employees in 2019.

Operators have engaged in a significant amount of acquisition activity

Industry Performance

Industry Outlook

Revenue for the Movie Theaters industry is expected to grow at a slower pace over the five years to 2024 than during the previous period. An estimated increase in per capita disposable income is expected to help drive consumer spending on movie theater admissions, especially for premium-priced tickets such as IMAX and 3D, and concessions items. Conversely, the popularity of alternative entertainment options, especially for more direct substitutes such as streaming sites and video-on-demand (VOD), is anticipated to rise consistently during the period, a factor that will curb industry growth despite increases in disposable income.

Nonetheless, movie theaters' status as a cornerstone of American culture is not expected to disappear over the next five years. The industry's performance will continue to depend on the commercial success of blockbusters, which offer an entertainment spectacle unmatched by substitute options. Given these factors, industry revenue is forecast to grow at an annualized rate of 1.3% over the next five years to $20.1 billion in 2024.

Subdued growth

Per capita disposable income is projected to rise an annualized 1.9% over the five years to 2024. This will lead to continued improvement in consumer confidence and spending, lifting revenue for industries that provide discretionary goods and services, such as the Movie Theaters industry. Despite growth in disposable income, an increasing number of broadband connections is expected to increasingly limit industry revenue growth.

Given this, the number of industry enterprises is expected to continue decreasing during the next five-year period. Over the five years to 2024, the number of industry enterprises is projected to decrease at an annualized 0.3% to 1,903 companies. This decrease will primarily be the result of continuing consolidation among industry operators. As more struggling operators are acquired by larger chains, the number of enterprises is likely to continue decreasing over several periods.

Per capita disposable income is projected to rise

Employment growth is also expected to slow. Over the five years to 2024, employment is only expected to grow an annualized 1.8%, reaching a total of 179,856 employees in 2024.

During the period, continued investment in theater technology and amenity upgrades are forecast to limit profit growth. IBISWorld expects that some companies will continue to improve the quality of their screen and breadth of service offerings, in hopes of being able to continue increasing the average amount of revenue generated per consumer. In 2024, profit, measured as earnings before interest and taxes, is expected to remain high at an estimated 9.6% of total revenue.

Industry Performance

Competition: the sequel

Competition is projected to accelerate for the Movie Theaters industry. Over the five years to 2024, the number of broadband connections is expected to grow at an annualized rate of 3.1%. While this level of growth is slower than during the previous period, it is nonetheless expected to curb growth for the Movie Theaters industry. As the number of broadband connections increases, it becomes easier for consumers to view movies on-demand on their TVs, computers, smartphones and other electronic devices that they would otherwise see in theaters.

Historically, the theatrical release window has protected industry operators by requiring movies to be shown in theaters for a certain amount of time before being released through other media formats. This has provided vital protection to industry operators, giving them a brief period of respite from high levels of external competition. During the past decade, this release window has slowly contracted. Recent conversations among film producers have suggested shortening it further, with much disagreement from industry operators. By providing movies online legally for consumers, it helps prevent production companies from losing revenue to piracy. Although this benefits production companies, it directly harms operators in the Movie Theaters industry. IBISWorld anticipates the release window to continue shrinking over the next five years, contributing to the tepid growth in industry revenue.

Growth in broadband connections is forecast to slow

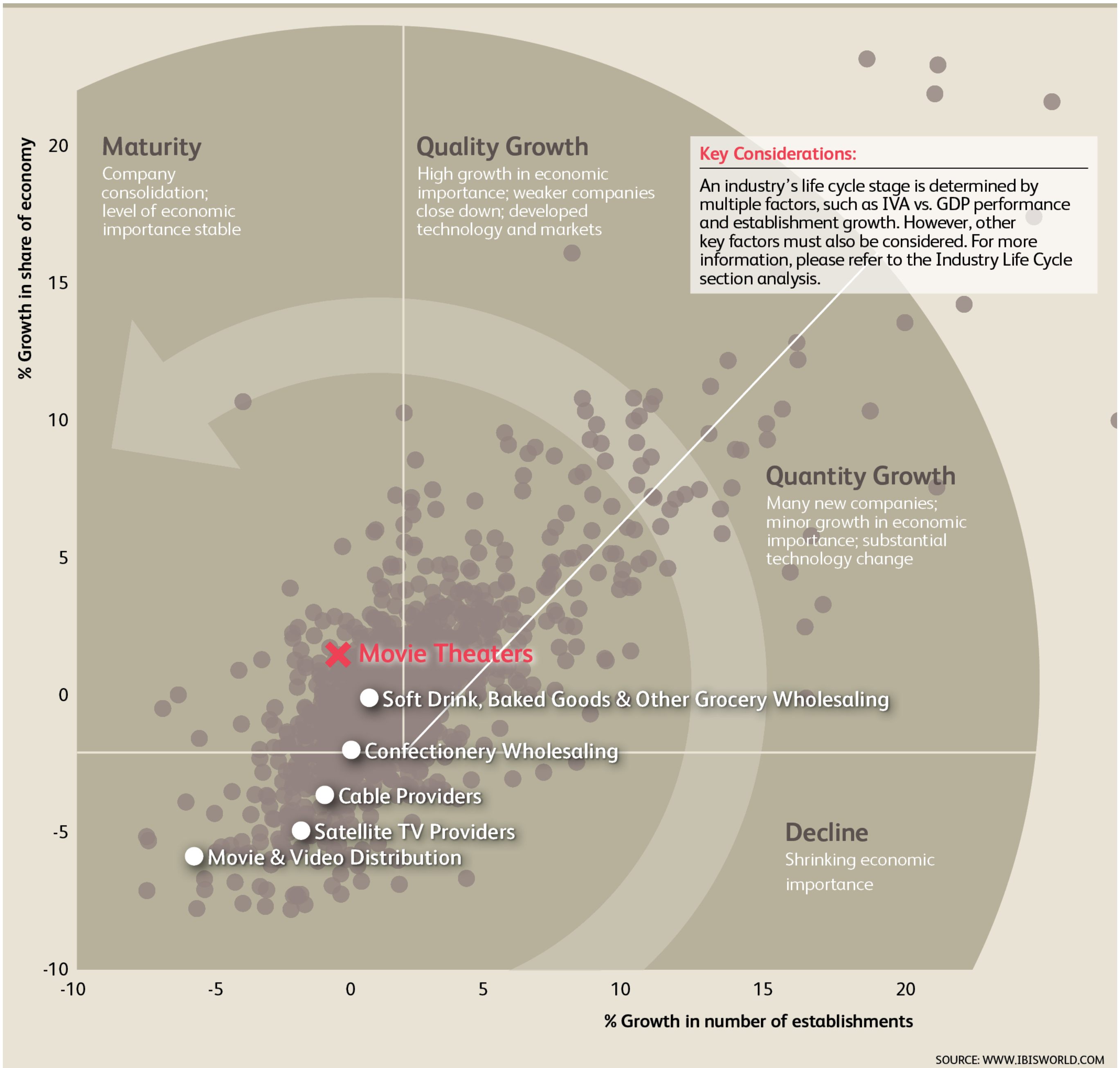
Industry Performance

Life Cycle Stage

Industry value added is growing more quickly than GDP

Technological investment into digital projection is rising but not fundamentally changing the industry

Movie theaters continue to experience wholehearted acceptance in American culture



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is **Mature**

The Movie Theaters industry is in the mature phase of its life cycle, exhibited by slow growth, steady technological change and wide market acceptance. Industry value added (IVA), a measure of the industry's contribution to the overall economy, is forecast to grow at an annualized rate of 3.7% over the 10 years to 2024 higher than the projected annualized GDP growth of 2.1% during the same period. Although this would normally indicate a growing industry, the higher IVA growth rate can be attributed to the industry's higher capital spending because of facility upgrades during this time. An essential component of the entertainment industry and American culture, movie theaters are not expected to become obsolete.

