

IBISWorld Industry Risk Rating Report

Movie Theaters in the US

This Report had been augmented with Bahamian Data and Analysis

December 2016

Risk Overview	2
Industry Definition & Activities.....	2
Industry Risk Score	2
Risk Rating Analysis.....	2
Structural Risk.....	6
Barriers to Entry.....	7
Basis of Competition	9
Domestic and International Markets	14
Industry Assistance	14
Life Cycle	15
Industry Volatility.....	17
Growth Risk.....	19
Growth Analysis.....	19
Sensitivity Risk.....	21
Per capita disposable income	21
External competition for the Movie and Video Distribution industry	25
Technological change for Television Networks and Providers	26
Number of broadband connections.....	28
Number of K-12 students.....	32
IBISWorld Industry Risk Scoring Methodology.....	36
What is Industry Risk.....	36
Methodology	36
Risk Levels	36

Bahamas Theater Industry Risk Analysis Supplemental Report

To properly access the state of the Atavus Group Project, it is essential to understand the risk associated with the main attraction; the cinema component. To do so, the industry guidelines set forth by an independent assessment group has been used. IBIS World is a publisher of business intelligence research. Since 1971, the same has provided thoroughly researched and accurate business reports. To this end, IBIS has recently published a risk rating report on Movie Theaters in the US for the calendar year end December 2017. Atavus will use this report as an assessment tool of Fusion Superplex's cinema component. This will then serve as an overall industry risk overview from an international and local point of view. The local component will be clearly **noted in red and labelled Bahamas** after each relevant discussion.

Risk Overview

Industry Definition & Activities

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

The primary activities of this industry are:

- Film festival exhibition
- Motion picture exhibition for airlines
- Operating drive-in movie theaters
- Operating movie theaters

Bahamas

The local movie industry consists solely of Operating movie theaters. There is one acclaimed local film festival, the Bahamas International Film Festival (BIFF); however, it is more of a complementary than adversarial relationship from a commercial standpoint.

Industry Risk Score

Forecast Period: December 31, 2017

To calculate the overall risk score, IBISWorld assesses the risks pertaining to industry structure (structural risk), expected future performance (growth risk) and economic forces (sensitivity risk). Risk scores are based on a scale of 1 to 9, where 1 represents the lowest risk and 9 the highest. The three types of risk are scored separately, then weighted and combined to derive the overall risk score.

Risk component	Weight	Score
Structural risk	25%	5.05
Growth risk	25%	5.16
Sensitivity risk	50%	3.44
Overall risk		4.27

Bahamas Cinema Risk

Risk component	Weight	Score
Structural Risk	25%	3.13
Growth Risk	25%	4.00
Sensitivity Risk	50%	2.53
Overall Risk		3.05

Risk Rating Analysis

Risk Score Trend Analysis

Overall risk in the Movie Theaters industry is forecast to be MEDIUM-LOW over 2017. The primary positive factors affecting this industry are high barriers to entry and number of broadband connections. Overall risk will be slightly lower than the previous year, a result of favorable movements in number of K-12 students as well as number of broadband connections. Additionally, growth risk is projected to fall.

Bahamas

Overall risk in the Bahamian Movie Theater Industry is Medium-Low of 2017-2018.

1. Barriers of entry will be even higher once Fusion Superplex launches its state of the art complex.
2. The Broadband connection rate has stabilized with low chance of increasing as connection providers BTC/Cable Bahamas cannibalize themselves. Hence Entertainment Substitutability is low.
3. With the opening of Bahamar in 2017 and the Pointe in early 2018, unemployment in the Bahamas should decline and average disposable income should increase.

Risk Score Context

In 2017, the average risk score for all US industries is expected to be in the MEDIUM-LOW band. Furthermore, the risk score for the Information sector, which includes this industry, is also at a MEDIUM-LOW level. Therefore, the level of risk in the Movie Theaters industry will be similar to that of the US economy and the Information sector.

Structural Risk Analysis

Structural risk will be MEDIUM over the outlook period. The biggest risk factor facing this industry is the naturally high level of competition. Businesses competing fiercely for market share are forced to incur expenses to differentiate their offerings, keep prices low to entice demand or both. The result is a greater likelihood of declining revenue and lower profits. However, the high barriers to entry into this industry will prevent the competition from increasing in the long term. In addition, this industry faces moderate revenue volatility, which requires prudent management of cash flows and planning in the face of uncertain demand. Businesses that fail to account for these challenges are at a risk for sudden losses or even bankruptcy.

Bahamas

Structural risk will be Low. Initial entry into a monopolized market would usual signal struggles for a startup. However Bahamian history has shown the opposite effect. Cinema startups thrive. Capital expenditure associated with product procurement will lead to product differentiation at onset because the latest technologies are being secured. As a state of the art facility with the latest equipment and exclusive premium brands, Atavus has what it takes to build demand. Controlling prices from going down initially will be done via Hollywood studios. Studios do not want prices decreasing hence penalize theaters that do by withholding their products. The offending party may however pay the price deficit out of pocket. From a product mix perspective, regular 2D movies are the only thing in common between Atavus and its competition, Galleria Cinemas. Hence 2D prices will remain equal. The premium brands like 4DX and IMAX which have global recognition, have higher price points having shown to be the profit centers. Coupling this with an ever-increasing barrier of entry, Atavus long term success paints a positive risk landscape.

Revenue Volatility

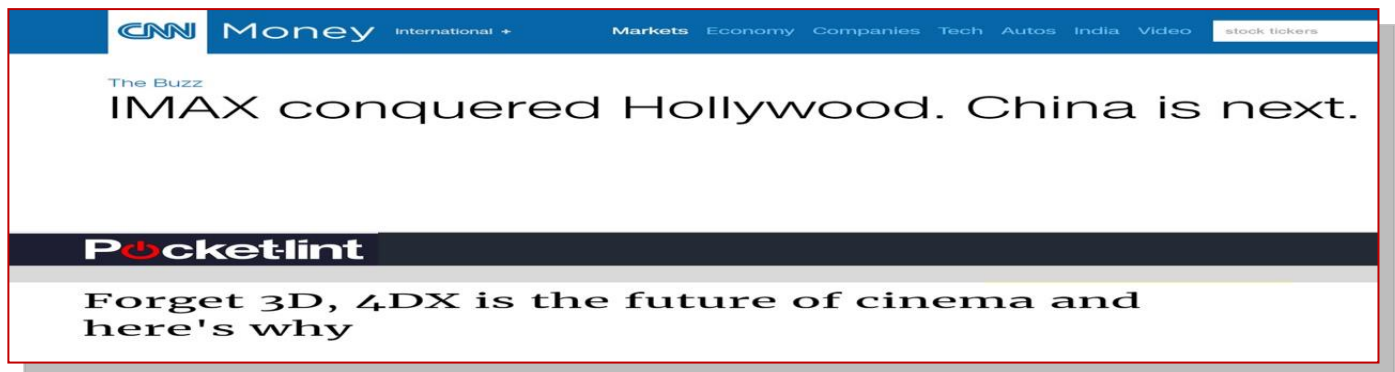
With a few entertainment choices in the Bahamas for families, and the Bahamians' love affair with the movies, revenue volatility is minimal.

Growth Risk Analysis

Growth risk is expected to be MEDIUM over the outlook period. IBISWorld forecasts that annual industry revenue will grow 1.7% to \$15.7 billion. In comparison, revenue expanded 2.1% per year between 2014 and 2016.

Bahamas

Growth risk is low. The growth potential for this project in the Bahamas is extraordinary. Holding the exclusive rights for several global brands allows Atavus Group to do things other cinema chain cannot. For example, Atavus has obtain the rights for IMAX for the entire island for the next dozen years. Usually IMAX only gives out limited geographic exclusivity of a few miles. 4DX is also a nationwide exclusive. These two brand have been credited for being the future of cinema.



Sensitivity Risk Analysis

Sensitivity risk is forecast to be LOW over the outlook period, down marginally from 2016. The two factors with the most significant impacts on the industry are per capita disposable income and external competition. When there is a rise in per capita disposable income, risk will fall; whereas a rise in external competition will cause industry risk to increase.

Per capita disposable income: As a leisure activity, movie attendance relies on household disposable income levels, which, in turn, is affected by employment rates, taxes and the general state of the economy. When disposable income levels rise, people are more capable of spending on discretionary services, driving up ticket sales. Conversely, consumers may defer or reduce trips to the movies when they have lower disposable income. This factor's contribution to risk is expected to increase in the coming year.

Bahamas

Per Capita Disposable Income (Risk: Low) The Bahamas has one of the best per capita disposable incomes in the Western Hemisphere. With two major hotel developments expected to open within the next two years, disposable income is expected to increase. Hence the disposable income risk factor is decreasing.

External competition: Cable, satellite TV, online streaming platforms and other entertainment products are increasingly appearing in households and lowering demand for the Movie Theater industry. On a per program basis, these services allow viewers to access entertainment at a fraction of the cost of a movie ticket. This factor's contribution to risk is expected to remain the same in the coming year.

Bahamas:

Eternal Competition: (Risk: Low) Cable TV is in the homes of almost all Bahamians. Data shows that their expansion capacity is almost maxed out and online streaming platforms though growing is inhibited by poor internet connectivity. Bahamians use eating out together with entertainment venues as their source of social interaction. This is confirmed by reports (2012, 2014) by the Bahamas Department of Statistics that shows; Bahamians spend almost the same on eating out and entertainment versus eating in.

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 access to 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 2016. This factor's contribution to risk is expected to decrease in the coming year.

Bahamas

Number of broadband connections (Risk: Low) The percentage of broadband penetration are amongst the highest in the world. Hence the low risk of increase is due to population capacity maximization.

Technological change: As movie theaters continue to switch to digital and 3D projection systems, ticket prices typically rise, allowing for industry revenue gains. Advances in movie-making and projection technologies have helped to stimulate demand for cinematic screenings, an experience that viewers cannot get from streaming movies at home. Technological change for television networks and providers is expected to increase in 2016. This factor's contribution to risk is expected to decrease in the coming year.

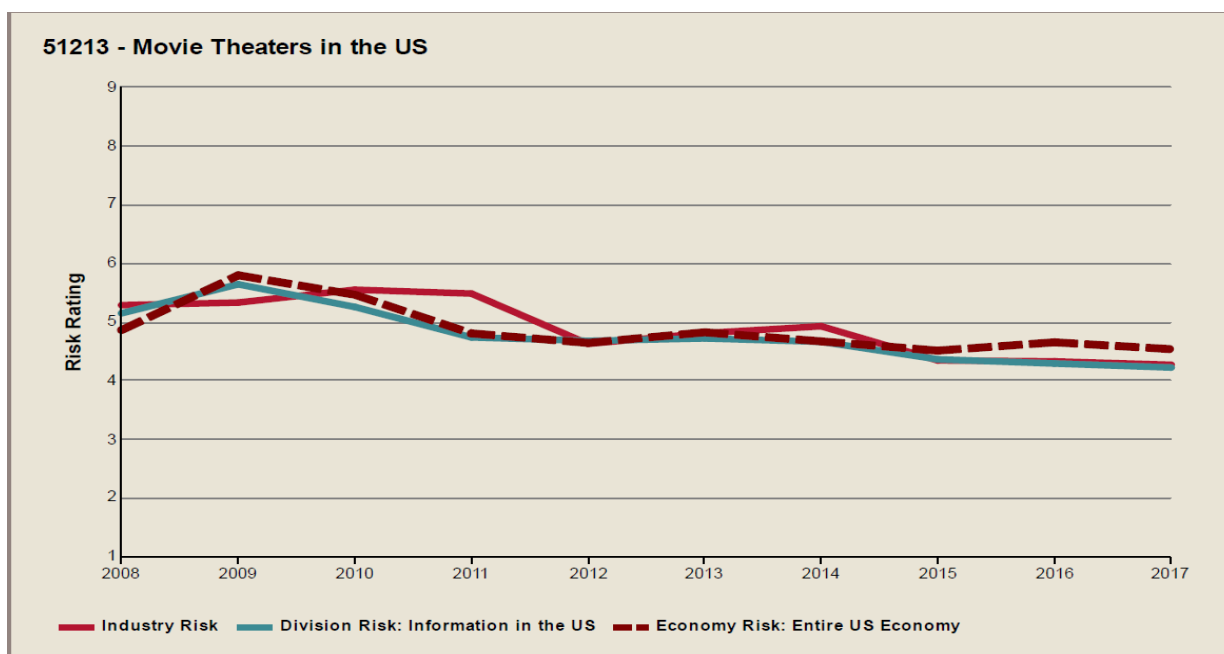
Bahamas

Technology (Risk: low) Nothing in customer's homes will compare to this complex. Atavus Group's Project in the Bahamas will be one of the most technologically advanced facilities in the world. It will be one of the world's first 100% laser projection facilities, with the latest premium brands. 4K prevalence and adoption have lagged behind global standards

Number of K-12 students: Adolescents aged 17 and younger contribute about a quarter of industry revenue, as many successful movies are 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 2016. This factor's contribution to risk is expected to decrease in the coming year.

