

Cineplex Inc.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 11, 2023

The following management's discussion and analysis ("MD&A") of Cineplex Inc.'s ("Cineplex") financial condition and results of operations should be read together with the consolidated financial statements and related notes of Cineplex (see Section 1, Overview of Cineplex). These financial statements, presented in Canadian dollars, were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants.

Unless otherwise specified, all information in this MD&A is as of March 31, 2023 and all amounts are in Canadian dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Section	Contents	Page
1	Overview of Cineplex	2
2	Business strategy	7
3	Overview of operations	8
4	Results of operations	12
5	Balance sheets	27
6	Liquidity and capital resources	29
7	Adjusted free cash flow and dividends	34
8	Share activity	35
9	Seasonality and quarterly results	37
10	Related party transactions	39
11	Significant accounting judgments and estimation uncertainties	39
12	Accounting policies	41
13	Risks and uncertainties	42
14	Controls and procedures	42
15	Outlook	43
16	Non-GAAP and other financial measures	46

Cineplex Inc.

Management's Discussion and Analysis

Non-GAAP and Other Financial Measures

Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segments measures that are used by management to evaluate Cineplex's performance. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have 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. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 16, Non-GAAP and other financial measures.

Forward-Looking Statements

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to Cineplex's objectives and goals, and strategies to achieve those objectives and goals, as well as statements with respect to Cineplex's beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, including those described in Cineplex's Annual Information Form ("AIF"), and the management's discussion and analysis for the year ended December 31, 2022 ("Annual MD&A") and in this MD&A. These risks and uncertainties, both general and specific, give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Cineplex cautions readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond Cineplex's control, could cause actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements, including: Cineplex's expectations with respect to liquidity and capital expenditures; its ability to meet its ongoing capital, operating and other obligations, and anticipated needs for, and sources of, funds; Cineplex's ability to execute cost-cutting and revenue enhancement initiatives; risks generally encountered in the relevant industry, competition, customer, legal, taxation and accounting matters.

The foregoing list of factors that may affect future results is not exhaustive. When reviewing Cineplex's forward-looking statements, readers should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risks and Uncertainties" section of Cineplex's Annual MD&A.

Cineplex does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities law. Additionally, Cineplex undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex, its financial or operating results or its securities. All forward-looking statements in this MD&A are made as of the date hereof and are qualified by these cautionary statements. Additional information, including Cineplex's AIF, can be found on SEDAR at www.sedar.com.

1. OVERVIEW OF 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 Inc.

Management's Discussion and Analysis

(Cineplex Media), digital place-based media (Cineplex Digital Media) and amusement solutions (Player One Amusement Group). 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](https://www.cineplex.com).

As of March 31, 2023, Cineplex owned, leased or had a joint venture interest in 1,625 screens in 157 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex									
Theatre locations and screens at March 31, 2023									
Province	Locations (i)	Screens	3D Digital Screens	UltraAVX	IMAX Screens (ii)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (iii)
Ontario	66	710	350	41	13	48	48	108	12
Quebec	17	220	88	10	3	9	7	17	3
British Columbia	25	236	125	16	3	20	16	43	3
Alberta	19	201	111	20	2	16	17	93	6
Nova Scotia	10	87	43	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	2	1	3	3	6	1
New Brunswick	5	41	20	2	—	—	2	—	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
TOTALS	157	1,625	806	95	25	99	100	283	27
Percentage of screens			50 %	6 %	2 %	6 %	6 %	17 %	2 %
(i) Includes <i>Junxion</i> theatre in Manitoba.									
(ii) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 831 screens or 51% of the circuit.									
(iii) Other screens includes 7 4DX screens, 5 <i>Cineplex Clubhouse</i> screens and 15 ScreenX screens.									

Cineplex - Theatres, screens and premium offerings in the last eight quarters								
	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Theatres	157	158	158	159	159	160	161	160
Screens	1,625	1,637	1,637	1,640	1,640	1,652	1,656	1,651
3D Digital Screens	806	809	809	809	810	815	816	816
UltraAVX Screens	95	95	94	94	94	94	94	94
IMAX Screens	25	25	25	25	24	25	25	25
VIP Auditoriums	99	99	99	99	99	99	94	89
D-BOX Auditoriums	100	100	98	98	98	98	98	98
Recliner Auditoriums	283	273	267	267	267	267	262	258
Other Screens	27	27	23	22	22	22	19	19

Cineplex Inc.