Major merger and acquisition activity, such as AMC Entertainment Inc.'s acquisition of Carmike theaters, is also in line with the industry's mature life cycle phase. Further, over the five years to 2024, the number of enterprises is expected to decline as acquisitions are expected to continue. This slow decline, but relatively stable number of companies is indicative of an industry in the mature phase of its life cycle. As the industry has, for the most part, completely converted to digital technologies from analog, technological change is limited to improvements in digital projection, 3D and IMAX technologies, which are all well-established within the industry. This low level of technological change is also indicative of the industry's maturity.

Products & Markets

Supply Chain | Products and Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

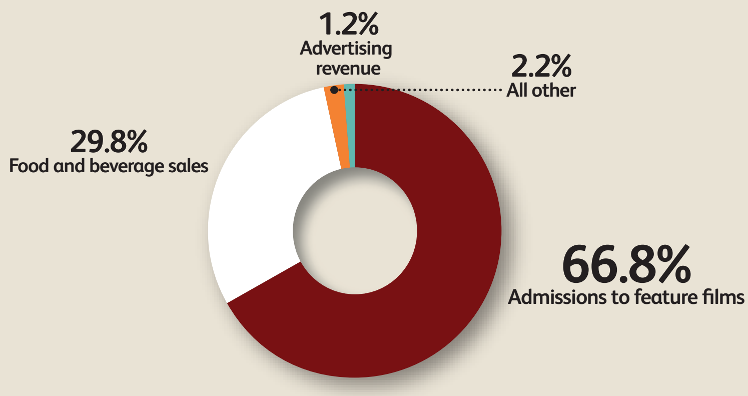
99	**Consumers in the US** Consumers account for the vast majority of movie tickets and concessions sales.

KEY SELLING INDUSTRIES

42445	**Confectionery Wholesaling in the US** This industry supplies candy and similar concessions to movie theaters.
42449	**Soft Drink, Baked Goods & Other Grocery Wholesaling in the US** This industry supplies soft drinks for movie theater concessions.
51211a	**Movie & Video Production in the US** This industry produces the films exhibited at movie theaters.
51212	**Movie & Video Distribution in the US** This industry distributes movies to movie theaters.

Products and Services

Products and services segmentation (2019)



Total $18.9bn

SOURCE: WWW.IBISWORLD.COM

Admissions to feature films

Generating 66.8% of the Movie Theaters industry revenue in 2019, movie tickets include both domestic film exhibition (66.0% of industry revenue) and foreign film exhibition (0.8%). In addition, this product segment includes admissions to 3D and IMAX movies. Despite increases in disposable income, this segment has marginally decreased as a portion of total industry revenue due to slight decreases in attendance. Using the latest data available from the Motion Picture Association of America (MPAA), IBISWorld projects average ticket prices to continue trending upward, reaching $9.33 in 2019.

Most industry companies operate first-run film exhibitions or screenings of newly released movies. While these tickets are the industry standard, some companies also operate budget theaters that show second- or third-run films at a heavy ticket-price cut after the initial season at primary theaters ends. Since ticket prices are offered at such high discounts, admissions revenue is much lower for these theaters compared with concessions sales.

Products & Markets

Products and Services continued

Food and beverage sales

Food and beverage sales account for an estimated 29.8% of industry revenue in 2019. This includes both concession and vending machine sales. Typical concession items include soda, candy, popcorn and other snack items. In addition, theaters have begun offering full service, dine-in and expanded food options, serving a variety of entrees, snacks, beverages and a full bar menu. For such establishments, concessions are a much higher portion of revenue than for establishments that operate the traditional concessions offerings.

Advertising revenue

For industry operators, revenue from advertising is expected to account for 1.2% of total industry revenue in 2019. This includes multiple formats such as on-screen advertising and physical displays such as signs and banners for upcoming films. For those looking to reach younger audiences, advertising in movie theaters is an important component of an effective advertising campaign. Therefore, industry operators take advantage of this by offering potential advertisers media space on-screen and throughout the theater.

All other

Other industry services include the rental of theater and parking lot space for special events, revenue from coin-operated games and rides offered within theaters, fees from customer loyalty programs and gift card sales. In 2019, this product segment is expected to generate an estimated 2.2% of industry revenue.

Demand Determinants

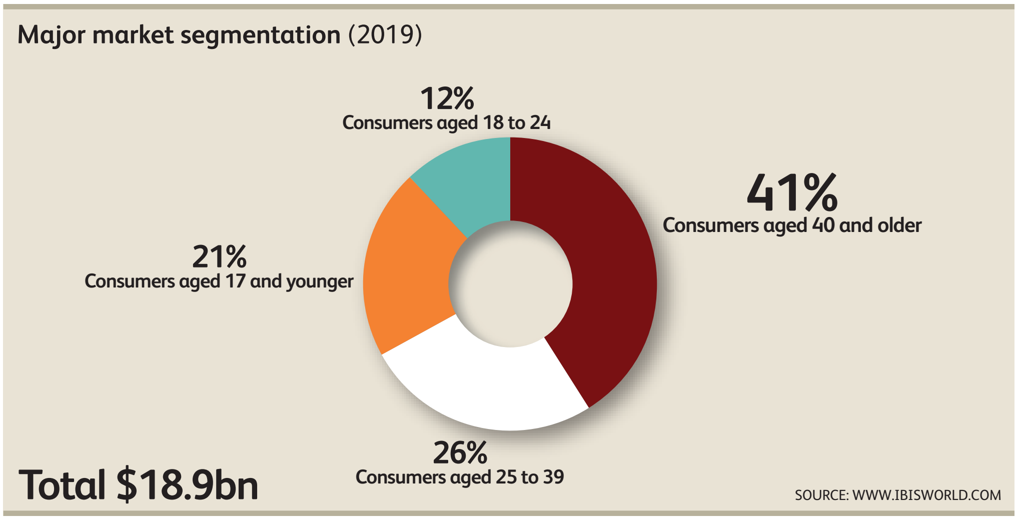
Demand for the Movie Theaters industry is determined both by economy-wide factors such as disposable income and consumer confidence and by the success of heavily advertised blockbuster movies in any given year. Movie attendance is highly based on consumers' ability to spend on nonessential items like entertainment, and is therefore affected by per capita disposable income and ticket prices. In addition, in comparison with other forms of paid entertainment such as concerts or sporting events, movie ticket prices are relatively inexpensive. Therefore, during economic downturns, the Movie Theaters industry is slightly less sensitive to shifts in disposable income and consumer spending. Nevertheless, a wide range of factors, including unemployment and gas prices, influence patrons' ability to go to the movies.

The success (or failure) of high-budget, high-return blockbuster movies more directly drives demand for movie theaters. The excitement surrounding a well-received film can send even infrequent moviegoers to theaters, and fans may see a single film more than once. As a result, movie theater demand is, to an extent, at the mercy of the marketing efforts of major motion picture studios and the commercial appeal of a certain film or franchise, such as the Star Wars series. A theater's ability to acquire a license to show a film tied to a popular brand or franchise directly affects its ability to attract patrons.

Demand for movie theaters is also highly seasonal, with distributors historically concentrating big releases during the summer and holiday seasons. Likewise, box office performance is generally tethered to the success of these films. Further, admissions revenue is generally highest during the summer months and holiday season.

Products & Markets

Major Markets



Consumers aged 40 and older

Individuals in this age group generally have higher disposable incomes than other demographics and tend to be less interested in newer technologies that act as substitutes for the movie theater experience, such as internet-based film and TV services like Netflix. This segment of the population is also growing more quickly than younger groups. As the population ages and reaches retirement-age, this market segment will have more leisure time. Hence, IBISWorld anticipates that this segment's share of revenue will grow over the five years to 2024. According to the Theatrical Market Statistics report published by the Motion Pictures Association of America (MPAA), this consumer segment constitutes 42.0% of frequent movie goers, which is reflective of their increased time for leisure.

Consumers aged 25 to 39

Adults aged 25 to 39 represent an estimated 24.0% of the industry's market in 2019, making this the second-largest customer segment for industry operators. These consumers have moderate disposable incomes, and because many people start families in their late twenties and early thirties, many adults in this age group accompany their children to the movies. This is likely a combination of higher disposable income and attending movies more frequently since they are more likely to have young children.

