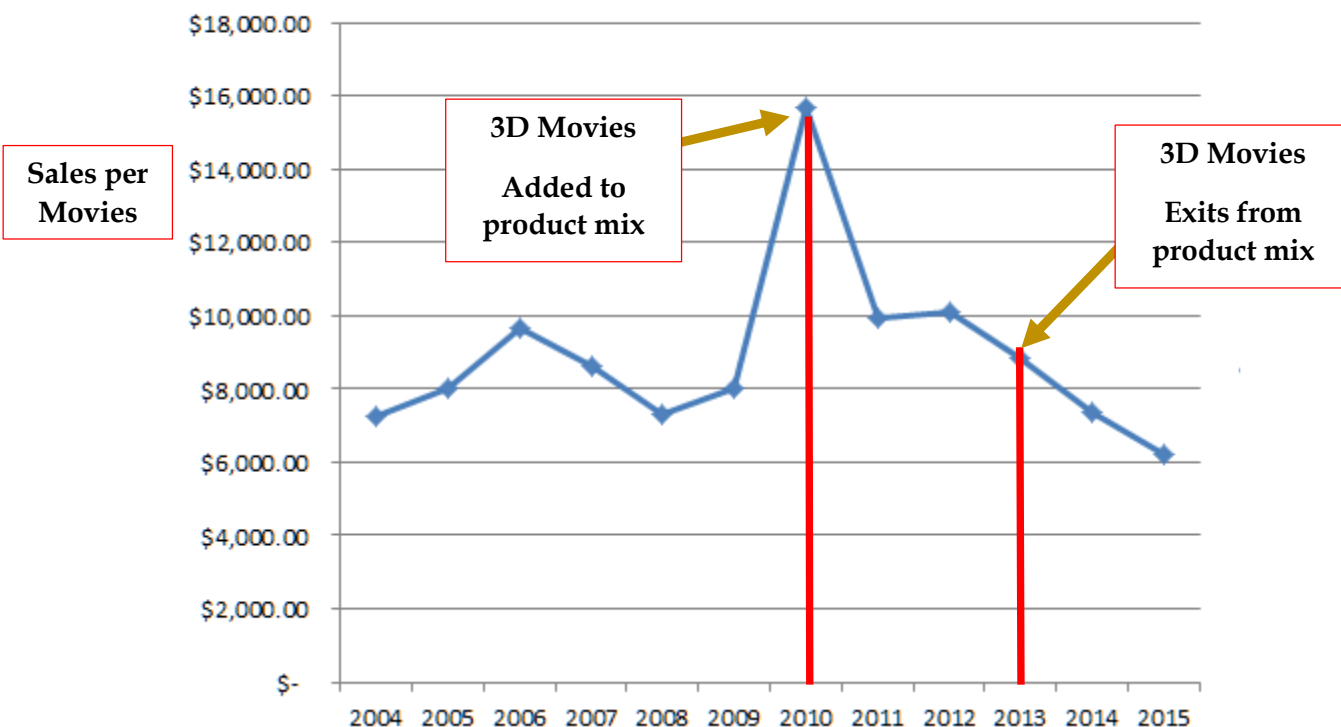


Understanding the Foot Traffic in the Cinema Designated Market Area of New Providence: Past and Present

Part 2: Present State of DMA Foot Traffic in New Providence

From 2010 to present Designated Market Area Box Office Revenue in New Providence has seen a precipitous decline in revenue and attendance.

Average Sales per Movie by Year



Note:

Data Courtesy of Rentrak/ComScore.com and is available upon request. Rentrak is the foremost authority on movie and theater data. The same is also a certified partner of North American Theater Owners (NATO) Association.