Bahamas

Number of K-12 students (Risk: low) Compared to the western hemisphere, the Bahamas has one of the largest percentages of its population below the age of 14. Beside Hollywood movies, a bonus for the facility will be IMAX's world renowned education program, available to schools daily from 10am-1pm. Coupled with the fact that over 100 schools are within 15 mins of the facility, risk in this area will be low.



Structural Risk

An industry's structural score measures the impact of the fundamental characteristics common to all industries. These seven components are scored separately, then weighted and combined to derive the structural risk score.

Structure component	Level	Trend	Weight	Score
Barriers to Entry	High	Increasing	13%	1.00
Competition	High		20%	9.00
Exports	Low	Steady	7%	1.00
Imports	Low	Steady	7%	2.00
Assistance	None	Steady	13%	7.00
Life Cycle Stage	Mature		20%	5.00
Revenue Volatility	Medium		20%	5.00
Structural Risk				5.05

Bahamas

Structure component	Level	Trend	Weight	Score
Barriers to Entry	High	Increasing	13%	1.00
Competition	High		20%	5.00
Exports	Low	Steady	7%	1.00
Imports	Low	Steady	7%	1.00
Assistance	High	Steady	13%	1.00
Life Cycle Stage	Growing		20%	4.00
Revenue Volatility	Medium		20%	5.00
Structural Risk				3.13

Short term:

There will be a high level of competition between Galleria Cinemas and Fusion Superplex. Deciding factors:

- Product differentiation
- Cap. Ex constraints
- Business Model flexibility

Long term:

- Barriers of Entry will be higher thereby decrease future competition.
- Revenue volatility will decrease as Fusion establishes itself as the de facto movie experience.
- Prices can then steadily increase with the lack of competition.

Barriers to Entry

Barriers to entry in this industry are high

Barriers to entry in this industry are 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 and speakers are high, as are the costs of establishing auditoriums on par with the quality offered by the industry's major players. Opening a large multiscreen complex entails high rent and utilities costs. Furthermore, new and untested theater operators may have difficulty acquiring rental licenses from major film distributors; without the ability to show blockbuster films, commercial success for a first-run theater is highly unlikely.

However, opportunities exist for theaters that limit their operations to certain genres or specialize in second- or third-run films. Licensing agreements are less strict or exclusive for independent or art house films, as they are after a major title's first run. Second- or third-run theaters thrive by offering deeply discounted tickets and earning revenue through concessions sales. Such theaters are often older establishments without more modern amenities like stadium seating and are much less expensive to acquire and operate than first-run facilities, making barriers to entry lower for this segment of the industry.

Bahamas

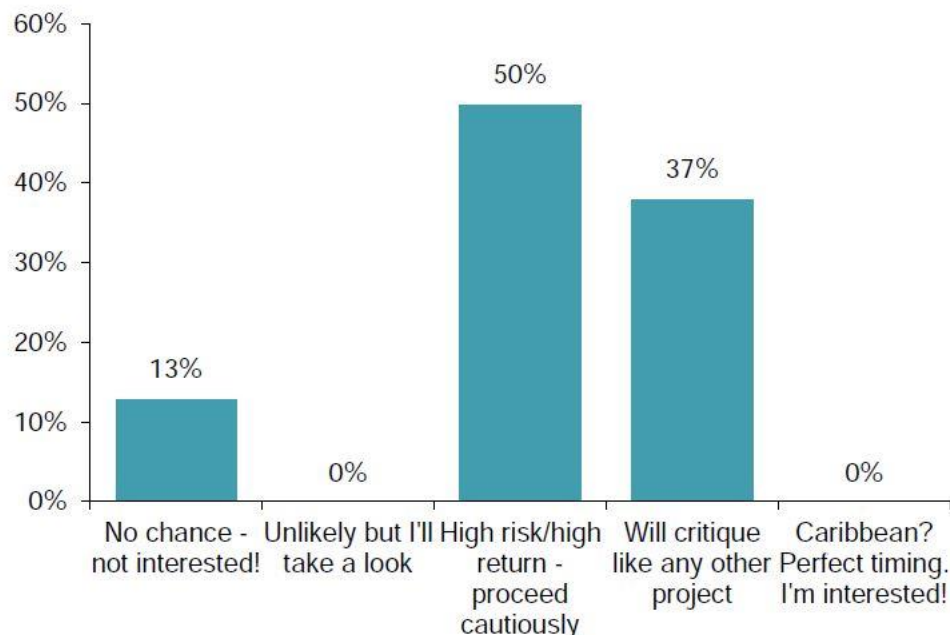
Risk Level is low. Barriers to entry in the Bahamas includes:

- I. Challenging Banking Conditions
- II. Operational Expenses

I. Challenging Banking Conditions

It is very challenging to secure funding, especially Greenfield projects (new projects with a construction component). The KPMG 2015 Caribbean Hospitality Financial Survey summed up the state of lending in the region and in the Bahamas.

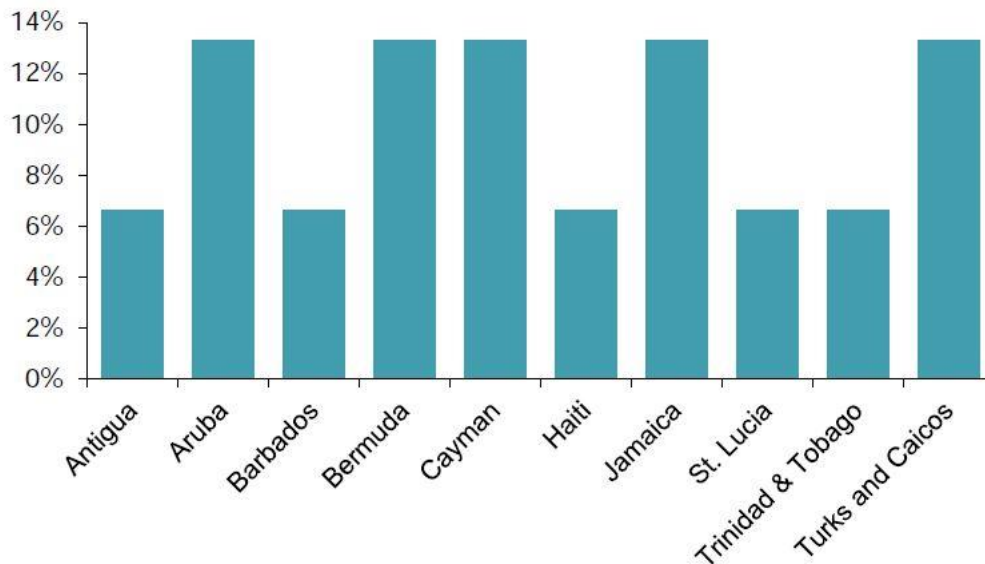
Banks' willingness to lend in the Caribbean



Source: KPMG International, KPMG's 2015 Caribbean Hospitality Financing Survey

When banks do lend to Caribbean Hospitality and Entertainment ventures these are the countries they support:

Banks' top countries for new lending



Source: KPMG International, KPMG's 2015 Caribbean Hospitality Financing Survey

Even if they venture into the Bahamas, there is a pervading sentiment amongst the bankers

"Property acquisition and renovation loans have been the bulk of lending activity. There have been no new "greenfield" building loans in our portfolio in this region."

This is important to understand. Any future cinema project will require a substantial construction component to erect a staple of modern cinema: stadium seating. Hence, long term, the ability to fund Greenfield projects in the Bahamas is severely undermined. One of the major reasons giving for not funding cinemas in the region is that specialized nature of the building. The same limits banking institution's ability to resell/ repackage the assets.

II. Operational Expense

Operation of cost like utilities are immense in the Bahamas. Running air conditioning units can eat into profit. Fusion Superplex will mitigate some of these costs from inception with two innovations:

A. Smart energy efficient design:

Externally: Walls are constructed via M2 construction method. This reduces air conditioning lost and

heat entry into the facility.

Internally: Besides energy efficient lightings- All projection systems will be laser based. This will reduce energy usage by 50-70%. \$1500 projector lamps will also no longer need to be changed monthly because of the laser beams' 5 -7 year shelf live.

B. Solar Panel Roof:

The roof of the facility will have a state of the art solar panel array. This will reduce dependence on utilities by 20%. The solar design is modular, hence more batteries for storage can be used to further reduce monthly charges.

When these factors are added to the strategic operational advantages of an exclusive product mix and a superior location, the barrier for entry is very high.

Basis of Competition

Competition in this industry is high

Competition in this industry is increasing

Internal competition

Movie theaters compete against one another primarily on the basis of film offerings, ticket prices, auditorium quality 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.

Because first-run theaters are generally all able to secure licensing for popular films, ticket prices reflect an auditorium's quality rather than the movie being exhibited. Ticket prices have risen slowly during the past five years across the industry, and operators refrained from lowering prices significantly during the recession because patrons are more sensitive to the titles available than the price of a ticket; however, some smaller operators reduced prices on first-release movies during the recession to boost admissions, creating combined offers that included a movie ticket and discounted drinks and popcorn as part of a packaged movie deal. Larger companies have created or expanded customer loyalty programs, such as the Regal Crown Club, which offer concessions based on purchases at participating theaters.

Bahamas

Risk is medium. Historically, New Cinema Operators enter the Bahamian market and monopolize the marketplace for long periods of time.

From 1990-2015, the average Bahamian theater market monopoly spans 7.5 years. As startling as that may sound, what's even more astounding is how quickly it occurs. Total market consolidation starts within 1 to 2 years of a new entry into the industry.

Currently the sole operator, Galleria Cinemas has been in the market for 16 years (since 1999). 12 of those 16 years have been as a monopoly. However, their consolidation of the Bahamian market started within 18 months of their entry.

Reasons for such quick consolidations and long monopolies in the Bahamas:

1. Poor Upkeep of facilities by existing owners
2. Not staying current with technology within the film industry
3. Superior Products/ Amenities by the new operators
4. Governmental laws inhibiting foreign investment and incursions

In the last generation, Galleria Cinemas battled the previous monopoly of RND Cinemas. Galleria had the power of more screens, better amenities and a superior location with larger a customer base (the largest mall in the Bahamas). Sixteen years later, outdated Galleria Cinemas' facilities are in the same position as RND Cinemas of 1999. These are just some of the Bahamian customer commentaries:



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.