Consumers aged 17 and younger

In 2019, consumers aged 17 and younger are expected to comprise the third-largest customer segment for the Movie Theaters industry. Like the segment aged 40 and older, these consumers enjoy a relatively large amount of leisure time compared with other age groups. In addition, they are more likely to be receiving financial support from parents or older adults to pay for tickets. Consumers in this age group are estimated to represent 21.0% of frequent moviegoers in 2019.

Consumers aged 18 to 24

Moviegoers aged 18 to 24 are estimated to represent 13.0% of the market for the Movie Theaters industry in 2019. Individuals in this age group have higher disposable incomes than younger consumers but lower incomes than consumers in older demographics, making movie tickets an attractive form of affordable entertainment. In addition, movies marketed toward young adults cater heavily to this segment. However,

Products & Markets

Major Markets continued

since this age group is much more comfortable with technology, they are also more likely to substitute movie theater entertainment with online movie and TV streaming and premium cable TV shows.

International Trade

The Movie Theaters industry operates domestically. Some major players operate theaters overseas, but revenue from these locations is not considered relevant to this US industry.

Products & Markets

Business Locations 2019

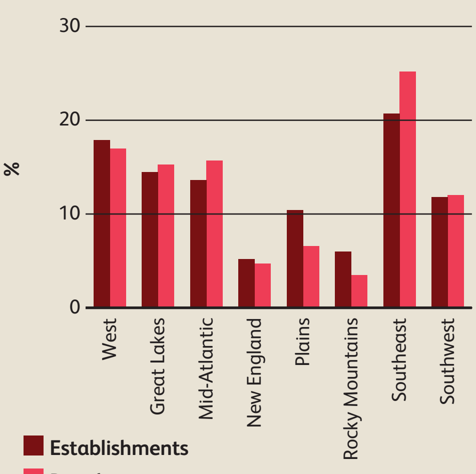
Products & Markets

Business Locations

The distribution of movie theaters in the United States is closely tied to population density, consumer leisure time and disposable income because Movie Theaters industry operators depend exclusively on individual moviegoers for revenue. As a result, the largest region, the Southeast (25.7% of the population), is home to the highest number of movie theater establishments, with 20.7% of total establishments. Contained within the Southeast is the state of Florida with 4.6% of industry establishments, making it the fourth-largest state by establishments and contributing to the dominance of the region. Likewise, the West (17.3% of the population) has the second-highest share of establishments at 17.9%. This region also includes California, the largest individual state for the industry, which houses 11.6% of all movie theaters in the country. The state's close association with film and entertainment also contribute to the concentration of theaters there. To illustrate, industry leader Regal Entertainment Group, a subsidiary of Cineworld Group PLC, operates twice as many theaters in California than in its next-largest market, Florida.

The Mid-Atlantic region, which includes New York (the second-largest state by establishments with 5.9%), includes densely populated cities more easily served by a smaller number of theaters, such as New York City and Washington, DC, leading to a smaller share of establishments (13.6%) compared with the region's share of population (15.2%). Conversely, regions where the population is more spread out, such as the Plains (10.4% of establishments) feature a higher share of establishments compared with population because individual theaters serve fewer patrons per capita. Major players note that the lack of available land in desirable areas in major urban markets limits the expansion of theaters in those areas.

Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Medium**

The Movie Theaters industry has a medium level of market share concentration, with the three largest companies accounting for an estimated 51.6% of industry revenue in 2019. Recently, the industry has been characterized by a significant level of acquisition activity. This has maintained the industry's medium level of market share concentration. AMC Entertainment Inc. (AMC) acquired Carmike Cinemas Inc. toward the end of 2016.

Besides acquisitions that took place during the period, the structure of the industry lends itself to a medium level of market concentration. Typically, North American film distributors establish geographic film licensing zones and license on a film-by-film basis to one theater in each zone. Generally, in zones with higher competition, distributors will generally allocate their films to the exhibitors based on screen capacity, grossing potential and licensing terms. Therefore, this provides a substantial advantage to large establishments within the zones that have many screens and higher ticket sales and can be quite damaging for small and independent operators. Industry operators are largely dependent on the popularity of the movies they show, and revenue is therefore quite dependent on the licensing rights awarded to them by distributors. In addition, large operators have been able to make investments in upgrades such as satellite-delivered digital projections, 3D, IMAX and other upgrades to the customer experience. This has further lent to the dominance of the industry's major players since expanded concessions, a variety of movie offerings and showtimes, theater comfort and 3D films have all become more important to consumers.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to quickly adopt new technology
Industry operators need to adopt digital projection systems to take advantage of lower distribution costs and higher-quality audio and video. Upgrading screens to 3D capability permits companies to justify higher ticket prices for some films.

Access to multiskilled and flexible workforce
Movie theaters must have access to a steady stream of young casual employees to cover daily, weekly and annual demand peaks and for cost considerations.

Being part of a group buying, promotion and marketing scheme
Chain operators benefit from lower managerial and overhead costs, including promotional advantages, with improved profit margins. Access to movies at lower costs can also be negotiated due to the number of screens and audience numbers.

Proximity to key markets
It is important to identify key local market segments for movies to drive audience growth, and operators need to offer easy access to auditoriums, including access to parking.

Competitive Landscape

Cost Structure Benchmarks

Wages

In 2019, total wage expenditure is estimated to represent 11.7% of total revenue. Labor is required for admissions and concessions sales and cleaning and maintenance. The work does not require skilled labor and so the vast majority of industry employees work part-time and are paid the minimum wage. Theater managers can adjust working hours during periods of low demand. Wages as a portion of revenue has increased during the period, having been lower in 2014 at 11.0%. This increase is partly due to increases in employment and increases in the minimum wage at the state level that went into effect during the period.

Purchases

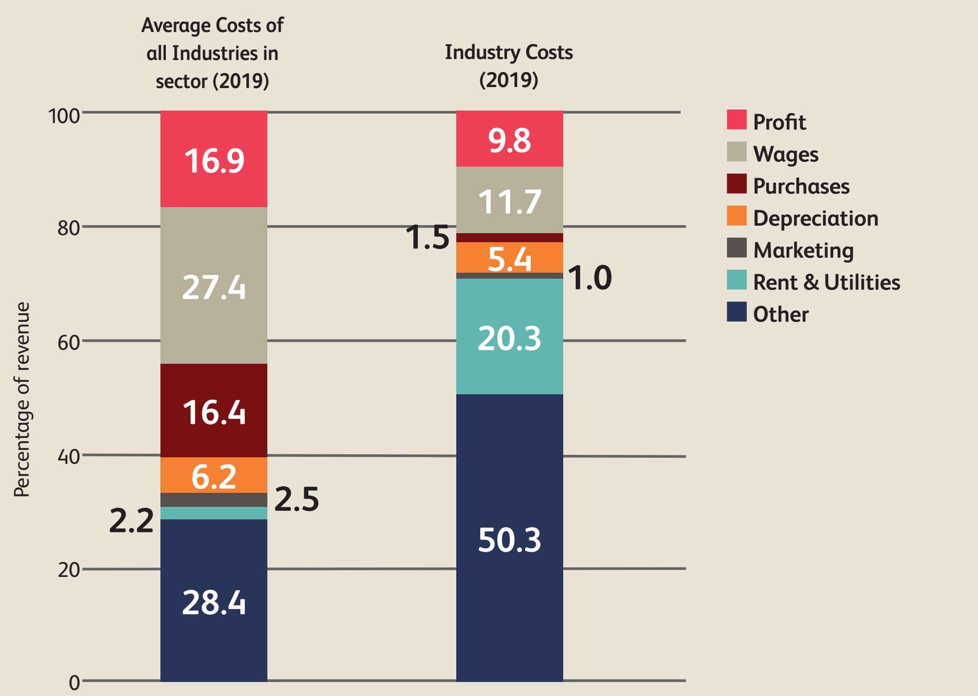
In 2019, purchases are estimated to account for 1.5% of total revenue.