Management's Discussion and Analysis

Cineplex - LBE - at March 31, 2023 and 2022 Province	2023		2022	
	<i>The Rec Room</i>	<i>Playdium</i>	<i>The Rec Room</i>	<i>Playdium</i>
Ontario	4	2	4	2
Alberta	3	—	3	—
Manitoba	1	—	1	—
Newfoundland & Labrador	1	—	1	—
British Columbia	1	—	1	—
Nova Scotia	—	1	—	1
TOTALS	10	3	10	3

Cineworld Transaction and Bankruptcy Filing

On December 15, 2019, Cineplex entered into an agreement (the “**Arrangement Agreement**”) with Cineworld Group plc (“**Cineworld**”) pursuant to which it agreed to acquire Cineplex for \$34.00 per share.

On June 12, 2020, Cineworld delivered a notice purporting to terminate the Arrangement Agreement. On July 3, 2020, Cineplex announced that it commenced an action against Cineworld in the Ontario Superior Court of Justice (the “**Court**”), seeking damages from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. A trial of the action commenced on September 13, 2021.

On December 14, 2021, the Court ruled that Cineworld had no basis for terminating the Arrangement Agreement and breached the Arrangement Agreements, The Court awarded damages for breach of contract to Cineplex in the amount of approximately \$1.24 billion.

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal (the “**Appeal**”). The Appeal was scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, Cineworld filed a petition in the United States Bankruptcy Court for the Southern District of Texas, commencing bankruptcy proceedings (the “**Cineworld Bankruptcy Proceedings**”) under Chapter 11 of the United States Bankruptcy Code (“**Chapter 11**”). As a result of the Cineworld Bankruptcy Proceedings, the Appeal was adjourned indefinitely.

On April 2, 2023, Cineworld entered into a restructuring agreement, with some of its lenders, regarding a proposed restructuring transaction pursuant to the Cineworld Bankruptcy Proceedings and, on April 11, 2023, Cineworld filed its proposed plan of reorganization (the “**Cineworld Chapter 11 Plan**”). The Cineworld Chapter 11 Plan contemplates holders of general unsecured claim (which includes Cineplex’s claim of \$1.24 billion), to the extent such claims are allowed claims in the Cineworld Bankruptcy Proceedings, receiving, in aggregate, (i) USD \$10 million in cash and (ii) interests in a litigation trust representing a right to recover amounts relating to certain class actions against credit card issuers (collectively, the “**Recovery Pool**”). While at this time the expected distribution in respect of Cineplex’s claim is not known, Cineplex does not anticipate that its recovery will be material. Given the uncertainty to date as to any potential recovery in respect of Cineplex’s claim, no amount has been accrued as a receivable in Cineplex’s financial statements.

The Cineworld Chapter 11 Plan remains subject to creditor and court approval. If approved and implemented, the Cineworld Chapter 11 Plan will be binding on all affected parties, and Cineplex’s only entitlement in respect of its judgment against Cineworld will be to its allocated portion of the Recovery Pool.

Cineplex Inc.

Management's Discussion and Analysis

1.2 FINANCIAL HIGHLIGHTS

Financial highlights	First Quarter		
	2023	2022	Change (i)
(in thousands of dollars, except theatre attendance in thousands of patrons and per share and per patron amounts)			
Total revenues	\$ 340,957	\$ 228,723	49.1%
Theatre attendance	9,767	6,661	46.6%
Net loss (ii)	\$ (30,173)	\$ (42,225)	-28.5%
Net loss as a percentage of sales (ii)	(8.8)%	(18.5)%	9.7%
Cash provided by (used in) operating activities	\$ 3,135	\$ (5,437)	NM
Box office revenues per patron ("BPP") (iii)	\$ 12.63	\$ 12.00	5.3%
Concession revenues per patron ("CPP") (iii)	\$ 8.85	\$ 8.82	0.3%
Adjusted EBITDA (iv)	\$ 62,765	\$ 36,475	72.1%
Adjusted EBITDAaL (ii) (iv)	\$ 20,243	\$ (5,719)	NM
Adjusted EBITDAaL margin (ii) (v)	5.9 %	(2.5)%	8.4%
Adjusted free cash flow (iv)	\$ 1,626	\$ (21,745)	NM
Adjusted free cash flow per share (v)	\$ 0.026	\$ (0.343)	NM
Net loss per share - basic and diluted (ii)	\$ (0.48)	\$ (0.67)	-28.4%
(i) Throughout this MD&A, changes in percentage amounts are calculated as 2023 value less 2022 value.			
(ii) 2023 includes expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of \$0.9 million (2022 - \$0.3 million).			
(iii) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.			
(iv) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.			
(v) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.			