There are several reasons for the decline in Galleria's Box Office:

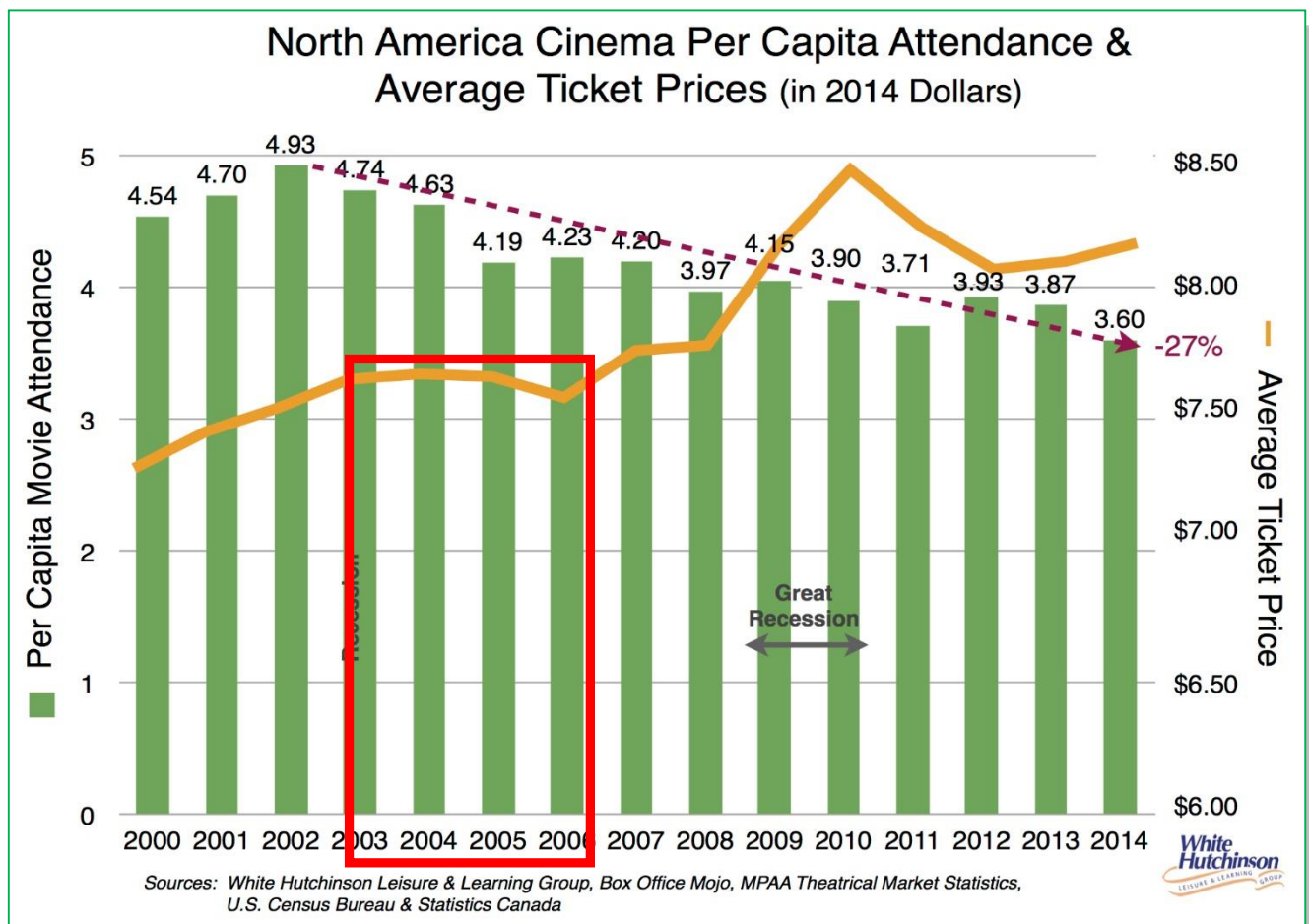
- I. Lack of Business Model Evolution
- II. Poor product implementation
- III. Customers dissatisfaction

I. Lack of Business Model evolution

Galleria Cinemas' refusal to stay current with basic cinema standards has had a direct effect on revenue, attendance and its long term sustainability. A case study in cinema business models showing the direct effect that changing of product mix has on revenue and attendance.

Case Study: American Multi-Cinema (AMC) product mix evolution 2005-2016

In 2005, ninety-five percent (95%) of AMC screens were 2D. Movie attendance in the United States had begun to decline and theater owners had few options to justify increase revenue/ticket prices. Hence between 2003 and 2006, theater owners began to decrease 2D ticket prices to stimulate decreasing attendance.