Profit

In 2019, profit, measured as earnings before interest and taxes, for the average Movie Theaters industry operator is estimated to be 9.8% of revenue. Profit during the period has increased, as it was lower at 7.4% in 2014. Further, larger industry operators such as Regal Entertainment Group and Cinemark Holdings Inc., typically benefit from higher profit margins. As enterprises that typically operate larger establishments, they have more negotiating power when it comes to negotiating licensing fees and concession supply agreements. Investments in digital projection technology that enable content to be delivered by satellite have lent to the increase in profit because it has decreased variable costs associated with film distribution and transportation.

Concessions, which are the second-highest generator of revenue, generally

Sector vs. Industry Costs



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Cost Structure Benchmarks continued

command a higher margin than admissions. Due to this, industry operators have expanded their concession offerings toward higher value products, with some establishments even serving as dine-in theaters. As concessions increase as a portion of revenue, profit will also increase.

Depreciation

Depreciation is estimated to account for 5.4% of industry revenue in 2019. The industry is considered to have a high level of capital intensity, with items such as screens and projection systems accounting for the bulk of depreciable assets. As dine-in theaters and 3D films become more popular, depreciation is likely to increase as the expenses associated with these large upgrades are capitalized.

Marketing

Marketing and advertising costs are estimated to represent 1.0% of total industry revenue in 2019.

Rent

Rent costs are generally quite high. In 2019, rent expenses are estimated to represent 18.0% of total revenue. Typically, larger operators lease their theater spaces. Smaller operators are more likely to own their locations. As theater sizes have increased, so has the cost of leasing these spaces and their associated utilities. Rent and utility expenses for locations in top markets, such as New York City, Los Angeles and Chicago, are likely much higher as they are sought after locations and serve many more customers per establishment. This cost component generally increases for industry operators following large acquisitions.

Utilities

Utilities are estimated to account for 1.4% of revenue in 2019.

Other

For the Movie Theaters industry, other costs can be quite significant and include film rental and licensing fees paid to distributors and food and beverage supplies purchased for concessions. Generally, film rental fees are a distributor specified percentage of revenue from admissions that is usually agreed upon from the outset. The settlement process usually permits negotiation based upon how a film actually performs. This fee can vary based on the negotiating power of the distributor and the industry operator, the expected popularity of a film, and whether it is a first-run, second-run or third-run film release.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Steady**

Internal competition

Movie theaters compete with one another primarily based on film offerings, ticket prices, auditorium quality, location and concessions offerings. The popularity of certain films is the most important demand determinant for a theater, and the ability to secure the license to exhibit a season's biggest hit is a theater's strongest competitive advantage. Strong links with movie distributors that have a solid slate of film releases ensures that a theater can offer the most popular films. Additionally, the capability to show 3D films expands a theater's range of exhibition options and can attract moviegoers seeking the 3D experience.

During the period, the Movie Theaters industry has begun to transition. Previously, the Movie Theaters industry was driven by quantity (number of theaters, screens and seats). Increasingly, however, industry operators have begun to focus on increasing the quality of the

Competitive Landscape

Basis of Competition continued

consumer experience through seat improvements and a focus on comfort, an expanded offering of high-quality concessions and by aiming to use the highest quality technology to create the most immersive and innovative experience possible for their customers. In addition, industry operators have been providing open-source ticketing to make their customer's experience as convenient as possible, as that has become more important to consumers. Engagement and loyalty programs have also become popular among industry operators that are looking to keep customers loyal to their brand.

External competition

Movie theaters experience competition from other mediums of accessing films, including DVD players, home theater systems and downloading or streaming content from the internet, as well as from other forms of entertainment, such as video game consoles or sports. The rapid penetration of in-home entertainment equipment, such as projector screen TVs, affects industry revenue by competing with movie theaters for a share of household disposable income spent on entertainment.

Over the five years to 2019, online forms of entertainment have become an even greater threat to the industry. The number of broadband connections has grown strongly over the five years to 2019, and is forecast to expand further over the five years to 2024. As more consumers become comfortable with downloading and streaming movies onto their computers, smartphones and tablets, external competition to the Movie Theaters industry rises.

The theatrical release window model provides industry operators a significant amount of protection from external competition. Theatrical windows are designed to protect the exclusivity of new films showing in theaters. Currently, the average theatrical release window is three months, according to the National Association of Theater Owners, with conversations about shrinking it further. The theatrical release window also serves to protect studios, directors and distributors and plays an important role in piracy prevention, as the release of DVDs make it possible for people to illegally upload films onto websites that people can access for free. Shrinking the release window would further subject industry operators to high levels of external competition. Recent conversations among those in the movie industry surrounding Premium Video on Demand (PVOD) have created concerns among industry operators. PVOD would enable film consumers to watch blockbuster movies at home for a fee of $30.00 to $50.00 per movie while the movie is still playing in theaters. This would create higher external competition for industry operators, while still providing the same protections as the theatrical release model for major studios.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **High** and **Increasing**

Barriers to entry in the Movie Theaters industry are high and growing more difficult to overcome. The costs of purchasing and operating capital equipment such as digital projection systems, screens, audio systems and leasing the buildings themselves are high. Any entrant looking to compete with large industry operators will have even higher entrance costs as the costs associated with these components increase in line with the size of an operation. As industry operators compete increasingly based on quality, new entrants will need to be able to acquire the latest in audio and visual projection technology, presenting a significant upfront capital investment as these technologies are especially expensive when they are new to the marketplace. Additionally, given the geographic licensing zones established by distributors, new first-run theater operators might have difficulty acquiring rental licenses for major films since established theaters are more competitive.

The barriers to entry are slightly lower for industry entrants that are operating second- and third-run theaters. Licensing of movies that have already been released in theaters and for home entertainment are less costly, and less competitive, to acquire. These theaters are likely to be smaller and are often referred to as budget theaters. The cost of acquiring theater equipment is lower since these types of establishments have smaller operations. Further, since customers are paying less for admissions, these theaters do not compete on their ability to provide the highest quality and most technologically advanced viewing experience. Therefore, the cost of acquiring the necessary equipment is further lowered by the ability to purchase equipment that is older or even used.

Barriers to Entry checklist

Competition	High
Concentration	Medium
Life Cycle Stage	Mature
Capital Intensity	High
Technology Change	Medium
Regulation and Policy	Light
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

Industry Globalization

Level & Trend
Globalization in this industry is **High** and the trend is **Steady**

The Movie Theaters industry in the United States is characterized by a high level of globalization. There are several foreign-based companies with a significant industry presence as well as several US-based companies that maintain a notable amount of operations overseas. For example, AMC Entertainment Inc. (AMC), the industry's largest company, is owned by Dalian Wanda Group (a holding through common stock), which is a private Chinese conglomerate. In addition, while AMC operates most of its establishments in the United States, it also operates a significant number of locations internationally, including, but not limited to, Austria, Germany, Ireland, Italy, Portugal, Spain and the United Kingdom. Cineworld Group PLC (Cineworld), a UK based cinema chain, is now one of the largest players in the US industry following its acquisition of Regal Entertainment Group (Regal) in February 2018.

Other major domestic companies operate theaters overseas. Cinemark Holdings Inc. (Cinemark), the industry's third-largest company, has a wide presence in South America, particularly in Brazil and in Argentina. Conversely, Cinepolis, a Mexican chain of movie

Competitive Landscape

Industry Globalization continued

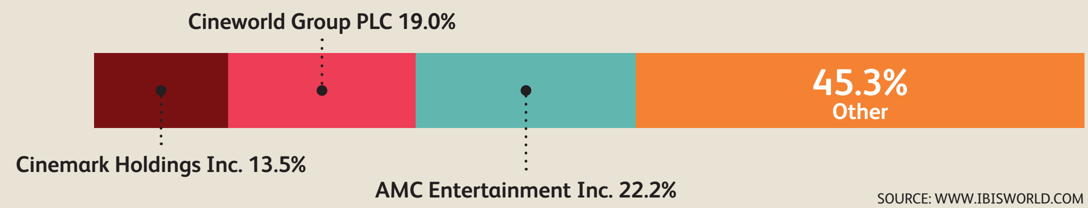
theaters, operates establishments in California, Connecticut, Florida, New Jersey, New York, Ohio and Texas. Behind AMC, Regal and Cinemark, Cinepolis is the fourth-largest multiplex chain in the world.