Total revenues for the first quarter of 2023 increased by 49.1%, or \$112.2 million to \$341.0 million as compared to the prior year.

The continued success of *Avatar: The Way of Water* and the release of *Ant-Man and the Wasp: Quantumania* and *Creed III* during the first quarter of 2023 contributed to a theatre attendance increase of 46.6% or 6.7 million to 9.8 million as compared to the prior year which was impacted by operating restrictions. The increase in attendance and demand for premium offerings resulted in a first quarter record BPP of \$12.63 and box office revenues of \$123.3 million.

Food service revenues increased by 47.8% to \$101.1 million in the first quarter of 2023 as compared to the prior year. The increase in theatre attendance and first quarter record CPP of \$8.85 resulted in theatre food service revenues of \$86.4 million which increased by \$27.7 million or 47.1%. LBE food service revenues increased by \$6.0 million, or 93.4%, from \$6.4 million to \$12.3 million, a first quarter record.

Amusement revenues increased by \$25.3 million or 50.3% to an all-time quarterly record of \$75.8 million, primarily from continued strong PIAG route operations and the results from *The Rec Room* and *Playdium* which contributed \$22.2 million, an all-time quarterly record.

Media revenues increased 43.4% to \$22.3 million, mainly from a 73.3% increase in cinema media, along with a 9.7% increase in network management and services from digital media.

As a result of the growth in total revenue, adjusted EBITDAaL for the current period was \$20.2 million compared to a prior year loss of \$5.7 million and adjusted free cash flow per share increased to a positive adjusted free cash flow per share of \$0.026 in the current period, compared to a loss in the prior year of \$0.343. Cineplex reported a net loss of \$30.2 million in the current period (\$0.48 net loss per share - basic and diluted), compared to a net loss of \$42.2 million in the prior year (\$0.67 net loss per share - basic and diluted).

Cineplex Inc.

Management's Discussion and Analysis

1.3 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2023

The following describes certain key business initiatives undertaken and results achieved during 2023 in each of Cineplex's core business areas:

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

- Reported first quarter box office revenues of \$123.3 million, an increase of \$43.4 million (54.3%) from \$80.0 million due to a 46.6% increase in theatre attendance as a result of Cineplex's theatre circuit being open during the entire period, compared to the prior year where select provinces were subject to operating restrictions.
- Reported a first quarter record BPP of \$12.63, \$0.63 or 5.3% higher than the \$12.00 reported during the prior year due to a higher percentage of premium ticket sales in the current period as compared to the prior year.

Theatre Food Service

- Reported first quarter theatre food service revenues of \$86.4 million, an increase of \$27.7 million (47.1%) compared to the prior year primarily due to a 46.6% increase in theatre attendance.
- Reported first quarter record CPP of \$8.85, an increase of \$0.03 or 0.3% compared to the prior year, due to product mix and modest price increases.

