



FOR IMMEDIATE RELEASE

Cineplex Completes Sale of Player One Amusement Group

Transaction Represents a Meaningful Gain for Cineplex and an Important Step Towards its Capital Structure Plans

TORONTO, ON, February 1, 2024 (TSX: CGX) – Cineplex Inc. (“Cineplex”), Cineplex, a leading entertainment and media company announced today that it has completed the previously [announced](#) sale of its amusement solutions business, Player One Amusement Group (“P1AG”), to private equity firm, OpenGate Capital (“OpenGate”).

OpenGate acquired all issued and outstanding common shares of P1AG for a total purchase price of \$155 million in cash, subject to customary post-closing adjustments (the “Transaction”). As part of the Transaction, Cineplex and P1AG entered into a long-term agreement where P1AG will continue to supply and service amusement games in Cineplex’s theatres and location-based entertainment venues. As previously disclosed, Cineplex intends to use the net proceeds from the Transaction to pay against the Company’s credit facility.

"The sale of P1AG represents a meaningful gain for Cineplex and an important step towards accelerating the Company’s focus on deleveraging and evaluating options to optimize its capital structure,” said Ellis Jacob, President & CEO, Cineplex. “We would like to thank the P1AG management team, and all employees across North America for their commitment, dedication, and help in expanding and creating more value for Cineplex and our investors."

Cineplex will present P1AG as a discontinued operation on a retrospective basis until the closing date during the quarter ending March 31, 2024. Included as exhibits to this release are the changes to select previously reported financial information, reflecting P1AG as a discontinued operation.

SUPPLEMENTAL QUARTERLY FINANCIAL RESULTS (UNAUDITED)

Summary of Quarterly Results (in thousands of dollars except per share, per patron, theatre attendance and theatre location and screen data, unless otherwise noted):

	Revised 2023 (ii)			Revised 2022 (ii)			
	Q3 (ii)	Q2 (ii)	Q1 (ii)	Q4 (ii)	Q3 (ii)	Q2 (ii)	Q1 (ii)
Revenues							
Box office revenues	\$ 188,233	\$ 164,491	\$ 123,338	\$ 120,248	\$ 124,700	\$ 136,372	\$ 79,952
Food service revenues	146,228	131,392	101,076	97,168	105,193	110,637	68,388
Media revenues	28,957	26,100	22,296	44,553	25,224	26,406	15,545
Amusement revenues	26,158	21,686	26,161	20,643	24,066	20,626	15,585
Other revenues	24,964	24,252	18,484	27,308	15,113	10,740	14,414
	414,540	367,921	291,355	309,920	294,296	304,781	193,884
Expenses							
Film cost	101,510	90,471	66,074	63,567	66,356	69,958	39,016
Cost of food service	33,220	30,744	24,237	22,671	24,839	25,335	14,857
Depreciation - right-of-use assets	21,894	21,971	21,533	22,799	22,618	23,966	24,129
Depreciation and amortization - other	21,959	22,230	22,873	22,179	22,236	22,629	22,422
Loss (gain) on disposal of assets	128	336	893	(3,327)	(49,879)	(4,654)	112
Other costs	162,885	158,431	147,061	153,835	149,507	140,748	109,493
Reversal of impairment of long-lived assets	—	—	—	(19,880)	—	—	—
	341,596	324,183	282,671	261,844	235,677	277,982	210,029
Subtotal	\$ 72,944	\$ 43,738	\$ 8,684	\$ 48,076	\$ 58,619	\$ 26,799	\$ (16,145)
Adjusted EBITDA (i)	\$ 116,448	\$ 87,893	\$ 52,719	\$ 67,744	\$ 53,094	\$ 68,835	\$ 30,495
Adjusted EBITDAaL (i)	\$ 74,614	\$ 47,194	\$ 11,377	\$ 25,830	\$ 11,429	\$ 27,646	\$ (10,704)
Net (loss) income from continuing operations	\$ 24,467	\$ 158,863	\$ (33,177)	\$ 9,572	\$ 27,093	\$ (2,622)	\$ (43,722)
Net income from discontinued operations	5,279	17,682	3,004	596	3,764	3,935	1,497
Net (loss) income	\$ 29,746	\$ 176,545	\$ (30,173)	\$ 10,168	\$ 30,857	\$ 1,313	\$ (42,225)
Earnings (loss) per share from continuing operations - basic	\$ 0.39	\$ 2.51	\$ (0.52)	\$ 0.15	\$ 0.43	\$ (0.04)	\$ (0.69)
Earnings per share from discontinued operations - basic	\$ 0.08	\$ 0.28	\$ 0.04	\$ 0.01	\$ 0.06	\$ 0.06	\$ 0.02
Earnings (loss) per share - basic	\$ 0.47	\$ 2.79	\$ (0.48)	\$ 0.16	\$ 0.49	\$ 0.02	\$ (0.67)
Earnings (loss) per share from continuing operations - diluted	\$ 0.34	\$ 1.80	\$ (0.52)	\$ 0.15	\$ 0.39	\$ (0.04)	\$ (0.69)
Earnings per share from discontinued operations - diluted	\$ 0.06	\$ 0.19	\$ 0.04	\$ 0.01	\$ 0.04	\$ 0.06	\$ 0.02
Earnings (loss) per share - diluted	\$ 0.40	\$ 1.99	\$ (0.48)	\$ 0.16	\$ 0.43	\$ 0.02	\$ (0.67)
Cash provided by (used in) operating activities from continuing operations	\$ 36,646	\$ 82,722	\$ (6,659)	\$ 51,107	\$ (1,387)	\$ 41,151	\$ (12,592)
Cash used in investing activities from continuing operations	(8,786)	(16,732)	(17,526)	(17,849)	(12,930)	(5,460)	(10,198)
Cash (used in) provided by financing activities from continuing operations	(53,916)	(50,796)	2,107	(30,956)	11,998	(35,484)	14,643
Effect of exchange rate differences on cash from continuing operations	64	(49)	34	(88)	220	77	(35)
Net change in cash from continuing operations	\$ (25,992)	\$ 15,145	\$ (22,044)	\$ 2,214	\$ (2,099)	\$ 284	\$ (8,182)