AMC's acquisition of Odeon and UCI cinemas, Europe's largest cinema operator, is another example of the growing trend of globalization among the industry. The industry's largest operators have the necessary capital to make international acquisitions, which tends to be the most efficient way of entering a foreign market. In addition, by increasing their reach globally, major industry operators are able to increase their negotiating power with major studios.

Major Companies

AMC Entertainment Inc. | Cineworld Group PLC
Cinemark Holdings Inc. | Other Companies

Major Players
(Market Share)



SOURCE: WWW.IBISWORLD.COM

Player Performance

AMC Entertainment Inc.
Market Share: 22.2 %
Industry Brand Names
Loews
General Cinema
Kerasotes

AMC Entertainment Inc. (AMC) was originally founded in Kansas City, MO, in 1920. Today, AMC operates 1,006 theaters with 11,091 screens and is headquartered in Leawood, KS. In the 1960s, AMC was one of the first industry operators to introduce Multiplex theaters and in the 1990s, the stadium-seated Megaplex theater format. In addition to operating theaters in the United States, the company also operates in the United Kingdom, Ireland, Italy, Spain, Austria, Portugal and Germany. Globally, the company employs 4,408 full-time employees and 35,754 part-time employees. In 2012, the company was acquired by Dalian Wanda Group Co. (Wanda), one of the largest privately held conglomerates in China. As of 2017, Wanda remains the company's single largest shareholder with a 50.01% ownership stake. In 2018, AMC reported total company revenue to be $5.2 billion.

Like most industry operators, box office admissions are AMC's largest source of revenue. The company predominantly shows "first-run" films distributed through major film production companies and from independent distributors on a film-by-film and theater-by-theater basis. As of 2018, the company had 5,411 3D screens, including 112 proprietary large format (PLF) screens and 216 IMAX screens that are 3D-enabled. Food and beverage sales are the company's second-largest source of revenue, with offerings varying based on the preferences of different geographical regions. The company continues investing in the expansion of food and beverage offerings. In line with growing consumer interest, the company currently operates 29 dine-in theaters

AMC Entertainment Inc. (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014	2,688.2	N/C	171.1	N/C
2015	2,940.0	9.4	218.4	27.6
2016	3,117.0	6.0	205.8	-5.8
2017	3,723.5	19.5	74.8	-63.7
2018	4,013.2	7.8	194.8	160.4
2019	3,838.6	-4.4	101.8	-47.7

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance continued

featuring luxury recliner seating with tables.

In November 2016, AMC completed its acquisition of Odeon and UCI Cinemas Holdings Limited (Odeon). At the time of the acquisition, Odeon operated 242 theaters in the United Kingdom, Spain, Italy, Germany, Austria, Portugal and Ireland. This acquisition is accounted for within the company's international markets segment. Following this, in December 2016, AMC completed its acquisition of Carmike Cinemas Inc. (Carmike). As of the acquisition, Carmike operated 271 theaters for a total of 2,923 screens located in 41 states. The acquisition of Carmike has helped to diversify the geographic footprint of AMC theaters, with the addition of Carmike's suburban and rurally located locations. Since guests from different demographic and geographic profiles have different tastes in movies, AMC expects that broadening its geographic base will help mitigate the impact of film genre volatility on its box office revenue.

Financial performance

Over the five years to 2019, IBISWorld estimates that AMC's industry-relevant revenue has grown at an annualized rate of 7.4% to $3.8 billion. Growth for the company has been driven by a reinvestment in existing theaters, acquisition of other industry enterprises and the popularity and success of films released during the period. For example, AMC's acquisition of Odeon and Carmike during the period has made it the largest theater operator in the world, and in the United States specifically. The company's growth strategy has focused on investing in and upgrading the customer experience in theaters. Areas of focus have been comfort and convenience, food and beverage, engagement and loyalty, sight and sound and targeted programming. By improving these areas, the company has been able to take advantage of incremental revenue-generating opportunities.

Player Performance

Cineworld Group PLC
Market Share: 19.0 %
Industry Brand Names
Regal Entertainment Group
Cineworld
Picturehouse
The Screening Rooms

Cineworld Group PLC (Cineworld) was founded in 1995 and is one of the largest cinema groups in Europe. In February 2018, Cineworld completed its acquisition of Regal Entertainment Group (Regal), simultaneously marking

Cineworld Group PLC (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014	$2,974.5	N/C	$304.8	N/C
2015	$3,110.9	4.6	$317.6	4.2
2016	$3,180.0	2.2	$337.6	6.3
2017	$3,140.4	-1.2	$269.8	-20.1
2018	$2,933.1	-6.6	$351.0	30.1
2019	$3,387.0	15.5	$659.3	87.8

*Estimates (2018 figures represent Cineworld's financial performance through the company's operation of Regal Entertainment Group cinemas in the United States. Figures prior to 2018 represent Regal's performance prior to its acquisition.)

SOURCE: IBISWORLD

Major Companies

Player Performance continued

its entrance into the US Movie Theaters industry and making it one of the largest industry players. By number of screens, Cineworld is the second-largest cinema business in the world, with operations in the United States, United Kingdom, Ireland, Poland, the Czech Republic, Slovakia, Hungary, Bulgaria, Romania and Israel. Worldwide, the company operates a total of 9,518 screens and employs over 37,500 staff members in 790 locations in 10 countries. In 2018, Cineworld Group reported total revenue of $2.9 billion.

Cineworld operates in the United States solely through its ownership of Regal, now a fully owned subsidiary of the group, which continues to operate theaters throughout the United States under the Regal brand with offices in Knoxville, TN. As a result of the group's acquisition of Regal, an estimated 71.2% of total company revenue is generated in the United States through 555 locations and 7,269 screens. The vast majority of the company's screens feature stadium seating, with the company's theaters having an average of 13 screens per location. During the period, Cineworld has begun to implement its refurbishment program on Regal cinemas, which includes technological investments in digital laser projectors, 80 new 4DX and 55 IMAX screen agreements and 100 ScreenX screens.

Financial performance

Over the five years to 2019, industry-relevant revenue for Cineworld is estimated to increase at an annualized rate of 2.6% to $3.4 billion. Industry-relevant revenue is expected to be generated solely through the operation of Regal in the United States. Prior to its acquisition, Regal strove to drive growth through several factors, including the popularity and success of films released during the period, its investment in a variety of customer experience upgrades and its investment and acquisition of companies that provide it a strategic advantage. Moving forward, Cineworld is expected to capitalize on the brand's large US presence and drive growth through investments that improve the customer experience and grow revenue per customer, such as screen technologies, comfortable seating and a variety of food, snack and drink options.

Player Performance

Cinemark Holdings Inc.
Market Share: 13.5 %

Cinemark Holdings Inc. (Cinemark) was incorporated in 2006 and is currently headquartered in Plano, TX. As of December 2018, the company owns 546 theaters throughout the United States and Latin America, totaling 6,048 screens. The company employs 20,000 people in the United States, of which an estimated 21.0% are full-time employees and the remaining 79.0% are part-time employees. In 2018, Cinemark reported total company revenue of $3.2 billion. The company is managed under two reportable operating segments: US markets and international markets.

Industry-relevant revenue is generated through the US markets reporting segment. This includes concession sales, which are the company's second-largest revenue source following admissions. Currently, all domestic theaters are fully equipped with digital projection technology. Cinemark recently began delivering digital content to domestic theaters via satellite through Digital Cinema Distribution Coalition (DCDC), a joint venture with Regal Entertainment Group, AMC Entertainment Inc., Warner Bros. Entertainment Inc. and Universal Pictures. Satellite delivery has enabled company theaters to include the presentation of 3D content and alternative entertainment such as live sports programs, concert events, the Metropolitan Opera, e-sports gaming

Major Companies

Player Performance continued

events and other special presentations through its joint venture, AC JV LLC.

As of 2018, all the company's domestic theaters can receive content through satellite delivery, which helps to reduce film transportation costs, as an exhibitor and for distributors. As of 2018, 229 auditoriums featured seats with immersive cinematic motion, in which seats are programmed to move in harmony with the audio and video content of the film. CineArts locations are devoted specifically to showing a selection of art and independent cinema. In addition, Cinemark operates other theaters that offer such content on a limited basis.