These weaknesses will exploit.

Atavus Group is entering the Bahamian Cinema industry with a superior product mix. Its sole competitor, Galleria Cinemas, has a limited offering. Besides having rundown facilities, Galleria only shows 2D movies, with minimal advertising.

The product mix of Fusion with IMAX is more robust:

- ✚ A Cineplex with 9 screens
- ✚ Expanded concessions with Subzero Ice Cream Franchise and coffee
- ✚ Full serve restaurant with veranda
- ✚ Feature Attractions: IMAX, 4DX, VIP theater, VIP lounge
- ✚ Re-Introduction of 3D movies
- ✚ Secondary Attractions: Young Hollywood Concept with full Arcade, Party Rooms, Kids Indoor Playground



This product mix would surpass most multiplexes in the US. Globally, theater chains have begun to embrace the concept that you have to be more of a destination than a just location that shows movies. Food choices have expanded exponentially as evident is the top 5 US brands push for in theater dining and

even full restaurants on property.

Building further on this extended business model is the more comprehensive secondary attractions to increase spend per head. One of the leading chain to embrace this approach was Cineplex of Canada with Xscape, their arcade and party brand. 2014 was a tough year for the US Theater Markets yet Cineplex of Canada had record fourth quarter revenue thanks in part to this business model.

Emphasizing this point is Cineplex's changing business model:



Cineplex Inc. Reports Record Fourth Quarter Results



Atavus Group's facility will have the largest arcade area in the Bahamas at almost 4000 sq. ft. Only one other company is currently serving this market.

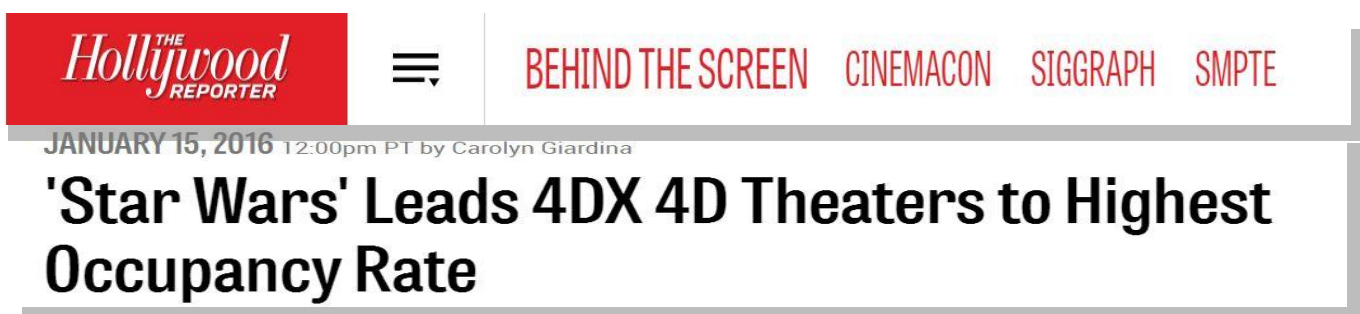
Focusing on the movie component, IMAX and 4DX licenses have greater value and power outside of North America than within. These licenses can then be used to dramatically shape regional markets in favor of franchisees.

In terms of large revenue generation and high occupancy rates, the top two global brands for cinema are:

- IMAX: Specialize theaters with 5 story screens and incredible sound systems



- 4DX: Theaters with moving seats and dozens of environmental effects like water and air which add to the story telling experience of the movie.



Understanding their value is a two-stage process:

Stage 1: Securing the Asset

When theater exhibitors sign these premium brands in the US, they are given exclusive zones of operation of 3.5 miles or less. However, in the Bahamas, the Atavus Group has obtained the IMAX and 4DX licenses for the entire island exclusively. More importantly these are timed exclusives of 5 years and 10 years for 4DX and IMAX respectively. Thereafter Atavus will have rights to first refusal for additional 5 year engagements.

Stage 2: Use of the Asset

Application of these licenses to regional markets is profound. Think of the competitive advantage of showing an IMAX or 4DX 3D movie in a beautiful new facility versus the destitute Galleria Cinemas where the sound systems and screens haven't changed in 16 years. As great as that sounds IMAX has done something even better for its network partner. IMAX has negotiated with studios to release Hollywood Blockbusters EARLY to their screens.



To put this into perspective, Iron Man would have come out 8 days in the exclusive IMAX format before Galleria Cinemas could show the movie once. Fusion has 380 IMAX seats, hence with at least 6 shows a day (even at 50% capacity) over 9,000 people would see the show. That's 9,000 potential customers and 9,000 word of mouths about the exclusive IMAX experience. This is how to dominate a market.

Short Term: The risk is medium high

When Fusion Superplex opens in 2017, it will be entering a monopolized cinema market. However as outlined, the facility should enjoy success early in its existence.

Long Term: The risk is low

With the average fight to control the cinema market lasting less than 3 years, long term market stability is very high. Galleria has enjoyed over a dozen years as a monopoly. As time passes, Fusion will be surrounded by single (1) screens operated by Hotel properties.

These types of theaters use two models:

1. Second Run (Movie Releases over 5 weeks after initial wide release).
2. Blu Ray Movie Theater (Movies for home consumption) 10-15 weeks from theater release.

The only cinemas that will be open are:

The Pointe "Movie Theater"

Atlantis – "Movie Theater"

Island House – "Movie Theater"

Atlantis is a "Blu-Ray" movie theater hence no competition. Island House is a "2nd run/Art House" screen. The Pointe with its single screen is schedule to show blue ray movies like Atlantis. This was confirmed by Mr. Jermaine C. Wright Director of Operations (Hilton Worldwide). Note: Bahamar has no plans for a theater; as confirmed by Mr. Sandy Sands.

External competition

Movie theaters face competition from other ways 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. The growing prevalence of online content though, has become a greater threat to the industry during the past five years. The number of broadband connections has grown strongly in the five years to 2016, and is forecast to expand further through 2021. As more consumers become comfortable with downloading and streaming movies onto their computers, smartphones, mobile devices like iPods and tablets like the iPad, demand for theaters falls.

The industry benefits from a significant built-in limit to external competition, however. Theatrical releases are highly important to the future commercial success of a film; sales of DVDs and other products associated with a title largely depend on the excitement generated by a successful debut at theaters. Furthermore, when film distributors license titles to the Movie Theaters industry for exhibition, the terms of the agreement specify that the distributor refrain from licensing the film to other mediums for a set time period, known as the "theatrical release window." This window can range from about three months from release at cinemas to availability on DVD or Blu-ray to as long as 12 months for free-to-air release. Regardless, illegal download sites, where users upload bootlegged copies of films, circumvent the window altogether and pressure film distributors to rethink the standard length of the release window. According to the National Association of Theatre Owners, the average release window in 2012 was three months and 29 days, down from four months in 2012, with the window consistently shrinking since 2000. Leading companies in the Movie Theaters industry note that any reduction in the window's length severely hurts their business.

Bahamas

Besides night clubs and sporting lounges the Bahamas is devoid of activities for Bahamians and Tourist alike. Bowling is an alternative but Bahamians have always used the movies as their entertainment outlet. Though home entertainment options may be plenteous, Bahamians love to go out and interact with each other. This fact was shown in a report authored by the Department of Statistics. Bahamians spend the same on Entertainment and Eating than Dining In. Bahamians are always looking for something to do.

Domestic and International Markets

Exports

Exports in this industry are low

Exports in this industry are steady

Imports

Imports in this industry are low

Imports in this industry are steady

This industry operates domestically. Some major players operate theaters overseas, but these locations generate revenue in their respective countries' movie theaters industry.

Bahamas

Exports: There are no exports

Imports: There are no imports besides the Hollywood movies themselves.

Industry Assistance

There is no assistance available for this industry

There are no specific tariffs for this industry

The Movie Theaters industry receives no direct government assistance in the form of tariffs or subsidies. The Motion Picture Association of America (MPAA) is a professional association for the wider motion picture production sector composed of the six major American 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 television 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 (NATO) is the largest exhibition trade organization in the world and represents more than 30,000 screens in all 50 states. NATO 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. NATO also offers resources and data for current exhibitors and parties interested in opening a new theater business.

Bahamas

Risk Level is low. There are two types of Industry Assistance available to the project:

- I. Government Assistance
- II. Private Sector Assistance

I. Governmental Assistance

The Government of the Bahamas has a provision in the law that will provide numerous benefits to the Atavus Group Project. The Hotels' Encouragement Act, enacted in 1954, was designed to encourage construction and renovation of hotels in the Bahamas. However, the same was amended in 2009 to include:

- Entertainment Facilities
- Night Clubs
- Restaurants
- Retail Shops

Once the business is within a tourist zone they were entitled to the following benefits:

A) Exemption from customs duties on importation of:

- Construction/Building Material (where applicable)
- Equipment
- Furniture
- Etc.

B) Delay of the payment of Value Added Tax (VAT) during construction until operations has begun.

C) The ability to apply for VAT exemption status for a specified time after operations begin.

Note:

1. These provisions will save the project more than 15% on construction cost.
2. Galleria Cinemas, the current cinema chain does not enjoy these benefits.

II. Private Sector Assistance

The IMAX and 4DX brands afford the Atavus Group the ability to defray a great deal of startup costs and perpetual operating expenses via Brand Sponsorship. Atavus Group Ltd. is currently in negotiations with two major providers. Both of these entities are in a bidding war that has escalated from six to seven figures annually for five years, to secure the IMAX naming rights. Besides cash considerations each party has already agreed to provide in kind in the form of:

- Cobranding with established brand
- Access to their customer database
- Product Placement
- Network infrastructure installation/maintenance

This will give the Atavus Group Project access to large customer pools and the ability to stay relevant at a very low cost point. Both companies hold databases of customers over hundreds of thousands. Considering that the entire population is less than four hundred thousand, this will be a significant advantage.

Life Cycle

The life cycle stage is mature

Life Cycle Reasons

- Industry value added is growing more quickly than GDP
- Operators are divesting unprofitable locations, increasing industry consolidation
- Technological investment into digital projection is rising but not fundamentally changing the industry
- Movie theaters continue to enjoy wholehearted acceptance in American culture

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 2.8% during the 10 years to 2021, slightly higher than the projected annualized GDP growth of 2.1% over the same period. Although this would indicate a growing industry, the higher IVA growth rate can be attributed to the industry's higher capital spending as a result of digital and facility upgrades during this time; an essential component of the entertainment industry, movie theaters are not expected to fall to obsolescence. Operators' focus on upgrading their auditoriums with modern amenities like stadium seating and digital or 3D projection systems has had limited profit growth during the past five years, and ongoing investment is forecast to keep profit growth stagnant in the next five.

The number of enterprises operating in the industry is expected to decline at an annualized rate of 1.1% to 1,846 in the 10 years to 2021. The industry is experiencing some merger and acquisition (M&A) activity, a key characteristic of a mature industry, with most companies purchasing theaters in select geographic areas. The steady level of technology change, including the transition from analog to digital and 3D projection, is also indicative of an industry's maturity. 3D has likely settled into its position as a developed product line for the industry. Although 3D sales have plateaued since 2011, they are expected to generate a healthy share of total box office revenue in the future, as technology improves film quality and certain genres capitalize on the 3D format.

In addition, the industry is facing and will continue to face intense competition from alternative sources of film content, particularly online streaming services. While the industry remains in a mature phase and an icon of American culture, the ramp-up of competition and shrinking admissions may push the industry into decline over the next decade.