Needing more revenue choices, AMC began diversifying its product offering. It started in 2005 by partnering with IMAX on a pilot program before expanding the deal in 2007.

cinema TREASURES

INDUSTRY

IMAX will expand into AMC theaters

posted by [HowardBHaas](#) on December 10, 2007 at 7:45 am

Looking to develop its 3D inventory in anticipation of the movie Avatar (December 2009), AMC increase their 3D theaters tenfold to 1500 Real D Systems.



REUTERS

FILM NEWS | Thu Mar 26, 2009 | 2:39pm EDT

AMC, RealD in deal to add more 3-D screens



RealD, a provider of 3-D technology to theaters, said on Thursday it has reached a deal with movie chain operator AMC Entertainment Inc to add up to 1,500 RealD 3-D screens to its circuit in the United States and Canada.

As a final addition to its premium formats, AMC added a dine-in concept to its business model.

LATEST ENTERTAINMENT NEWS HEADLINES

Movie News

TO DINE OR NOT TO DINE: A LOOK AT AMC'S NEW IN-THEATER DINING

11.18.2010 by: *Mike Sampson*



By 2010 the changes were beginning to bear fruit.

KANSAS CITY
BUSINESS JOURNAL

SPECIAL FEATURE

Crane Watch: What's being built in the KC area >

AMC reports annual profit, driven by IMAX, 3D movies

Jun 15, 2010, 9:29am CDT Updated Jun 15, 2010, 9:29am CDT

AMC continued renovating its theaters. By 2015, investment analysts raved about AMC's upgrade and the theater industry's trend towards customer satisfaction.

DEADLINE | HOLLYWOOD

Movie Theaters To See Big Payoffs From Upgrades And Trends – Analyst

One reason for his optimism: An RBC survey shows that consumers like theaters that upgrade their seating and concessions, and offer alternative content on slow nights. Although 44% of the 1,000 respondents didn't have a favorite theater chain, 24% cited AMC which Kulp says "is due to their focus on improving the customer experience."

Analysts were correct in their assessment of the industry as a whole. By the end of 2016 the results were in and AMC transformation was complete.

 Log In

MarketWatch

AMC profit doubles as ticket prices rise

Published: Nov 7, 2016 5:20 p.m. ET

More importantly attendance was up with IMAX accounting for 3% of its inventory yet generating 9% of AMC's total Box Office revenue.

A comparative look at the AMC business model evolution Vs. Galleria Cinemas tells the tale.

AMC Business Model 2004

98% 2D/ Regular Theaters
2% Other

Galleria Cinemas Business Model 2004

100% 2D/ Regular Theaters

AMC Business Model (2015)

Format	Number of Screens As of December 31, 2015	Number of Screens As of December 31, 2014
Digital.....	5,426	4,946
3D enabled	2,643	2,413
IMAX (3D enabled)	152	150
Dolby Cinema at AMC Prime	12	—
Other PLF (3D enabled)	13	20
Dine-in theatres	312	265
Premium seating	1,119	598

$$(2,643 + 152 + 12 + 312 + 1119) / 5426 = 78\%$$

78% Premium Offering

22 % 2D and Regular Theaters

Galleria Business Model (2015)

100% 2D/ Regular Theaters

Note:

Galleria briefly added 3D movies to the Bahamian market between 2010 before stopping 2013 due to technical & managerial failures.

Let's Compare AMC's Product Mix to Atavus Group's Product Mix

AMC Business Model (2015)

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78% Premium Offering
22 % 2D and Regular Theaters

Atavus Business Model (2015)

<u>Format</u>	<u>Number of Screens</u>
Digital Laser	9
4DX (3D enabled)	1
IMAX with Laser (3D enabled)	1
PFL (3D enabled)	1
VIP (One 3D enabled)	2
3D enabled	1

$$(1 + 1 + 1 + 2 + 1) / 9 = 66\%$$

66% Premium Offering
33 % 2D and Regular Theaters

Note:

Notice the similarity in the AMC and Atavus' Product Mix. Atavus Group business model is in line with global standards of operation. The stagnancy in the Galleria's Product Mix, since its inception in 1998, is dumbfounding from a business perspective. It is now quite easy to see why they have struggled at the box office for years.