Financial performance

Over the five years to 2019, Cinemark's industry-relevant revenue is estimated to increase at an annualized rate of 5.6% to $2.5 billion. Over the five years to 2019, Cinemark's market share has only increased marginally. Over the past 10 years, attendance has only marginally increased or decreased from year to year. Therefore, growth during the period, is due to the company's development of higher-value product and service offerings. This is in line with its competitors, and the acquisition of high-quality theaters in select markets. Providing viewing opportunities of alternative content and enacting variable pricing methodologies has driven attendance during nonpeak times. The company's focus on driving attendance and engagement is also an important factor in its growth over the past five years.

Cinemark Holdings Inc. (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014	$1,934.9	N/C	$267.4	N/C
2015	$2,137.7	10.5	$317.1	18.6
2016	$2,230.7	4.4	$323.2	1.9
2017	$2,236.2	0.2	$293.2	-9.3
2018	$2,551.7	14.1	$307.6	4.9
2019	$2,537.7	-0.5	$284.6	-7.5

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Other Company Performance

The Marcus Corporation
Market Share: 2.5 %

The Marcus Corporation was founded in 1935 in Ripon, WI, with the opening of a single movie theater. The company is currently headquartered in Milwaukee, and reported total company revenue of $707.1 million in 2018. The Marcus Corporation owns or manages an estimated 889 screens and 68 movie theaters throughout Wisconsin, Illinois, Minnesota, Missouri, Ohio, North Dakota, Iowa and Nebraska.

The Marcus Corporation operates two divisions: Marcus Theaters and Marcus Hotels and Resorts. Currently, it is the fourth-largest theater circuit in the United States, following AMC Entertainment Inc., Regal Cinemas (now a subsidiary of Cineworld Group PLC) and Cinemark Holdings Inc. In 2019, industry-specific revenue for the Marcus Corporation estimated to be $497.7 million.

Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

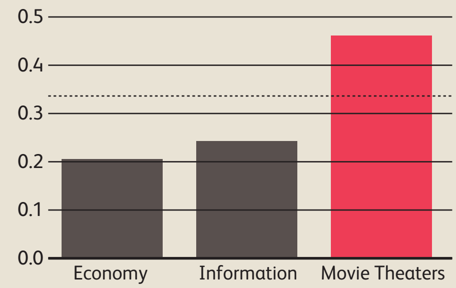
Capital Intensity

Level
The level of capital intensity is **High**

The Movie Theaters industry has a high level of capital intensity. In 2019, for every $1.00 spent on wages, industry operators are estimated to spend $0.46 on capital investments. Capital investments include screens and projection systems, audio systems and studio renovations.

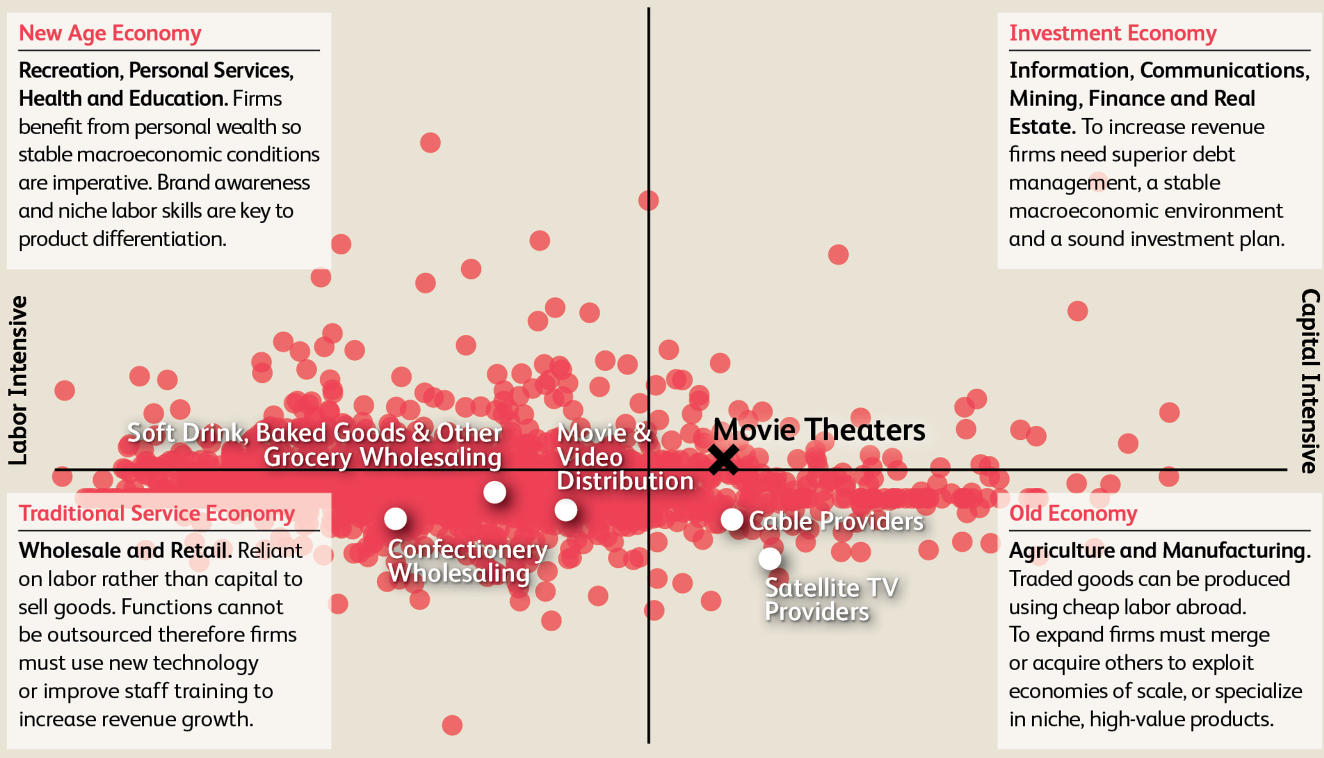
Total wage expenditure and investments in capital have grown in proportion to each other, thus resulting in a stable level of capital intensity. Employees are necessary for ticket sales, concessions sales, cleaning and maintenance and security. During the period, several states enacted increased minimum wages. As the majority of industry establishments hire part-time labor, that is paid the minimum wage, this has resulted in an increase in total labor expenditure for industry operators. Capital expenditures during the period

Capital Intensity
Capital units per labor unit



Dotted line shows a high level of capital intensity
SOURCE: WWW.IBISWORLD.COM

Tools of the Trade: Growth Strategies for Success



SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Capital Intensity continued

have been focused on continuing to upgrade projection systems to be IMAX- and 3D-capable. In addition, the development of dine-in theaters has meant that industry operators must perform significant renovations to their establishments, which are usually considered a capital expenditure. Acquisitions during the period have also increased, which has increased capital expenditures associated with obtaining new establishments.

Technology and Systems

Level
The level of technology change is **Medium**

The Movie Theaters industry is subject to technological change, as industry operators are always seeking the latest technologies that produce the brightest, most colorful picture in 2D and 3D. Currently, most industry operators use digital projection technology. For example, all of AMC Entertainment Inc.'s theaters use a digital format. In comparison with traditional analog film, digital films are both recorded and stored as computer files, and they can be distributed as hard drives or via satellite or broadband internet connection. By eliminating the physical storage and transportation of films, theaters and distributors have greatly reduced costs.

Traditional digital projectors use lamps to generate light and project the visual images onto the screen. More recently, lasers have been used in digital projection to create light and replace the traditional UHP, Xenon and other lamps found in the traditional digital projectors. Laser projectors grant industry operators the ability to show the brighter, more color accurate films that are more energy efficient. Currently, these projectors are quite expensive, and while they do present a technological change, have not revolutionized the industry in any way.