Alternative Programming and Distribution

- Entered into a theatrical distribution partnership with Lionsgate on January 5, 2023, for its 2023 film slate, bringing 11 titles to Canadian audiences.
- As part of the theatrical distribution partnership with Lionsgate, Cineplex's distribution business (Cineplex Pictures) distributed *PLANE* on January 13, 2023, *Jesus Revolution* on February 24, 2023 and *John Wick: Chapter 4* on March 24, 2023. Additionally, Cineplex Pictures released a number of feature films during the quarter, including *Creed III* and *There's Always Hope*.
- Featured numerous strong performing international films, including *Pathaan* (Hindi), which became Cineplex's number one Indian and international movie of all time. Cineplex also featured other strong performing international films including *Kali Jotta* (Punjabi), *Tu Jhoothi Main Makkaar* (Hindi) and *The Wandering Earth 2* (Chinese (Mandarin), of which Cineplex represented 83%, 40% and 32%, respectively, of the total North American box office market share.
- During the first quarter of 2023, Event Cinema featured two major concert events, from K-Pop sensations BTS (*BTS: Yet to Come*) and André Rieu (*André Rieu in Dublin*) and two live presentations of The Metropolitan Opera, including *Fedora* (Giordano) and *Lohengrin* (Wagner).

Digital Commerce

- Total registered users for Cineplex Store increased 4.0% compared to the prior year, reaching approximately 2.3 million registered users.
- Launched the Cineplex Store app on Android TV and Google TV enabled devices.
- Expanded content offering including HBO's TV series, *House of the Dragon* and *The Last of Us* and AMC TV series, *Better Call Saul* and *Lucky Hank*.
- Celebrated Black History Month with a collection of films available on the Cineplex Store where \$1 from every purchase was donated to The Black Academy, an organization that celebrates, empowers and showcases Black Canadian talent.

MEDIA

- Reported first quarter media revenues of \$22.3 million, an increase of \$6.8 million or 43.4% as compared to the prior year.

Cinema Media

- Reported first quarter cinema media revenues of \$14.3 million, an increase of \$6.0 million or 73.3% over the prior year resulting in the return of advertisers to cinema in a variety of sectors, including financial services and broadcast media.

Cineplex Inc.

Management's Discussion and Analysis

Digital Place-Based Media

- Reported first quarter revenues of \$8.0 million, an increase of \$0.7 million or 9.7%.

AMUSEMENT SOLUTIONS AND LBE

- Reported all-time quarterly record revenues of \$75.8 million, an increase of \$25.3 million or 50.3% compared to the prior year.

Player One Amusement Group

- Reported all-time quarterly record revenues of \$49.6 million, an increase of \$14.8 million or 42.4% compared to the prior year. Adjusted EBITDAaL during the first quarter was a first quarter record of \$8.9 million, an increase of \$3.9 million or 77.9% compared to the prior year. The increase in revenues and adjusted EBITDAaL were primarily due to increases in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales.

Location-based Entertainment

- Reported all-time quarterly record revenues of \$35.1 million, an increase of \$15.0 million or 75.0% compared to the prior year.
- Reported all-time quarterly record adjusted store level EBITDAaL of \$12.1 million, an increase of \$5.1 million or 71.3% compared to the prior year. The increase in revenues and adjusted EBITDAaL were primarily due to all LBE venues being open during the entire period, compared to the prior year where select provinces were subject to operating restrictions.

LOYALTY

- Membership in the Scene+ loyalty program increased to over 12 million members as at March 31, 2023.
- Empire brands launched Scene+ in Quebec on March 23, 2023, providing members with opportunities to earn and redeem Scene+ points through Empire's family of brands across the country.

CORPORATE

- On March 28, 2023, Cineplex entered into the Seventh Credit Agreement Amendment (the "Seventh Amendment"), which revised certain of the financial covenants throughout the remainder of 2023 (Section 6.4, Long-term debt).
- Celebrated National Popcorn Day on January 19, 2023 by treating Scene+ members across the country with a free bag of popcorn. Additionally, theatre teams across Canada gifted first responders with popcorn as a show of appreciation.

2. CINEPLEX'S BUSINESS AND STRATEGY

Cineplex's mission statement is "Passionately delivering exceptional experiences." All of its efforts are focused on this mission and it is Cineplex's goal to consistently provide guests and customers with exceptional experiences.