Bahamas

The life cycle is about to enter the growing phase. The Bahamas was one of the first countries globally to have movie theaters. The first theaters Royal and Imperial opened in 1911. However, growth in the industry has been stagnant. Staples of global cinemas are absent in the Bahamas.

Internal Operation

1. Structurally
 - ❖ No stadium seating's
2. Technologically
 - ❖ Only 2D movies
 - ❖ No 3D movies in the market
 - ❖ Late adaptors of digital technology
 - ❖ No Large Screen Format theaters
3. Brands
 - ❖ No premium offering including IMAX, VIP, 4DX

External Operational Components

- ❖ No true online portal for ticket purchasing
- ❖ No mobile kiosks
- ❖ No social media presence
- ❖ No advertising campaign

The opening of the Atavus Group's Project will greatly advance the cinema market. With the introduction of robust product mix market consolidation is expected to follow the industry trend for the last three decades. In the Bahamian market, new entries become the market leaders within 18 months.

Reasons for the quick change in the past

- Superior Technology
- Better amenities
- Better location
- Better food

On previous occasions the winning newcomer had one or more of these attributes. The Atavus Group project has all of these attributes including an additional quality:

Exclusive movie content

- Early movie releases in a superior format before the competition can show the same

Industry experts Steven Krams and Jim Patterson were brought in to evaluate the market. Their reports are available for perusal. Both persons agree that market consolidation will be quick.

Industry Volatility

The level of volatility is medium

While revenue for the Movie Theaters industry has had a moderate level of volatility historically, lower admissions and higher ticket prices have offset to keep changes in revenue relatively steady. Growing competition from external sources, including video content on the internet and gaming consoles, has also kept industry revenue from rising more quickly in response to improving economic conditions like higher disposable income. During the past five years, industry revenue declined as much as 4.9% in 2011 and rose as much as 6.6% in 2012, when *The Avengers* experienced highly successful summer season. Over the next five years, industry revenue is projected to grow modestly, as rising competition from substitutes offset the economic recovery's aid to consumer spending.

Bahamas

Risk Level is low. Revenue in the cinema industries is tied to cinema formats. Consider AMC Theaters, the global cinema leader. Look at their cinema product mix courtesy of their annual report to stockholders:



AMC Entertainment Holdings, Inc.

2015 Annual Report to Stockholders

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

Fifty eight percent (58%) of their product mix are premium formats. Why? Because global moviegoers prefer to pay extra for a superior experience.

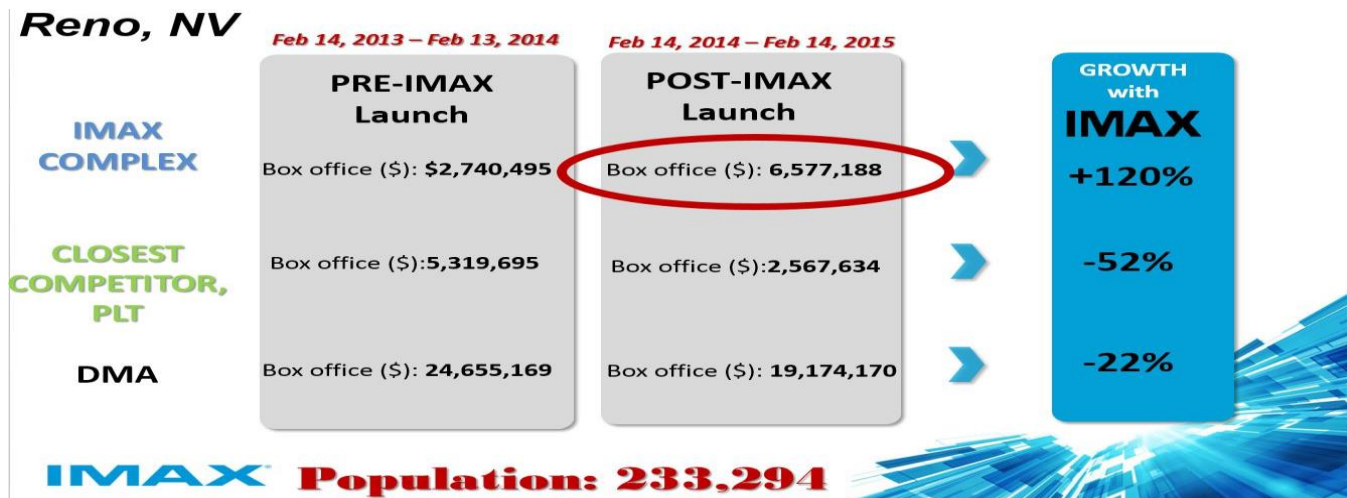
KANSAS CITY
BUSINESS JOURNAL

SPECIAL FEATURE

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

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

In the Bahamas, current market leader Galleria Cinema only shows 2D movies. Hence revenue growth has been stagnant. Historically the entrance of IMAX and 4DX has produced elevated attendance levels and revenue. Consider IMAX Theater in a Reno Nevada multiplex with population demographics:



DMA (Designated Market Area) decreases because a competitor left their market. This is a common occurrence when IMAX enters a small market.

4DX has also had an incredible effect on box office when it enters an area



First 4DX Theater in U.S. a Hit with Audiences, Data Shows (EXCLUSIVE)

The expected effect on the Bahamian market should be similar. Atavus Group's Project has a Fifty five percent (56%) Premium Product mix to complement four (4) regular 2D theaters:

- ❖ An IMAX with Laser
- ❖ A 4DX theater
- ❖ 2 VIP theaters
- ❖ 1 Premium Large Format screen

Growth Risk

The growth risk score evaluates forecasted industry revenue growth against past performance as well as expected growth for all other industries. A high industry growth rate is associated with lower risk for operators in that industry.

Growth component	Revenue	Weight	Score
2014-2016 Annualized growth	2.1%	25%	5.00
2016-2017 Forecast Growth	1.7%	75%	5.21
Growth risk			5.16

Growth Analysis

The Movie Theaters industry is struggling to bring viewers back in front of the silver screen. Competition from online streaming platforms has drawn moviegoers away from the theaters in the past five years, with sites like Netflix and Hulu providing attractive alternatives for viewers' rising disposable income. Despite strong box office sales in certain years and lucrative blockbusters during the summer and holiday seasons, total admissions have declined over the period. In the five years to 2016, IBISWorld expects revenue to grow at an annualized rate of 2.9% to \$15.4 billion. Much of this growth is due to consistent hikes in ticket prices and a refocus on concession sales.

External competition from substitute entertainment products and other ways of accessing films, including online video, on-demand services, internet-enabled TVs, smartphones and tablets, has increasingly shifted movie consumption away from theaters. Lower admissions over the past five years have caused a steady decline in the number of companies in the industry, while larger companies have consistently closed underperforming establishments. Operators are concentrating their screens in fewer but larger megaplexes, where costs can be spread over higher admissions and concessions sales. Domestic ticket prices have also risen, discouraging attendance but boosting revenue, which is expected to grow 1.3% in 2016. Profit is expected to reach 12.9% of revenue in 2016, up from 9.8% in 2011.

Exhibitors are focusing on upgrading their screens and auditoriums with digital projection systems and stadium-style seating, capital investments that are expected to continue over the next five years. In the five years to 2021, the industry will benefit from rising disposable income, which will encourage consumers to spend more on entertainment. In addition, blockbuster movies, especially those that offer 3D screenings, will be able to temporarily reduce falling admissions. Ultimately, however, IBISWorld anticipates competition from online video to largely offset these positive trends. The Movie Theaters industry is forecast to grow slowly at an annualized rate of 1.4% to reach \$16.6 billion in 2021.

Bahamas

Growth component	Revenue	Weight	Score
2014-2016 Annualized growth	N/A	25%	7.00
2016-2017 Forecast Growth	50%	75%	3.00
Growth risk			4.00

The Bahamas cinema market has been on a downturn as Galleria Cinemas been a late adopter of global cinema trends. In 2006, the movie industry began converting a 100-year-old analog projector technology to new digital projectors: Digital Cinema Initiative (DCI). This conversion allowed cinema owner to decrease their operation costs by 40% while allowing greater diversity of content i.e. Alternative Content now a \$1 billion revenue stream. The last day to convert from analog to digital was December 2013. If theater owners didn't convert, they would no longer receive Hollywood movies. DCI also effected the Bahamian Market

Tribune 242

Home

News

Sports

Business

Weekend

Editorial

Lifestyle

Weather

Archives

Galleria: Digital Drive Sparks 21% Price Rise

As of Wednesday, November 20, 2013

The company has posted notices in its ticket windows informing customers that prices would increase this Friday from \$7 to \$8.50 for adults, and from \$3 to \$4.50 for children, as its cinemas are getting an overhaul in their projection and sound equipment.

Chris Mortimer, Galleria Cinemas' president, effectively confirmed the price increase when reached for comment yesterday, but declined to go into details.

When did Galleria Cinema convert?

"It finishes on November 22, and so we're changing up."

A few days before the December 2013 deadline when they would lose the ability to show movies. This was indicative of management's approach to their business model.

Externally Competition:

Moving forward, the Bahamian market is the perfect environment for cinema. There are very few wholesome choices for Bahamian family entertainment:

- ❖ Mario's Bowling Palace
- ❖ Restaurant

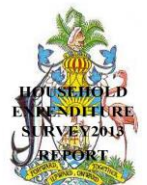
Inside Bahamian homes, Cable Bahamas TV & Bahamas Telecommunication Corp (BTC) Flow TV are cannibalizing each other's market share. Bahamian love to eat out and party. They spend almost the same when Dining-in (\$1553) vs Dining-out and Entertainment (\$1,100) .(Household Expenditure Survey courtesy of Department of Statistics)