II. Poor Product Implementation

Galleria's track record has shown that only external industry conditions force them to modify their product mix. When they do make changes, management uses cheap, inefficient solutions that alienate their customer base and hurt their bottom line.

Example: 3D adoption in the Bahamas and its subsequent failure

Galleria adopted 3D movies in 2010, almost four years after 3D became a global standard. Financially this was a poor decision considering what movie products were dominating the cinema landscape. For example, in 2009 Avatar in 3D made more money for theater owners than any movie in history.

Why 3D failed in the Bahamas miserably?

A proper 3D presentation requires four (4) components:

- ✚ 3D glasses
- ✚ A silver screen to decrease light loss
- ✚ Updated projectors
- ✚ A 3D module that can adjust the image as it leaves the projector

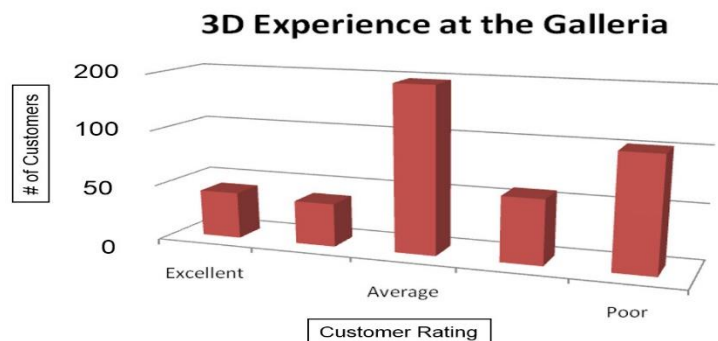
Besides cheap 3D glasses, Galleria only bought the 3D modules for their projectors. They continued to use their old screens and outdated projectors from a decade earlier.

Results:

- Patrons complained of headache due to the poor screen calibration
- Movies were out of focus or too dark to view

Atavus Group conducted focus groups on 3D movie goers in 2013.

Less than 17% of respondent had a positive 3D experience at Galleria.