The following table shows the reconciliation of Cineplex's previously reported adjusted EBITDAaL to the revised adjusted EBITDAaL:

(i) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted.

Reconciliation of revised net income (loss) to revised adjusted EBITDAaL	Revised 2023 (i)			Revised 2022 (i)			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) (iv)	\$ 24,467	\$ 158,863	\$ (33,177)	\$ 9,572	\$ 27,093	\$ (2,622)	\$ (43,722)
Depreciation and amortization - other	21,959	22,230	22,873	22,179	22,236	22,629	22,422
Depreciation - right-of-use assets	21,894	21,971	21,533	22,799	22,618	23,966	24,129
Interest expense - lease obligations	16,606	16,312	16,152	16,268	15,785	14,619	14,584
Interest expense - other	21,014	18,229	23,502	20,626	16,317	13,814	10,078
Interest income	(248)	(282)	(211)	(125)	(84)	(38)	(30)
Current income tax (recovery) expense	(2)	(837)	—	—	—	—	(724)
Deferred income tax recovery	9,927	(150,225)	—	—	—	—	—
EBITDA	\$ 115,617	\$ 86,261	\$ 50,672	\$ 91,319	\$ 103,965	\$ 72,368	\$ 26,737
Loss (gain) on disposal of assets	128	336	893	(3,327)	(49,879)	(4,654)	112
Loss (gain) on financial instruments recorded at fair value	580	1,020	270	(970)	1,630	1,770	3,830
CDCP equity loss (income) (i)	—	—	—	3	30	332	(854)
Foreign exchange (gain) loss	(78)	88	729	468	(2,795)	(1,128)	525
Reversal of impairment of long-lived assets	—	—	—	(19,880)	—	—	—
Depreciation and amortization - joint ventures and associates (ii)	201	187	142	123	130	133	131
Taxes and interest of joint ventures and associates (ii)	—	1	13	8	13	14	14
Adjusted EBITDA	\$ 116,448	\$ 87,893	\$ 52,719	\$ 67,744	\$ 53,094	\$ 68,835	\$ 30,495
Cash rent paid/payable related to lease obligations	(41,437)	(40,301)	(42,543)	(41,528)	(41,276)	(40,805)	(42,358)
Cash rent paid not pertaining to current period	(397)	(398)	1,201	(386)	(389)	(384)	1,159
Adjusted EBITDAaL (iii)	\$ 74,614	\$ 47,194	\$ 11,377	\$ 25,830	\$ 11,429	\$ 27,646	\$ (10,704)