Table 2-7: Consumption expenditure (\$) and percentage budget share, by decile

Expenditure Category	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	Overall
Housing, water, electricity, gas, and other fuels	\$1,289	\$2,019	\$2,577	\$3,057	\$3,554	\$4,531	\$5,605	\$7,207	\$9,355	\$21,080	\$6,115
Transport	\$217	\$383	\$625	\$960	\$1,243	\$1,516	\$1,817	\$2,272	\$3,132	\$5,781	\$1,807
Food and non-alcoholic beverages	\$723	\$1,026	\$1,087	\$1,332	\$1,387	\$1,690	\$1,737	\$1,802	\$2,087	\$2,650	\$1,553
Communication	\$154	\$265	\$359	\$412	\$495	\$563	\$730	\$890	\$1,056	\$1,639	\$656
Furnishing, equipment and household maintenance	\$146	\$237	\$260	\$328	\$425	\$473	\$665	\$767	\$999	\$2,244	\$654
Education	\$56	\$113	\$241	\$221	\$344	\$386	\$612	\$651	\$947	\$2,555	\$612
Miscellaneous goods and services	\$118	\$246	\$307	\$343	\$517	\$505	\$629	\$681	\$937	\$1,505	\$580
Restaurants and hotels	\$99	\$165	\$265	\$281	\$369	\$499	\$504	\$638	\$919	\$1,929	\$567
Recreation and culture	\$27	\$51	\$98	\$139	\$162	\$197	\$207	\$307	\$370	\$988	\$255
Clothing and footwear	\$81	\$121	\$167	\$145	\$151	\$175	\$200	\$231	\$265	\$432	\$197
Alcoholic beverages, tobacco and narcotics	\$16	\$40	\$43	\$37	\$55	\$56	\$93	\$93	\$126	\$256	\$81
Health	\$21	\$22	\$34	\$34	\$34	\$30	\$30	\$30	\$42	\$10	\$37
Total	\$2,929	\$4,669	\$6,032	\$7,258	\$8,704	\$10,596	\$12,805	\$15,547	\$20,206	\$41,076	\$13,084
Housing, water, electricity, gas, and other fuels	44.0%	43.2%	42.7%	42.1%	40.8%	42.8%	43.8%	46.4%	46.3%	51.3%	46.7%
Transport	7.4%	8.2%	10.4%	13.2%	14.3%	14.3%	14.2%	14.6%	15.5%	14.1%	13.8%
Food and non-alcoholic beverages	24.7%	22.0%	18.0%	18.4%	15.9%	15.9%	13.6%	11.6%	10.3%	6.5%	11.9%
Communication	5.3%	5.7%	6.0%	5.7%	5.7%	5.3%	5.7%	5.7%	5.2%	4.0%	5.0%
Furnishing, equipment and household maintenance	5.0%	5.1%	4.3%	4.5%	4.9%	4.5%	5.2%	4.9%	4.9%	5.5%	5.0%
Education	1.9%	2.4%	4.0%	3.0%	4.0%	3.6%	4.8%	4.2%	4.7%	6.2%	4.7%
Miscellaneous goods and services	4.0%	5.3%	5.1%	4.7%	5.9%	4.8%	4.9%	4.4%	4.6%	3.7%	4.4%
Restaurants and hotels	3.4%	3.5%	4.4%	3.9%	4.2%	4.7%	3.9%	4.1%	4.5%	4.7%	4.3%
Recreation and culture	0.9%	1.1%	1.6%	1.9%	1.9%	1.9%	1.6%	2.0%	1.8%	2.4%	1.9%
Clothing and footwear	2.8%	2.6%	2.8%	2.0%	1.7%	1.7%	1.6%	1.5%	1.3%	1.1%	1.5%
Alcoholic beverages, tobacco and narcotics	0.5%	0.9%	0.7%	0.5%	0.6%	0.5%	0.7%	0.6%	0.6%	0.6%	0.6%
Health	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Eating/
drinking
At Home

Dining
out and
Entertain
ment



The growth potential is tremendous.

Short Term (2017-2019)

Establishing the brand will be paramount. With superior technology and better amenities, Atavus Group will establish its first location in the center of the island. Ticket prices will remain the same until the competition is vanquished.

Long Term (2020-onward)

With the establish market president of new monopolization in 3-4 years, market stabilization is almost guaranteed. With that stabilization comes the inevitable takeover of Galleria's two other locations.

Sensitivity Risk

IBISWorld has identified and weighted the most significant external factors affecting industry performance. These factors are scored separately, then weighted and combined to derive the sensitivity risk score.

Sensitivity component	Weight	Score
Per capita disposable income	35%	2.53
External competition for the Movie and Video Distribution industry	25%	6.50
Technological change for Television Networks and Providers	15%	2.60
Number of broadband connections	15%	1.74
Number of K-12 students	10%	2.82
Sensitivity risk		3.44

Estimated Value in 2017: \$40,210

2012-2017 Compound Growth: 1.6%

Forecast Value for 2022: \$44,023

2017-2022 Compound Growth: 1.8%

Per capita disposable income determines an individual's ability to purchase goods or services. It is calculated by taking income earned from all sources (wages, government transfers, rental income etc.) minus taxes, savings and some non-tax payments (e.g. fines, forfeitures and donations) and dividing by the total US population. The data for this report is sourced from the Bureau of Economic Analysis and presented in chained 2009 dollars.

Current Performance

The financial meltdown and subsequent recession reversed a seventeen-year streak of positive growth in disposable incomes. The primary drag on income was felt by millions of Americans who lost their jobs or were unable to join the workforce for the first time. Job losses started in the financial sector but quickly spread from Wall Street to Main Street as credit tightened and businesses saw demand wither in the face of uncertainty. The national unemployment rate climbed from 4.6% in 2007 to 9.6% in early 2010, crippling spending power across the United States and through all income brackets. Even Americans who retained their jobs were afflicted by stagnant wages, furloughs and diminished nest eggs. Given the possibility of an

even bleaker future, individuals increased their savings rate from 2.5% in 2005 to 6.1% in 2009, reducing

the amount available for purchasing goods or services.

The impact of job losses and higher savings were partially offset by a larger safety net, with government assistance programs extended and expanded to unprecedented levels. However, these programs could only partially negate the impact of the economic collapse, with per capita disposable income slipping by 1.3% in 2009. But conditions stabilized in 2010, allowing some of the storm clouds hanging over disposable income levels to retreat. Firstly, corporate profit surged, generating profit for owners and restoring

battered stock portfolios. This eased pressure on businesses to keep wage costs down and boosted consumer sentiment, leading to both higher earned incomes and a receding savings rate. Consequently, per capita disposable income edged up by an anemic 0.2% in 2010. These initial signs of recovery were expected to make for further gains in 2011 and 2012, paving the way for a more robust rebound. However, the rebound was limited by unrelenting unemployment, a housing market trapped in the doldrums and public debt, both domestically and abroad. Consequently, growth in disposable incomes remained weak.

In 2013, per capita disposable income declined 2.1%, which can be partly attributed to new tax regulations implemented that year. In particular, in 2013, there was a payroll tax hike for many businesses, thanks to the Affordable Care Act resulting in an additional Medicare tax. While the Medicare tax only applies to individuals in specific tax brackets (i.e. individuals earning more than \$200,000 and couples earning more than \$250,000), it still cut into per capita disposable income for these aforementioned demographics. Moreover, the cap on earnings subject to the Social Security payroll tax increased that year. In 2016, per capita disposable income is expected to grow 2.3%.

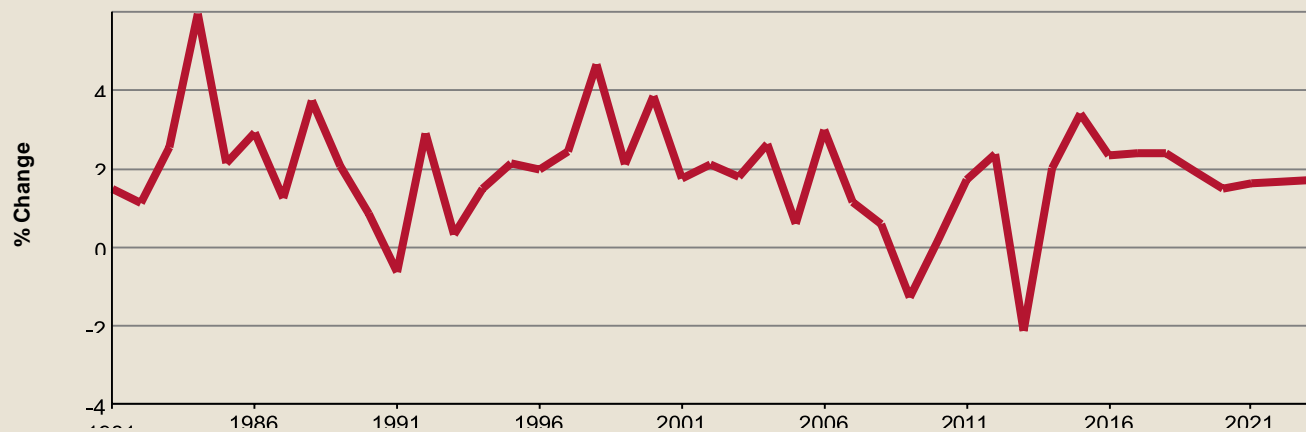
Outlook

IBISWorld expects economic indicators that drive disposable income levels to steadily strengthen over the outlook period. A greater number of Americans returning to work will combine with improved housing and stock values to make consumers willing to spend on purchases delayed during the recession. However, future growth will be tempered relative to the boom leading up to the recent downturn. This is because the belief in ever rising house prices and unsound lending practices that created the bubble will not be present to inflate natural growth. Furthermore, growth in per capita disposable income will be hindered by the inevitably higher tax rates needed to balance the fiscal deficit and pay for the dual stimulus packages. According to data from the Congressional Budget Office, individual income taxes are expected to make up a larger share of GDP by 2025. Overall, if some expired tax provisions are not reinstated, such as a tax provision that enables filers to exclude forgiven mortgage debt from their taxable income, then individual income taxes may rise, cutting into per capita disposable income. Consequently, per capita disposable income growth is expected to be tempered at an average annual rate of 1.8% over the five years to 2022.

Data Volatility

Per capita disposable income displays a low level of volatility. It is important to note that this measure looks only at income available for spending, after taxes and savings. This feature has allowed for American spending income to be extremely stable over the long term as individuals are able to tap into savings accounts and alternate income streams (e.g. unemployment payments from the government) to maintain their lifestyles in the short term. Additionally, due to the progressive income tax in the US, individuals with lower incomes pay a smaller proportion in taxes and thus retain a greater share of wages for potential expenditures. Meanwhile, in more prosperous times, these factors work in reverse and constrain disposable income from rising quickly.

Per capita disposable income



Year	\$	% Change
1981	20,455.0000	
1982	20,686.0000	1.13
1983	21,214.0000	2.55
1984	22,479.0000	5.96
1985	22,961.0000	2.14
1986	23,633.0000	2.93
1987	23,929.0000	1.25
1988	24,825.0000	3.74
1989	25,340.0000	2.07
1990	25,557.0000	0.86
1991	25,395.0000	-0.63
1992	26,134.0000	2.91
1993	26,218.0000	0.32
1994	26,610.0000	1.5
1995	27,180.0000	2.14
1996	27,719.0000	1.98
1997	28,397.0000	2.45
1998	29,723.0000	4.67
1999	30,352.0000	2.12
2000	31,524.0000	3.86
2001	32,077.0000	1.75
2002	32,755.0000	2.11

Year	\$	% Change
2003	33,344.0000	1.8
2004	34,223.0000	2.64
2005	34,428.0000	0.6
2006	35,461.0000	3
2007	35,870.0000	1.15
2008	36,082.0000	0.59
2009	35,620.0000	-1.28
2010	35,684.0000	0.18
2011	36,299.0000	1.72
2012	37,163.0000	2.38
2013	36,369.0000	-2.14
2014	37,102.2500	2.02
2015	38,367.5833	3.41
2016	39,267.6266	2.35
2017	40,210.0496	2.4
2018	41,175.0908	2.4
2019	41,975.4052	1.94
2020	42,602.9045	1.49
2021	43,299.1508	1.63
2022	44,023.3547	1.67
2023	44,777.3490	1.71