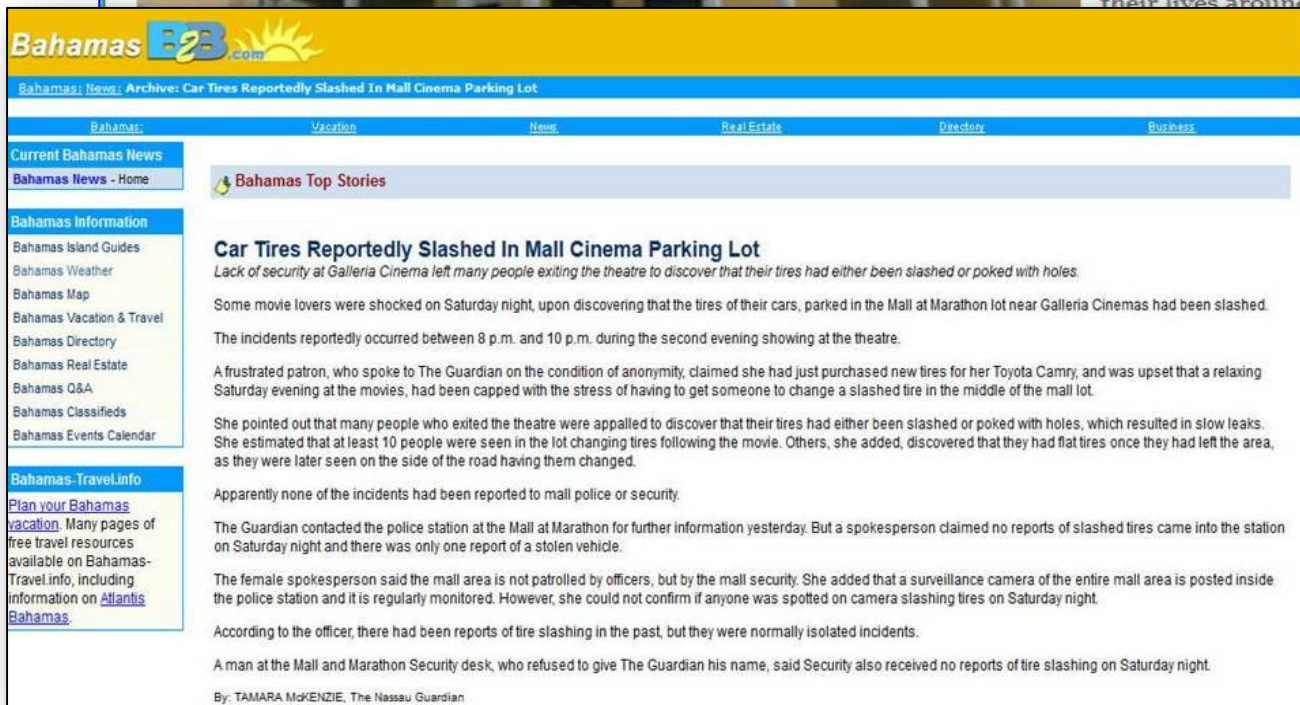
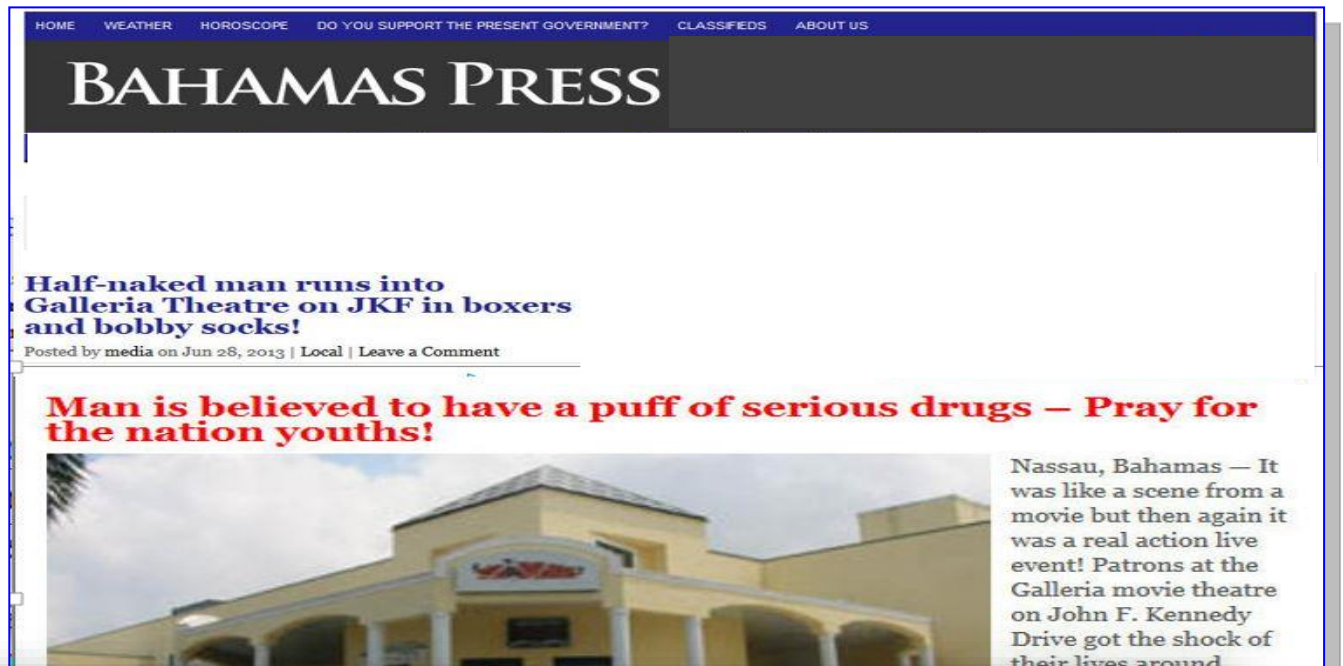


Conclusion:

By mid-2013, less than three years after 3D was introduced to the Bahamas, Galleria Cinemas no longer showed 3D movies.