The creation of digital projection has enabled the creation of 3D viewing technologies which have become more popular. Industry operators want to provide viewers with an experience that is as immersive as possible. 3D technologies and IMAX theaters provide this ability. For industry operators these generate higher revenue and further differentiate movie theaters from other forms of home entertainment such as online streaming and DVDs. Some movie theaters even provide viewers with a 4D experience, using motion equipped seats that move in-sync with the film, as well as wind and water effects. With the development of virtual reality (VR) technology it is likely that the movie theater experience, and therefore the technology, will continue changing. Currently, the high cost of operating and maintaining these technologies favors large industry operators.

Revenue Volatility

Level
The level of volatility is **Low**

The Movie Theaters industry can be subject to fluctuations in demand as a result of short-term economic changes. During periods of high consumer confidence and per capita disposable income, individual consumers are more likely to spend on discretionary items, such as admissions tickets and concessions at movie theaters. During periods of lower consumer confidence and disposable income, people are likely to curtail their spending on such purchases, decreasing revenue for industry operators.

Despite this, demand for admissions to industry establishments is, in general, slightly less volatile in comparison with other forms of entertainment, such as sporting events and live music events, which generally require more expensive

Operating Conditions

Revenue Volatility continued

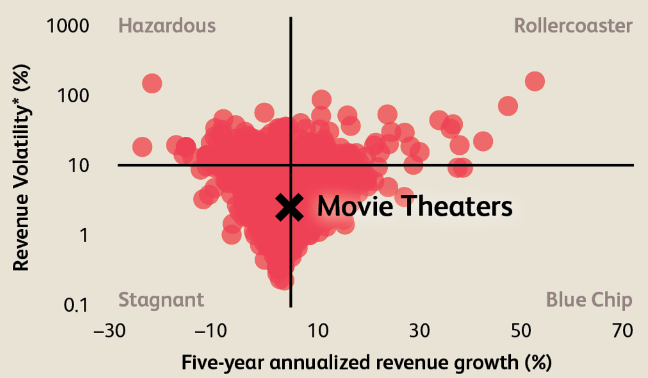
tickets. Therefore, during periods of lower per capita disposable income, spending on movie theater admissions is generally not as sensitive as sales for other, more expensive, forms of entertainment since movies are one of the lower-cost forms of discretionary entertainment spending.

In addition to consumer spending, revenue for the Movie Theaters industry is largely dependent from year to year on the success and popularity of films released during each given year. At the box office especially, the amount of excitement produced by a film's advertising campaign can drive huge growth in revenue for industry operators. Hence, operators in the Movie Theaters industry are to some extent, reliable on the advertising budget and expenditure of the Movie and Video Production industry (IBISWorld report 51211a), which can increase the level of fluctuation in revenue from year to year.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Volatility vs. growth



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Regulation and Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Steady**

There is little federal or state regulation specific to the Movie Theaters industry. Industry operators must comply with the Americans with Disabilities Act (ADA) of 1990, which may require them to install assistive listening systems for the hearing impaired or dedicate a certain amount of space in an auditorium to patrons who use wheelchairs. New auditoriums are constructed with ADA compliance in mind, but exhibitors that operate older theaters will incur costs to upgrade their facilities to comply with the law.

Historically, the industry underwent several legal skirmishes with motion picture studios regarding the practice of "block booking," in which an exhibitor was forced to receive a group of films regardless of their quality, a system that lowered costs for the studios but did not benefit exhibitors. Block booking came to an end in 1948 in the US Supreme Court case United States v. Paramount Pictures Inc. The case established the precedent that films be licensed singly and to individual theaters rather than to an entire chain at once, a system that remains the industry standard.

Although they do not carry the force of law, film ratings are widely accepted and enforced by theater operators. The Classification and Rating Administration, created by the Motion Picture Association of America and the National Association

Operating Conditions

Regulation and Policy continued

of Theatre Owners, classifies films based on age-appropriate content to help parents decide the suitability of individual movies for viewing by their children.

Industry Assistance

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

The Movie Theaters industry receives no direct government assistance in the form of tariffs or subsidies. However, the Movie Theaters industry does receive assistance through the theatrical release window, a period of time in which films are only authorized to be shown in movie theaters before being made available to customers on DVD and through online streaming and rentals. This protects industry operators from external competition and permits them to capture consumer demand during the period when consumer excitement surrounding new releases is typically highest. Recent discussions among major motion picture studios about shortening the theatrical release window will pose a potential threat to industry operators if such a decision is instituted.

The industry also receives assistance and support through a variety of industry associations, several of which leverage a significant amount of power. The Motion Picture Association of America (MPAA) is a professional association for the wider motion picture production sector composed of the six major US studios: Walt Disney Studios Motion Pictures; Paramount Pictures Corporation; Sony Pictures Entertainment Inc.; Twentieth Century Fox Film Corporation; Universal City Studios LLC; and Warner Bros. Entertainment Inc. As online piracy has become a growing problem for the film and TV industries, the MPAA has become the industry's most prolific advocate for copyright and intellectual property protection by providing the industry and the public with data and research.

The National Association of Theatre Owners is the largest exhibition trade organization in the world and represents more than 30,000 screens in all 50 states. The National Association of Theatre Owners represents its members in Hollywood and in Washington, DC, where it helps influence federal policy-making and works with film distributors on issues like marketing, First Amendment rights and intellectual property. The National Association of Theatre Owners also offers resources and data for current exhibitors and parties interested in opening a new theater business.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand	Per capita dis-posable income ($)
2010	15,120.1	3,082.9	4,865	2,054	134,581	--	--	1,676.7	N/A	38,160.3
2011	14,338.9	3,152.6	4,819	2,060	126,831	--	--	1,632.8	N/A	38,769.6
2012	15,294.3	3,356.0	4,765	2,062	129,112	--	--	1,612.3	N/A	39,763.4
2013	15,696.4	3,862.9	4,690	2,025	127,192	--	--	1,681.2	N/A	38,973.8
2014	15,861.3	3,802.2	4,668	2,029	133,555	--	--	1,740.2	N/A	40,249.8
2015	17,012.4	4,170.6	4,620	1,952	141,705	--	--	1,822.9	N/A	41,598.1
2016	17,626.8	4,852.3	4,620	1,948	151,714	--	--	2,031.9	N/A	42,004.3
2017	18,333.7	4,953.7	4,578	1,931	154,247	--	--	2,075.4	N/A	42,791.1
2018	18,716.3	4,913.2	4,561	1,922	156,315	--	--	2,106.3	N/A	43,758.3
2019	18,910.6	4,998.2	4,545	1,915	157,928	--	--	2,128.1	N/A	44,630.2
2020	19,117.8	5,094.0	4,535	1,909	159,626	--	--	2,151.0	N/A	45,278.2
2021	19,306.3	5,191.0	4,527	1,904	161,384	--	--	2,174.2	N/A	45,776.2
2022	19,493.2	5,240.7	4,521	1,900	162,994	--	--	2,195.8	N/A	46,279.8
2023	19,700.5	5,295.3	4,512	1,896	164,430	--	--	2,215.9	N/A	46,974.0
2024	19,910.5	5,330.4	4,506	1,893	165,619	--	--	2,233.5	N/A	47,710.3
Sector Rank	**23/37**	**25/37**	**18/37**	**20/37**	**10/37**	**N/A**	**N/A**	**27/37**	**N/A**	**N/A**
Economy Rank	**390/694**	**413/694**	**403/694**	**458/694**	**205/694**	**N/A**	**N/A**	**456/694**	**N/A**	**N/A**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Per capita dis-posable income (%)
2011	-5.2	2.3	-0.9	0.3	-5.8	N/A	N/A	-2.6	N/A	1.6
2012	6.7	6.5	-1.1	0.1	1.8	N/A	N/A	-1.3	N/A	2.6
2013	2.6	15.1	-1.6	-1.8	-1.5	N/A	N/A	4.3	N/A	-2.0
2014	1.1	-1.6	-0.5	0.2	5.0	N/A	N/A	3.5	N/A	3.3
2015	7.3	9.7	-1.0	-3.8	6.1	N/A	N/A	4.8	N/A	3.3
2016	3.6	16.3	0.0	-0.2	7.1	N/A	N/A	11.5	N/A	1.0
2017	4.0	2.1	-0.9	-0.9	1.7	N/A	N/A	2.1	N/A	1.9
2018	2.1	-0.8	-0.4	-0.5	1.3	N/A	N/A	1.5	N/A	2.3
2019	1.0	1.7	-0.4	-0.4	1.0	N/A	N/A	1.0	N/A	2.0
2020	1.1	1.9	-0.2	-0.3	1.1	N/A	N/A	1.1	N/A	1.5
2021	1.0	1.9	-0.2	-0.3	1.1	N/A	N/A	1.1	N/A	1.1
2022	1.0	1.0	-0.1	-0.2	1.0	N/A	N/A	1.0	N/A	1.1
2023	1.1	1.0	-0.2	-0.2	0.9	N/A	N/A	0.9	N/A	1.5
2024	1.1	0.7	-0.1	-0.2	0.7	N/A	N/A	0.8	N/A	1.6
Sector Rank	**27/37**	**21/37**	**26/37**	**25/37**	**26/37**	**N/A**	**N/A**	**27/37**	**N/A**	**N/A**
Economy Rank	**374/694**	**302/694**	**531/694**	**522/694**	**389/694**	**N/A**	**N/A**	**383/694**	**N/A**	**N/A**