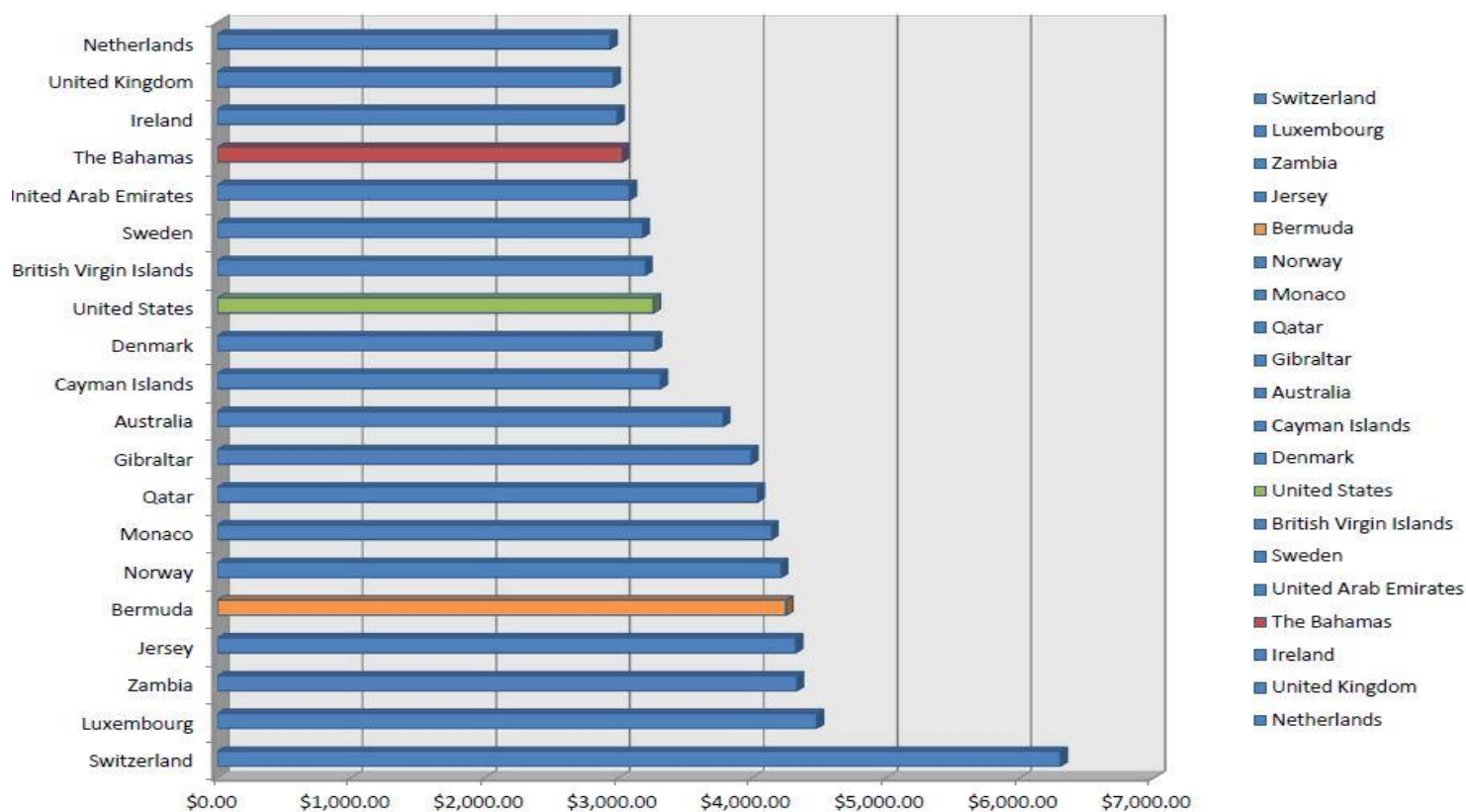
Bahamas

Sensitivity component	Weight	Score
Per capita disposable income	35%	4.00
External competition for the Movie and Video Distribution industry	25%	2.00
Technological change for Television Networks and Providers	15%	1.50
Number of broadband connections	15%	1.00
Number of K-12 students	10%	2.50
Sensitivity risk		2.53

Per capita Disposable Income

Per capita disposable income risk is low.

Average Monthly Disposable Salary



(Courtesy of <http://www.nationmaster.com>)

The Bahamas has one of the highest per capita disposable incomes in the Western Hemisphere. Over the next five years two major resorts Bahamar/The Pointe are scheduled to provide major employment opportunities within the country. This will further decrease risk.

External competition for the Movie and Video Distribution industry

Cable, satellite TV, online streaming platforms and other entertainment products are increasingly appearing in households and lowering demand for the Movie Theater industry. On a per program basis, these services allow viewers to access entertainment at a fraction of the cost of a movie ticket. External competition is expected to increase in 2016, posing a potential threat to the industry.

Bahamas

Risk is low. Cable TV and IPTV are less of a threat than in most countries. In the Bahamas, bootleg movies from pirated sources is very prevalent. In that kind of environment, the experience in the theater must be superior not substitutable at home.

The Atavus Group project provides this with its product mix.

1. Laser Projection on every screen
2. Six story IMAX experience
3. 4DX with over 1000 effects
4. VIP theater with full restaurant services
5. 3D movies with proper lighting

Case Study: South Korea and Piracy

South Korea is one of the most technologically advanced societies on Earth. It also has one of the biggest movie piracy markets in the world.

THE WALL STREET JOURNAL.

MEDIA & MARKETING

U.S. Pressures South Korea Over Music and Film Piracy

Why?

National

PEOPLE

NATIONAL

MONEY

TECH

CULTURE

SPORTS

OPINION

Nearly Half of South Koreans Pirate Movies

One would believe that their movie theater market is dead. Yet movie attendance in South Korea is highest in the world.



Why? Because of brands like IMAX/4DX create experience that cannot be pirated. When movies are released in IMAX the public goes crazy



IMAX tickets are sold out for weeks as tech-savvy Koreans scramble to see the sci-fi epic

How bad does it get to find IMAX tickets?

Scalpers Appear as 'Interstellar' Becomes Phenomenon in South Korea

Once customers are given a quality experience, piracy concerns wain and box office increases.

Technological change for Television Networks and Providers

As movie theaters continue to switch to digital and 3D projection systems, ticket prices typically rise, allowing for industry revenue gains. Advances in movie-making and projection technologies have helped to stimulate demand for cinematic screenings, an experience that viewers cannot get from streaming movies at home. Technological change for television networks and providers is expected to increase in 2016.

Bahamas

Risk is low

Cable TV, internet, telecommunications in the Bahamas is of poor quality and unreliable.

The Utilities Regulation and Competition Authority (U.R.C.A.) governing these entities knows that and is trying to fix the issues.

The Bahama Journal

Quo Vadis, Bahamas?

URCA Wants Better Customer Service -BTC, Cable Bahamas to be held to Standards

Posted on 13 February 2013. by Ianthia Smith

Officials at the Utilities Regulation and Competition Authority (URCA) said they are concerned about the shoddy service most Bahamians have had to deal with from utility service providers and are in the process of rolling out a standard for customer protection measures.

From dropped calls, shoddy cable service and poor customer relations, URCA Director of Policy and Regulation Stephen Bereaux said the complaints from Bahamian consumers are too frequent and added that the regulation company is concerned about how companies like Cable Bahamas and the Bahamas Telecommunications Company (BTC) are treating their customers.

Problems still persist.



URCA fines BTC \$1.5M over March 2014 outage

K. QUINCY PARKER
Guardian Business Editor
quincy@nasguard.com

Published: Mar 27, 2015

The Bahamas Telecommunication Corporation is launching a new IPTV product in the market 'Flow'. However, it is more of a threat to Cable Bahamas than it is to movie theaters. Both companies are merely cannibalizing each other's market share. The Bahamas lags behind the U.S. in terms of TV Network technology. Cable Bahamas is still advertising HD content when the rest of the world is offering 4K content. Part of the issue is the slow adoption rate of 4K TV in the Bahamas and the U.S. from 2012.

Dealerscope

October 15, 2012

Don't Expect Quick 4K TV Adoption

Lower prices and more content and features will drive sales

Five years later, adoption is only now taking off.



Adoption of 4K entertainment over the internet (OTT) to soar according to research

by Stephen on August 16, 2016

TV quality in the Bahamas will not be able to match which will be shown in the Atavus's Project.

From a global standpoint, this new cinema in the Bahamas will be ahead of most cinemas for years to come.

Example

100% laser projection systems.

- In less than 1% of all global cinemas
Most cinema owners just converted from analog to digital projection. They aren't switching again any time soon.

IMAX laser

- Dual 4K projectors are the best in the industry
- Simulate 8K presentation
- In less than 30 theaters on the entire planet.

4DX Theater

- Less than 1% of theaters have this movie format with the highest occupancy rate

Number of broadband connections

Estimated Value in 2017: 332.1 million connections

2012-2017 Compound Growth: 10.0%

Forecasted Value for 2023: 399.2 million connections

2017-2022 Compound Growth: 3.7%

The number of broadband connections in the United States represents the total number of internet connection points with speed over 200 kilobits per second in at least one direction. The data includes both households and businesses that have broadband connections. Yearly data represents the average of semiannual data released by the Federal Communications Commission.

Current Performance

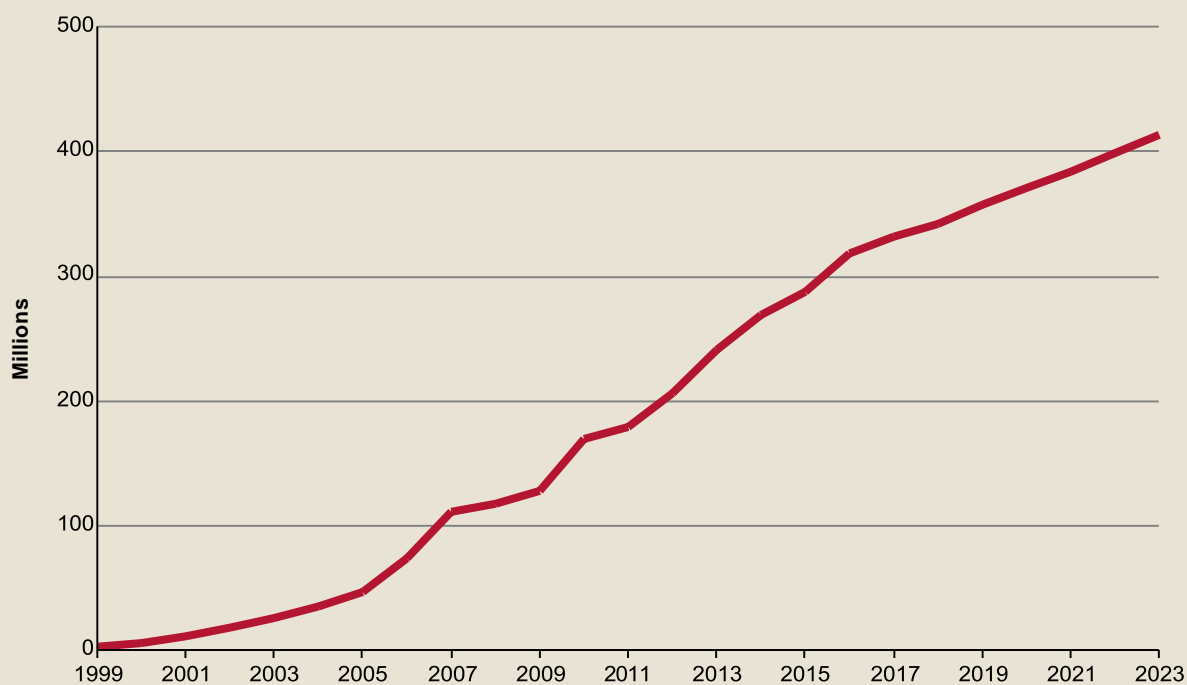
The number of broadband connections skyrocketed from 1999 through 2007 due to large increases in the percentage of households with internet access. Declining prices for broadband service has also contributed to the technology's adoption as broadband internet access has matured. Because many broadband providers can provide speeds up to 15 megabytes per second, consumers can now turn to the internet for easy access to all of their media needs, such as music, videos and software, further driving broadband popularity. The proliferation of smartphones has also contributed to the swelling of total connections, as they offer broadband-quality service that consumers can carry with them.