(i) CDCP equity income is not included in adjusted EBITDA as CDCP is a limited-life financing vehicle that is funded by virtual print fees collected from distributors. On December 16, 2022, Cineplex divested its investment in CDCP.

(ii) Includes the joint ventures with the exception of CDCP (see (i) above).

(iii) See Section 18, Non-GAAP and other financial measures.

(iv) 2023 includes recovery of approximately \$150.2 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$3.4 million (2022 - \$3.6 million) for the full year.

The following table discloses management's calculation of EBITDA, adjusted EBITDA, and adjusted EBITDAaL for P1AG:

Reconciliation of reported net income to adjusted EBITDAaL	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (i)	5,279	17,682	3,004	596	3,764	3,935	1,497
Depreciation and amortization - other	2,519	2,659	3,133	3,396	3,843	4,022	4,470
Depreciation - right-of-use assets	618	679	666	692	659	520	134
Interest expense - lease obligations	165	176	181	185	161	120	120
Interest expense - other	2	1	4	2	(14)	(2)	5
Current income tax expense (recovery)	(201)	1,106	1,615	1,921	—	—	—
Deferred income tax (recovery) expense	1,516	(8,215)	2,307	—	—	—	—
EBITDA	9,898	14,088	10,910	6,792	8,413	8,595	6,226
(Gain) loss on disposal of assets	(128)	(110)	(149)	(139)	31	4	45
Foreign exchange loss (gain)	(349)	321	(715)	(211)	1,556	505	(291)
Adjusted EBITDA	9,421	14,299	10,046	6,442	10,000	9,104	5,980
Cash rent paid/payable related to lease obligations	(971)	(1,235)	(1,180)	(1,075)	(999)	(986)	(995)
Adjusted EBITDAaL (ii)	8,450	13,064	8,866	5,367	9,001	8,118	4,985

(i) 2023 includes recovery of approximately \$8.2 million related to the recognition of deferred income tax assets recognized during the second quarter.

(ii) See Non-GAAP and other financial measures section of this news release.

The following tables show the changes to the previously disclosed balances in cash provided by (used in) operating activities, cash used in investing activities and cash (used in) provided by financing activities as previously disclosed:

[illegible][illegible]

[illegible]

SUPPLEMENTAL ANNUAL FINANCIAL RESULTS (UNAUDITED)

The following table shows the changes to previously disclosed revenues, expenses and net income (loss) for the year ended December 31, 2022 and 2021:

	2022			2021		
	Reported	P1AG	Revised	Reported	P1AG	Revised
Revenues						
Box office	\$ 461,272	\$ —	\$ 461,272	\$ 236,320	\$ —	\$ 236,320
Food service	381,386	—	381,386	186,998	—	186,998
Media	111,728	—	111,728	65,330	—	65,330
Amusement	246,601	165,681	80,920	134,473	100,282	34,191
Other	67,575	—	67,575	33,548	—	33,548
	<u>1,268,562</u>	<u>165,681</u>	<u>1,102,881</u>	<u>656,669</u>	<u>100,282</u>	<u>556,387</u>
Expenses						
Film cost	238,897	—	238,897	114,674	—	114,674
Cost of food service	87,702	—	87,702	41,683	—	41,683
Depreciation - right-of-use assets	95,517	2,005	93,512	102,247	3,154	99,093
Depreciation and amortization - other assets	105,197	15,731	89,466	113,042	20,218	92,824
(Gain) loss on disposal of assets	(57,807)	(59)	(57,748)	(28,283)	79	(28,362)
Other costs	687,738	134,155	553,583	439,554	87,579	351,975
Share of loss of joint ventures and associates	2,608	—	2,608	755	—	755
Interest expense - lease obligations	61,842	586	61,256	58,590	519	58,071
Interest expense - other	60,826	(9)	60,835	65,138	(3)	65,141
Interest income	(277)	—	(277)	(232)	(4)	(228)
Foreign exchange	(1,371)	1,559	(2,930)	(43)	45	(88)
Loss (gain) on financial instruments recorded at fair value	6,260	—	6,260	(8,790)	—	(8,790)
(Reversal) impairment of long-lived assets	(19,880)	—	(19,880)	3,717	—	3,717
	<u>1,267,252</u>	<u>153,968</u>	<u>1,113,284</u>	<u>902,052</u>	<u>111,587</u>	<u>790,465</u>
Income (loss) before income taxes	<u>1,310</u>	<u>11,713</u>	<u>(10,403)</u>	<u>(245,383)</u>	<u>(11,305)</u>	<u>(234,078)</u>
Income tax expense (recovery)						
Current	1,197	1,921	(724)	3,339	—	3,339
Net income (loss)	<u>113</u>	<u>9,792</u>	<u>(9,679)</u>	<u>(248,722)</u>	<u>(11,305)</u>	<u>(237,417)</u>
Net income (loss) from discontinued operations, net of taxes	—	—	9,792	—	—	(11,305)
Net income (loss)	<u>\$ 113</u>	<u>\$ 9,792</u>	<u>\$ 113</u>	<u>\$(248,722)</u>	<u>\$ (11,305)</u>	<u>\$(248,722)</u>

NON-GAAP AND OTHER FINANCIAL MEASURES

National Instrument 52-112, Non-GAAP and Other Financial Measures Disclosure (“NI 52-112”) imposes obligations regarding disclosure of non-GAAP financial measures, non-GAAP ratios, and other financial measures. Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segment measures that are used by management to evaluate Cineplex’s performance. The following measures included in this MD&A do not have a standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because management believes that they assist investors in assessing financial performance. These non-GAAP and other financial measures are used throughout this report and are defined below.

NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures are defined in 52-112 as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

NON-GAAP RATIOS

A non-GAAP ratio is defined by 52-112 as a financial measure disclosed that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-GAAP financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

Below are non-GAAP financial measures or non-GAAP ratios for continuing operations that are reported by Cineplex.

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDAaL

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss (gain) on disposal of assets, foreign exchange, the equity income of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex’s other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations.

Subsequent to the adoption of IFRS 16, Leases, by Cineplex effective January 1, 2019, the calculation of EBITDA no longer includes a charge for amounts paid or payable with respect to leased property and equipment. Given the majority of Cineplex’s businesses are carried on in leased premises, Cineplex introduced the measure of adjusted EBITDAaL which includes a deduction for cash rent paid/payable related to lease obligations. Cineplex’s management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex’s profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex’s performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex’s Credit Facilities. Management calculates adjusted EBITDAaL margin by dividing adjusted EBITDAaL by total revenues.

EBITDA, adjusted EBITDA and adjusted EBITDAaL are non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Cineplex’s EBITDA, adjusted EBITDA and adjusted EBITDAaL may differ

from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA, adjusted EBITDA or adjusted EBITDAaL as reported by other entities.

P1AG Adjusted EBITDAaL

Calculated as amusement revenues of P1AG less the total operating expenses of P1AG, which excludes foreign exchange.

P1AG Adjusted EBITDAaL Margin

Calculated as P1AG Adjusted EBITDAaL divided by total amusement revenues for P1AG for the period.

Adjusted Store Level EBITDAaL Metrics

Cineplex reviews and reports adjusted EBITDAaL at the location level for the LBE which is calculated as total LBE revenues from all locations less the total of operating expenses of LBE, which excludes pre-opening costs and overhead relating to the management of LBE.