III. Customers have been very disgruntled with Galleria for over a decade concerning various issues:

- Safety/Security Problems:



- Poor Facility Condition:



Muddasick! Galleria Cinemas Freeport

Thursday, 25 February 2010 17:28

Has anyone been to the movies lately?

I went to the movies last night to see Valentines Day and got there a little early to beat the rush and get a hot dog.

Buying a ticket from a person you can't see behind blacked out glass, who doesn't say thank you is no big surprise and getting a hot dog with a bun that's hard as rock is also no big surprise. But when we entered the cinema to sit down and eat, the lights were on bright and I got to see just how sad the condition of the

The carpet in the center is completely stained and disgusting. The seats are all worn and lumpy and stained and disgusting. Some are broken so you have to move to another. The floor is sticky and disgusting.

To add "insult to injury", the projector stopped working three times during the movie.

This theatre is long overdue for some refurbishments! Surely a part of responsible fiscal management is a reserve for replacement of seats, carpets, signs etc. How much worse does it have to get?

The movie going public deserves better!

News, events and community information for the Bahamas.

December 30, 2004

BAHAMAS' GALLERIA CINEMAS BEGGING FOR BANKRUPTCY

Without an exception, all of my movie-going experiences at Nassau's Galleria Cinemas have been the worst I have ever experienced. And I am not the only one saying that. Far too many people agree with that opinion. Galleria Cinemas should do itself a favour and just go quietly out of business, because they will eventually be driven out by the Bahamian public.

You'd think running the only movie theatres in New Providence would make the job easier for the management at Galleria Cinemas. Well, you wouldn't know it by the terrible way the theatre chain is managed.

I went recently to the JFK theatre to see an afternoon movie with friends. There was no one at the ticket booth when we arrived. Finally, a slovenly, obese, lazy woman came to the window and grunted some rude command that ended with a dollar amount. I smiled, said "Hello" and slid a \$20 bill through the slit in the black-tinted plexiglass, which very much resembled the hole in the wall that I once saw in a movie about crack cocaine houses.

After a minute or two, two tickets were shoved out the slit without a word from the rude employee inside the ticket booth. I said "You're welcome", anyway, then headed for the entrance.

Again, no one was at the door to take the tickets, so my friends and I just went on in. I sat at the door, where the ticket-taker is supposed to sit, for about five minutes, cheerfully taking the tickets of other movie-goers just to see how long it would be before a Galleria Cinema employee came to relieve me of my self-imposed duty. Too long. My movie was about to start so I gave all the tickets I had collected to a snack bar girl and went into the theatre.

After the movie I went to use the men's room and the condition of that restroom is what prompted this rant. It was despicable. This is a public restroom in a privately owned theatre. There is NO excuse for any company, anywhere, at any time, to not maintain their restrooms for the use of their customers.

It is not like the theatre was busy. In fact, it was nearly empty and there were several employees lounging around doing absolutely nothing. Why weren't they tending the door or cleaning the bathrooms? I paid good money for a movie ticket and expect the facilities to be reflective of the ticket price. This ain't no "dollar" theatre like they have in the States. And, even those cheap theatres have clean restrooms and polite employees. It is unacceptable that Galleria Cinemas doesn't.

All I can say is, it is quite obvious that the money-grubbing owners of Galleria cinemas, like the toilets in their restrooms are full of... well, I think you get the message.

Preparing for the Future

Atavus Group has positioned for continuous success in the years to come. Due to existing exclusive relationships, Atavus has access to several new products expected to enter and dominate the cinema market over the next decade:

- IMAX VR (Proprietary Virtual Reality developed between Google and IMAX)



4DX's new product Screen X: The World's First 270 degree movie experience that covers the walls of the cinema.



Fusion Superplex will be future-proof in the Bahamian Market for years to come.