The rate of expansion tapered off during the recession, with growth of 5.8% and 8.8% in 2008 and 2009, respectively. The recession forced households to either put off new connection purchases or consolidate the number of connections they were paying for. Coupled with strong growth in smartphone adoption, this factor caused the number of broadband connections to jump 32.6% in 2010, before slowing to 5.7% in 2011 and 15.1% in 2012. Relatively strong growth will continue over 2016 and 2017, albeit at a slower pace than in 2012 due to the approaching market saturation. According to July 2015 data from The Pew Research Center, about 70.0% of Americans have broadband connections in their home, which has skyrocketed from 3.0% of US households that had broadband access in June 2000. Consequently, the number of broadband connections is expected to grow 4.3% in 2017 to reach 332.1 million connections. Over the past five years, the number of households that have accessed the internet via dialup has rapidly declined, with about 3.0% of households accessing the internet via dialup in July 2015. As fewer consumers used dialup, broadband has become the norm, with more than half of US households using broadband since 2008. While the number of broadband connections has approached maturity, the number of households using high-speed broadband connections that feature an "always on" connection has become increasingly common.

Outlook

Over the five years up to 2022, IBISWorld projects the growth rate of broadband connections to slow. As the economy exhibits steady growth, coupled with rising per capita disposable income, more consumers will be able to purchase smartphones and tablets. As a result, the number of broadband connections will rise. However, any further improvements in internet speed will only encourage those already with broadband connections to upgrade, rather than inducing large numbers of consumers without high-speed internet to sign up, which is what happened prior to the recession. Yet, the price of broadband internet is expected to fall over the next five years, and that, along with population growth, will still cause minor increases in the total number of broadband connections. As a result, IBISWorld projects an annualized growth of 3.7% from 2017 to 2022 to reach 399.2 million connections.

Number of broadband connections



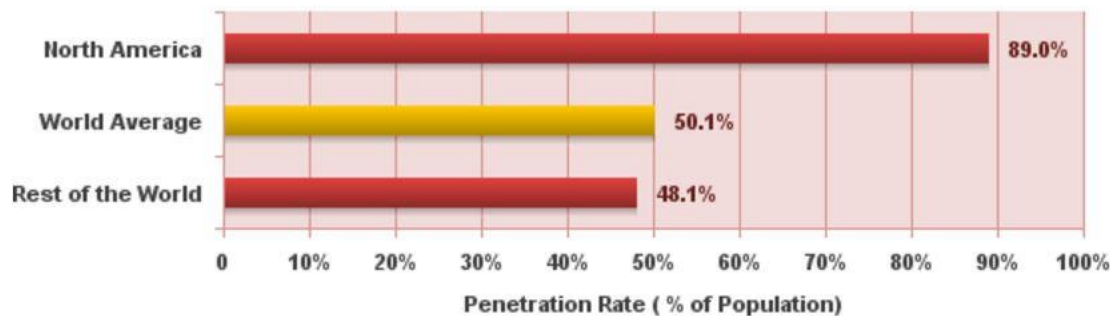
Year	Millions	% Change
1999	2.7540	
2000	5.7185	108
2001	11.2045	95.8
2002	18.0425	61.07
2003	25.8450	43.24
2004	35.1745	36.11
2005	46.7240	32.84
2006	73.7585	57.88
2007	111.1040	50.62
2008	117.5265	5.79
2009	127.8635	8.79
2010	169.5410	32.6
2011	179.1445	5.66

Year	Millions	% Change
2012	206.2410	15.13
2013	241.0350	16.87
2014	269.1465	11.66
2015	287.7498	6.91
2016	318.4523	10.67
2017	332.1057	4.29
2018	342.2751	3.06
2019	357.6561	4.49
2020	371.1513	3.77
2021	384.0826	3.48
2022	399.1712	3.93
2023	413.8654	3.68

Bahamas

Risk is low. The Number of Broadband connects is expected to be constant. Consider the US and World internet penetration rate:

Internet Penetration in North America June 30, 2016



Source: Internet World Stats - www.internetworldstats.com/stats14.htm

320,067,193 Internet users in North America in June 2016

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Now consider the Bahamas penetration rate in 2015



[Internet World Stats](#) > [The Caribbean](#) > **Bahamas** > [Site Links](#) >



Bahamas

Internet Usage and Population Statistics:

YEAR	Users	Population	% Pen.	GDP p.c.*	Usage Source
2000	13,100	304,000	4.3 %	US\$ 14,296	ITU
2003	84,000	326,057	23.4 %	US\$ 14,585	ITU
2006	93,000	330,602	28.1 %	US\$ 14,920	ITU
2007	103,000	335,142	30.7 %	US\$ 21,600	ITU
2015	293,875	324,597	90.5 %	US\$ 21,390	IWS

Note: Per Capita GDP in US dollars, source: United Nations Department of Economic and Social Affairs.

The Bahamas has one of highest internet broadband connectivity rate in the world. Hence the risk of a substantial increase is minimal.

Number of K-12 students

Estimated Value in 2016: 55.1 million students

2011-2016 Compound Growth: 0.1%

Forecast Value for 2021: 56.8 million students

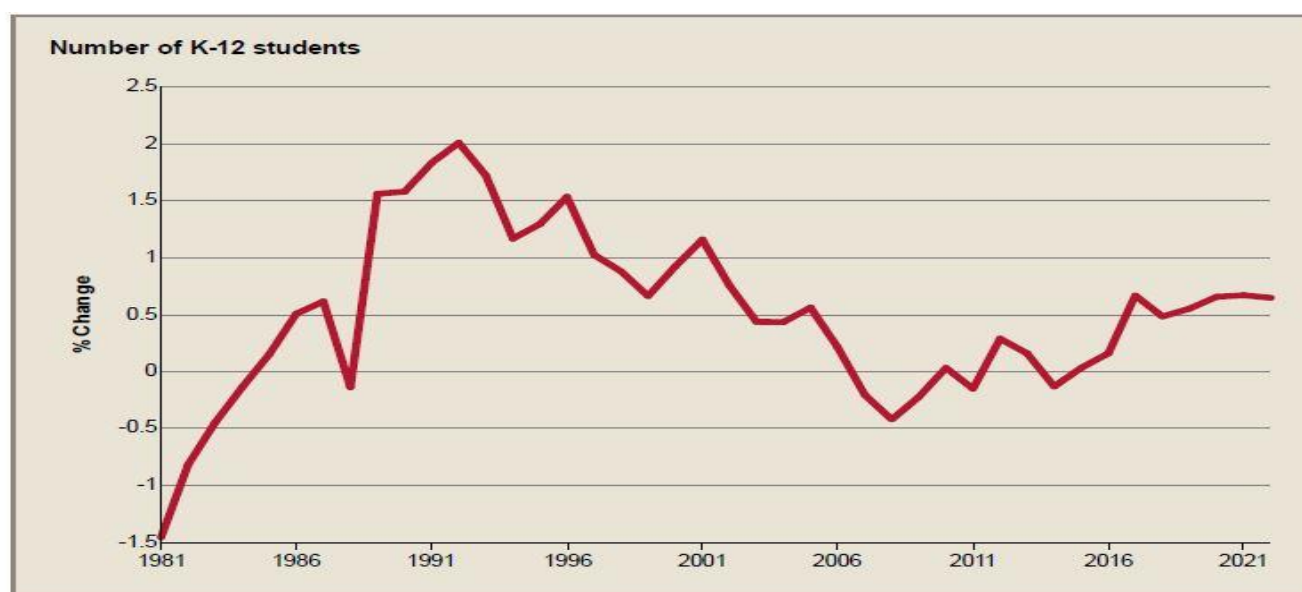
2016-2021 Compound Growth: 0.6%

Number of K-12 students represents the total student enrollment in both public and private kindergarten, elementary and secondary schools. Data and forecasts are sourced from the US Department of Education's National Center for Education Statistics.

Current Performance

Elementary and secondary school enrollment is anticipated to remain flat over the five years to 2016. This is due to declining birth rates since 1990 resulting in low growth of the school age (5-18) demographic. However, high school retention rates have marginally improved over this same period. Over the past five years, private school enrollment has accounted for a smaller share of total student enrollment. According to data from the National Center for Education Statistics, 49.8 million students enrolled in public elementary and secondary schools in 2012-13, with 70.0% of these students being in prekindergarten through grade 8 and 30.0% being in grade 9 through 12.

Moreover, public and private school enrollment varies by state, with some states (e.g. Nevada, Utah, Texas and Arizona) exhibiting the largest increase in public school enrollment from 2012-13 (latest data available). Private school enrollment has demonstrated a downward trend. About one-half of private elementary school students were enrolled in a Catholic-affiliated private school, meaning that Catholic-affiliated private school enrollment is a strong indicator for overall private school enrollment. Overall, as private and public college tuition costs have skyrocketed, some parents may have been less willing to incur private school costs for elementary and secondary schools, dampening the number of K-12 students enrolled at private schools. In 2016, the number of K-12 students is expected to rise just 0.2%.



Outlook

IBISWorld forecasts the birth rate to increase and high school retention rates to continue to improve over the five years to 2021. These factors will cause the student growth rate to increase slightly over the outlook period. The number of K-12 students, which is anticipated to increase at an annualized rate of 0.6% from 2016 to 2021, will be aided by population growth over this period.

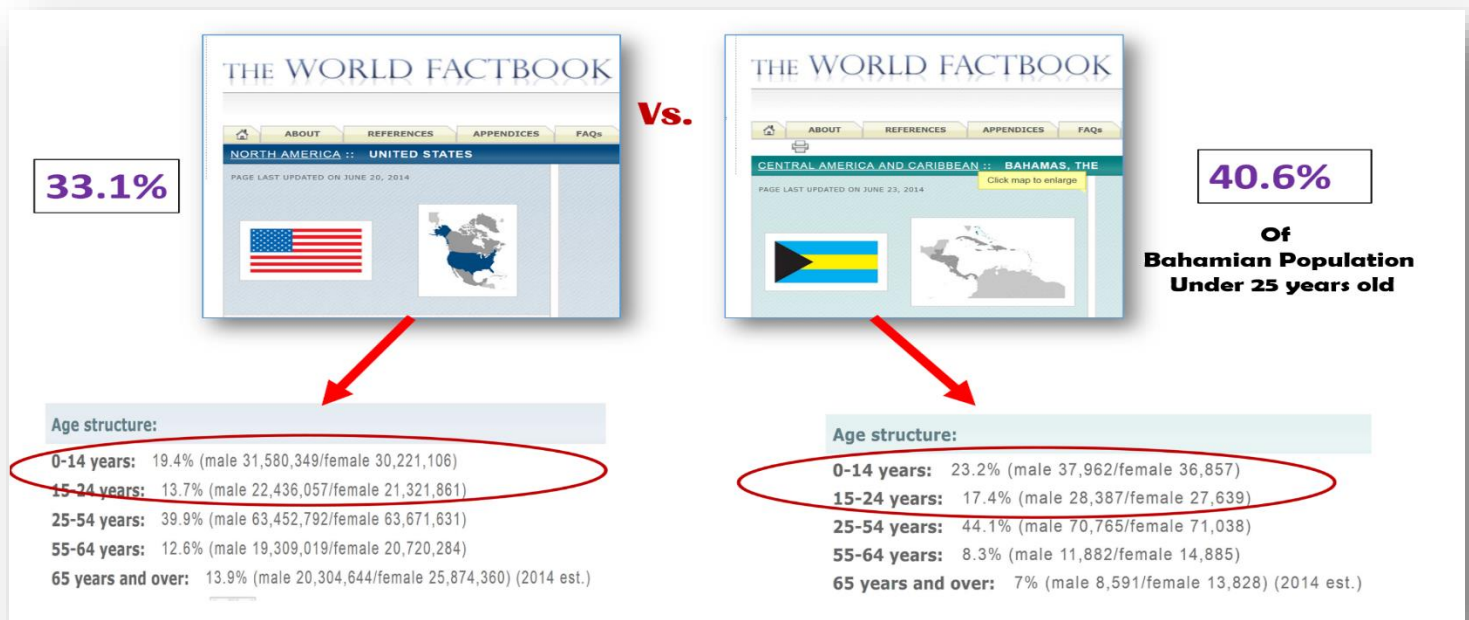
Year	Million people	% Change
1981	45.54	
1982	45.17	-0.81
1983	44.97	-0.44
1984	44.91	-0.13
1985	44.98	0.16
1986	45.21	0.51
1987	45.49	0.62
1988	45.43	-0.13
1989	46.14	1.56
1990	46.87	1.58
1991	47.73	1.83
1992	48.69	2.01
1993	49.53	1.73
1994	50.11	1.17
1995	50.76	1.3
1996	51.54	1.54
1997	52.07	1.03
1998	52.53	0.88
1999	52.88	0.67
2000	53.37	0.93
2001	53.99	1.16