Adjusted Store Level EBITDAaL Margin

Calculated as adjusted store level EBITDAaL divided by total revenues for LBE for the period.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures are financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-GAAP financial measure or a non-GAAP ratio as defined in the instrument. Below are supplementary financial measures that Cineplex uses to depict its financial performance, financial position or cash flows.

Earnings (loss) per Share Metrics

Cineplex has presented basic and diluted earnings (loss) per share net of this item to provide a more comparable loss per share metric between the current periods and prior year periods. In the non-GAAP and other financial measure, earnings is defined as net income or net loss attributable to Cineplex excluding the change in fair value of financial instruments.

Per Patron Revenue Metrics

Cineplex reviews per patron metrics as they relate to box office revenue and theatre food service revenue such as BPP, CPP, BPP excluding premium priced product, and concession margin per patron, as these are key measures used by investors to value and assess Cineplex's performance, and are widely used in the theatre exhibition industry. Management of Cineplex defines these metrics as follows:

Theatre Attendance: Theatre attendance is calculated as the total number of paying patrons that frequent Cineplex's theatres during the period.

BPP: Calculated as total box office revenues divided by total paid theatre attendance for the period.

BPP excluding premium priced product: Calculated as total box office revenues for the period, less box office revenues from 3D, 4DX, UltraAVX, VIP ScreenX and IMAX product; divided by total paid theatre attendance for the period, less paid theatre attendance for 3D, 4DX, UltraAVX, VIP, ScreenX and IMAX product.

CPP: Calculated as total theatre food service revenues divided by total paid total theatre attendance for the period.

Theatre concession margin per patron: Calculated as total theatre food service revenues less total theatre food service cost, divided by theatre attendance for the period.

Cost of sales percentages

Cineplex reviews and reports cost of sales percentages for its two largest revenue sources, box office revenues and food service revenues as these measures are widely used in the theatre exhibition industry. These measures are reported as film cost percentage and concession cost percentage, respectively, and are calculated as follows:

Film cost percentage: Calculated as total film cost expense divided by total box office revenues for the period.

Theatre concession cost percentage: Calculated as total theatre food service costs divided by total theatre food service revenues for the period.

LBE food cost percentage: Calculated as total LBE food costs divided by total LBE food service revenues for the period.

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About Cineplex

Cineplex (TSX:CGX) is a top-tier Canadian brand that operates in the Film Entertainment and Content, Amusement and Leisure, and Media sectors. Cineplex offers a unique escape from the everyday to millions of guests through its circuit of over 170 movie theatres and location-based entertainment venues. In addition to being Canada's largest and most innovative film exhibitor, the company operates Canada's favourite destination for 'Eats & Entertainment' (The Rec Room), complexes specially designed for teens and families (Playdium), and a newly launched entertainment concept that brings movies, amusement gaming, dining, and live performances together under one roof (Cineplex Junxion). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), motion picture distribution (Cineplex Pictures), cinema media (Cineplex Media) and digital place-based media (Cineplex Digital Media). Providing even more value for its guests, Cineplex is a partner in Scene+, Canada's largest entertainment and lifestyle loyalty program.

Proudly recognized as having one of the country's Most Admired Corporate Cultures, Cineplex employs over 10,000 people in its offices and venues across Canada and the United States. To learn more, visit Cineplex.com.

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Caution Regarding Forward-Looking Statements:

Certain statements in this news release may contain forward-looking information (identified by words such as “will”, “anticipates”, “expects”, “intends” and similar expressions suggesting future events or future performance). Such forward-looking information is based on expectations and assumptions made by Cineplex and is subject to risks and uncertainties which may be beyond Cineplex’s control. Readers are cautioned that undue reliance should not be placed on forward-looking information as actual results may vary materially from the forward-looking information. A comprehensive discussion of risks that may impact Cineplex can be found in Cineplex’s public reports and filings, which are available under the Company’s profile on Sedar+ (www.sedarplus.ca). Cineplex does not undertake to update, correct or revise any forward-looking information as a result of any new information, future events or otherwise, except as may be required by applicable law.