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2010	20.39	N/A	N/A	112.35	11.09	27.66	12,458.67	0.02
2011	21.99	N/A	N/A	113.06	11.39	26.32	12,873.82	0.02
2012	21.94	N/A	N/A	118.46	10.54	27.10	12,487.61	0.02
2013	24.61	N/A	N/A	123.41	10.71	27.12	13,217.81	0.02
2014	23.97	N/A	N/A	118.76	10.97	28.61	13,029.84	0.02
2015	24.52	N/A	N/A	120.06	10.72	30.67	12,864.05	0.02
2016	27.53	N/A	N/A	116.18	11.53	32.84	13,392.96	0.03
2017	27.02	N/A	N/A	118.86	11.32	33.69	13,455.04	0.03
2018	26.25	N/A	N/A	119.73	11.25	34.27	13,474.71	0.03
2019	26.43	N/A	N/A	119.74	11.25	34.75	13,475.13	0.03
2020	26.65	N/A	N/A	119.77	11.25	35.20	13,475.25	0.03
2021	26.89	N/A	N/A	119.63	11.26	35.65	13,472.22	0.03
2022	26.88	N/A	N/A	119.59	11.26	36.05	13,471.66	0.03
2023	26.88	N/A	N/A	119.81	11.25	36.44	13,476.25	0.03
2024	26.77	N/A	N/A	120.22	11.22	36.76	13,485.77	0.03
Sector Rank	**32/37**	**N/A**	**N/A**	**34/37**	**33/37**	**9/37**	**37/37**	**25/37**
Economy Rank	**402/694**	**N/A**	**N/A**	**563/694**	**490/694**	**168/694**	**670/694**	**413/694**

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Apr 2017 - Mar 2018 by company revenue Small (<$10m)	Medium ($10-50m)	Large (>$50m)
Liquidity Ratios							
Current Ratio	0.6	0.6	0.9	0.7	0.9	0.7	0.7
Quick Ratio	0.5	0.5	0.7	0.6	0.7	0.6	0.5
Sales / Receivables (Trade Receivables Turnover)	560.2	427.0	398.5	456.8	n/c	137.8	93.8
Days' Receivables	0.7	0.9	0.9	0.8	0.4	2.6	3.9
Cost of Sales / Inventory (Inventory Turnover)	78.9	81.3	77.5	77.5	91.7	72.8	62.8
Days' Inventory	4.6	4.5	4.7	4.7	4.0	5.0	5.8
Cost of Sales / Payables (Payables Turnover)	18.3	9.6	12.0	17.6	48.0	11.3	10.7
Days' Payables	19.9	38.0	30.4	20.7	7.6	32.3	34.1
Sales / Working Capital	-22.4	-14.4	-49.7	-34.5	-230.7	-27.3	-25.7
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	3.8	3.3	5.2	4.1	3.7	5.9	1.7
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	2.8	2.0	2.9	n/a	n/a	n/a	n/a
Leverage Ratios							
Fixed Assets / Net Worth	4.3	4.0	2.5	3.5	4.2	2.7	8.0
Debt / Net Worth	4.1	3.9	2.1	3.2	3.8	2.3	8.4
Tangible Net Worth	10.2	4.9	24.4	14.0	12.9	18.9	7.1
Operating Ratios							
Profit before Taxes / Net Worth, %	33.4	30.6	29.9	34.4	25.7	39.4	n/a
Profit before Taxes / Total Assets, %	8.1	6.7	9.0	8.2	8.1	13.4	4.1
Sales / Net Fixed Assets	2.0	1.6	1.7	1.6	1.2	1.9	1.9
Sales / Total Assets (Asset Turnover)	1.2	1.1	1.0	1.2	1.1	1.1	1.3
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	57.6	59.7	58.2	59.4	59.0	60.7	63.5
Cash after Operations	12.7	15.0	15.1	16.7	16.7	17.5	12.2
Net Cash after Operations	13.8	16.2	14.6	17.2	17.2	17.0	18.5
Cash after Debt Amortization	3.0	6.9	4.7	5.6	4.8	6.1	11.3
Debt Service P&I Coverage	1.5	2.2	2.2	2.4	2.4	2.6	3.2
Interest Coverage (Operating Cash)	5.1	5.8	8.1	7.4	9.2	9.3	5.6
Assets, %							
Cash & Equivalents	12.5	14.8	16.6	15.7	16.3	17.0	10.3
Trade Receivables (net)	2.2	2.3	1.5	2.1	0.6	4.4	2.7
Inventory	1.3	1.0	0.9	0.8	0.7	0.8	1.3
All Other Current Assets	2.4	2.9	1.5	2.0	2.4	1.3	2.3
Total Current Assets	18.4	20.9	20.6	20.6	20.0	23.4	16.6
Fixed Assets (net)	66.7	67.2	66.0	67.4	67.2	69.2	63.9
Intangibles (net)	7.3	7.4	6.2	6.0	5.3	4.8	11.2
All Other Non-Current Assets	7.6	4.5	7.2	6.1	7.5	2.6	8.3
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets ($m)	2,275.1	2,932.5	1,941.8	2,819.1	314.8	939.9	1,564.4
Liabilities, %							
Notes Payable-Short Term	2.0	2.0	1.5	1.4	1.9	0.5	1.5
Current Maturities L/T/D	6.2	4.8	4.3	5.0	5.0	5.8	3.1
Trade Payables	7.4	8.8	6.0	5.4	4.0	6.9	7.3
Income Taxes Payable	0.1	0.3	0.3	0.3	n/a	0.6	0.7
All Other Current Liabilities	14.4	14.5	13.5	12.6	13.8	11.2	11.5
Total Current Liabilities	30.1	30.4	25.7	24.7	24.8	25.0	24.1
Long Term Debt	39.3	43.1	38.5	45.0	49.5	40.0	38.5
Deferred Taxes	0.4	0.4	0.2	n/a	n/a	n/a	0.1
All Other Non-Current Liabilities	12.6	13.8	5.0	10.3	7.6	11.2	18.9
Net Worth	17.5	12.3	30.6	20.0	18.2	23.7	18.3
Total Liabilities & Net Worth ($m)	2,275.1	2,932.5	1,941.8	2,819.1	314.8	939.9	1,564.4
Maximum Number of Statements Used	98	92	88	107	58	34	15

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.

Jargon & Glossary

Industry Jargon

BLOCKBUSTER A highly successful movie.

BOX OFFICE The total sales of admissions for a specific movie or for a year.

CONCESSIONS Food or drink sales.

VIDEO-ON-DEMAND (VOD) An internet-based technology that permits subscribers to watch programming in real time or download programs and view them later.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %, medium is 5 % to 20 %, and high is more than 20 %. Imports/domestic demand: low is less than 5 %, medium is 5 % to 35 %, and high is more than 35 %.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20 %; high volatility is ±10 % to ±20 %; moderate volatility is ±3 % to ±10 %; and low volatility is less than ±3 %.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.