Year	Million people	% Change
2002	54.40	0.76
2003	54.64	0.44
2004	54.88	0.44
2005	55.19	0.56
2006	55.31	0.22
2007	55.20	-0.2
2008	54.97	-0.42
2009	54.85	-0.22
2010	54.87	0.04
2011	54.79	-0.15
2012	54.95	0.29
2013	55.04	0.16
2014	54.97	-0.13
2015	54.99	0.04
2016	55.08	0.16
2017	55.45	0.67
2018	55.72	0.49
2019	56.03	0.56
2020	56.40	0.66
2021	56.78	0.67
2022	57.15	0.65

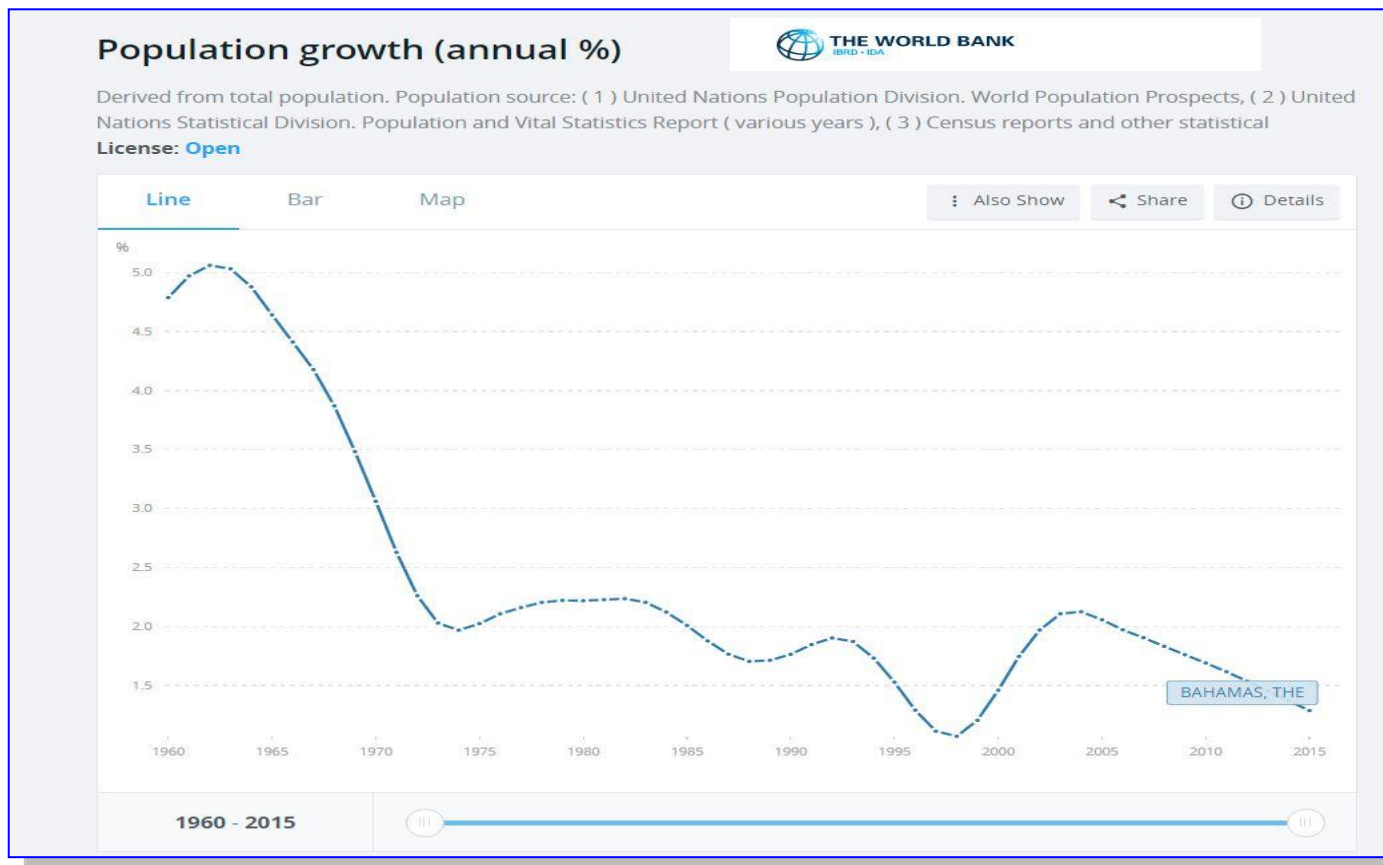
Bahamas

Risk is Low. The Bahamas has one of the largest K-12 student population in the Western Hemisphere. General Info.

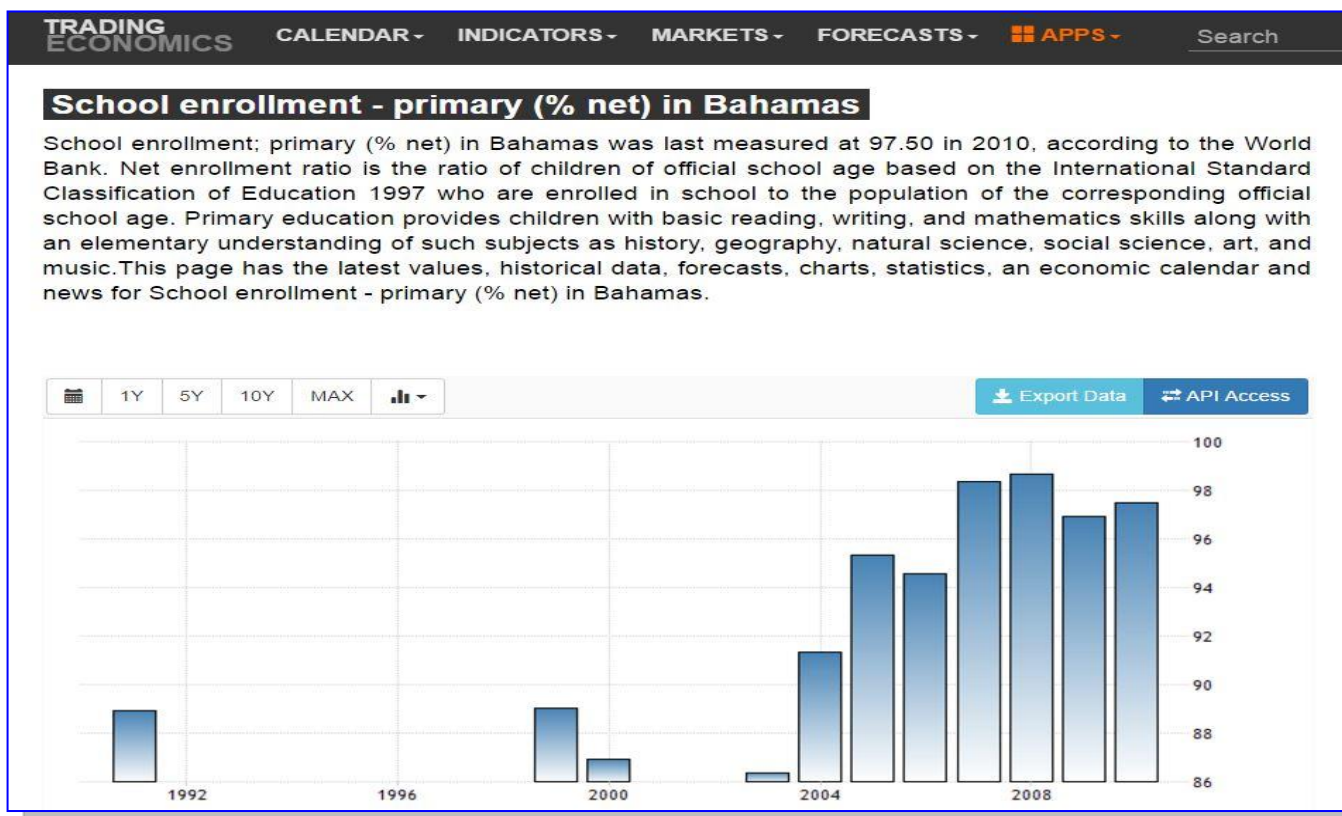
- 23% of its population is under age 14
- 40% of its population is under age 25



The Bahamas' annual growth rate is 1.29 %



School enrollment is 97%



These factors have the student growth rate increasing. A dedicated education program is set to launch in 2017: Project Empower will be anchored by:

- ❖ IMAX Education Program
- ❖ Subzero Ice (Nitrogen) Education Program

These world-renowned programs will fill the vacuum for educational program that do not currently exist. Project Empower will work synergistically with the Hollywood content in the facility. The program will run between 10am-1pm daily. Hollywood content starts at 1pm.

IBISWorld Industry Risk Scoring Methodology

What is Industry Risk

IBISWorld Industry Risk evaluates the inherent risks associated with hundreds of different industries in the United States. Industry Risk is assumed to be "the difficulty or otherwise of the operating environment". This approach is new in that it analyses non-financial information surrounding each industry.

The Industry Risk score is forward looking, and the score looks at expected Industry Risk over the next 12-18 months. The methodology is based on industry classifications and is designed to identify and quantify risks inherent in specific industries both now and into the 12 month forecast.

Industry-based information would, for example, enable the examination of a loan book (portfolio) with regards to risk, which would enable a more sophisticated assessment of risk spread and pricing to risk. Alternatively, individual exposures can be better evaluated using an assessment of structure and key drivers of change in the industry of the exposure.

Methodology

To calculate the overall risk score, IBISWorld assesses the risks pertaining to industry structure (structural risk), expected performance (growth risk) and economic forces (sensitivity risk). Risk scores are on a scale of 1 to 9, where 1 represents the lowest risk and 9 the highest. The three types of risk are scored separately, then weighted and combined to derive the overall risk score.

Structure Score: An industry's structural score measures the impact of the fundamental characteristics common to all industries. These seven components are scored separately, then weighted and combined to derive the structural risk score. This component contributes 25% of the overall score.

Growth Score: The growth risk score evaluates forecasted industry revenue growth against past performance as well as expected growth for all other industries. A high industry growth rate is associated with lower risk for operators in that industry. This component contributes 25% of the overall score.

Sensitivity Score: IBISWorld has identified and weighted the most significant external factors affecting industry performance. These factors are scored separately, then weighted and combined to derive the sensitivity risk score. Examples include input costs, number of housing starts, commodity prices, etc. This component contributes 50% of the overall score.

Risk Levels

Risk Score	Level of Risk
1 - 3	Very Low
>3 - 4.1	Low
>4.1 - 4.7	Medium - Low
>4.7 - 5.3	Medium
>5.3 - 5.9	Medium - High
>5.9 - 7	High
>7 - 9	Very High

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questions that successful businesses ask.

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