Cineplex's operations are primarily conducted in four main areas: film entertainment and content, media, amusement solutions, and location-based entertainment, all supported by the Scene+ loyalty program. Cineplex's key strategic areas of focus include the following:

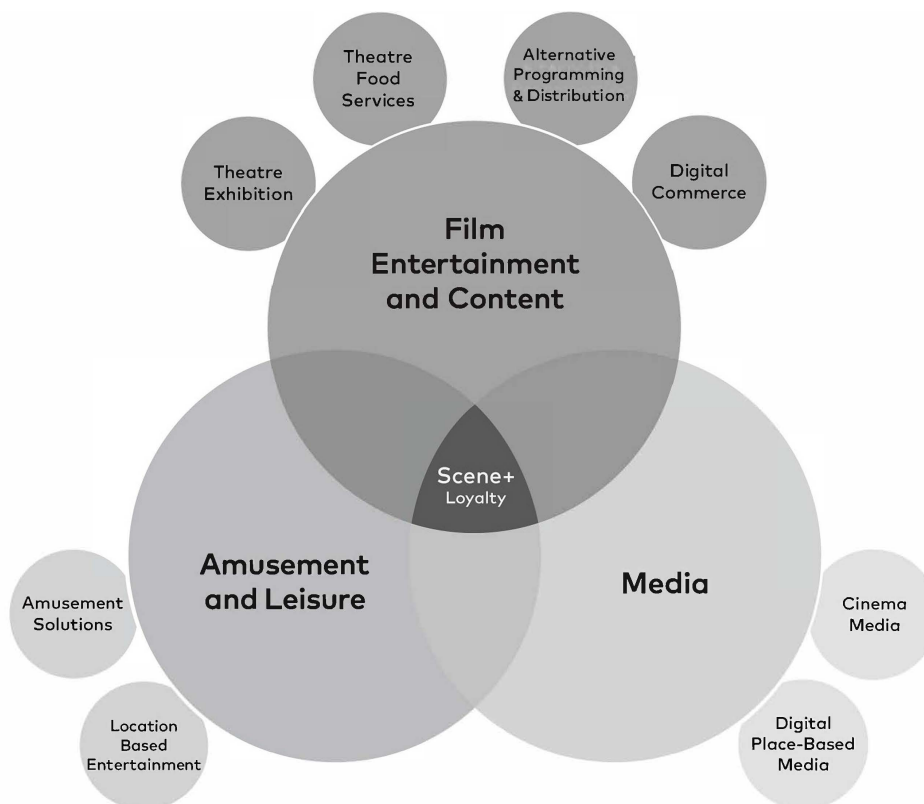
- Continue to enhance and expand Cineplex's presence as an entertainment destination for Canadians in-theatre, at-home and on-the-go;
- Capitalize on core media strengths and infrastructure to provide continued growth of Cineplex's media business both inside and outside theatres;
- Develop and scale amusement solution concepts by extending existing capabilities and infrastructure;
- Drive growth within businesses by leveraging opportunities to optimize value, realize synergies, implement customer-centric technology and leverage big data across the Cineplex ecosystems; and
- Pursue opportunities that capitalize on Cineplex's core strengths.

Cineplex uses the Scene+ loyalty program and database as a strategic asset to link these areas of focus and drive customer acquisition and spending across all lines of business.

Cineplex Inc.

Management's Discussion and Analysis

Diversified Entertainment and Media Company



Key elements of this strategy include going beyond movies to reach customers in new ways and maximizing revenue per patron. Cineplex has implemented in-theatre initiatives to improve the overall entertainment experience, including increased premium offerings, enhanced in-theatre services, alternative pricing strategies, continued development of the Scene+ loyalty and CineClub subscription programs, and initiatives in theatre food service such as optimizing and adding product offerings and improving service execution. The ultimate goal of these in-theatre customer service initiatives is to maximize revenue per patron and increase the frequency of movie-going at Cineplex's theatres.

While box office revenues (which include alternative programming) typically account for the largest portion of Cineplex's revenues, Cineplex has diversified its revenue streams through cinema media, digital place-based media, amusement solutions, the Cineplex Store, promotions and other revenue streams which have increased as a share of total revenues.

3. OVERVIEW OF OPERATIONS

Revenues

Cineplex generates revenues primarily from box office and food service sales. These revenues are affected primarily by theatre attendance levels and by changes in BPP and CPP. Box office revenue represented 36.2% of revenue in the first quarter of 2023.

Cineplex Inc.

Management's Discussion and Analysis

The following table presents the revenue mix for comparative periods:

Revenue mix % by period	Q1 2023	Q1 2022	Q1 2021	Q1 2020	Q1 2019
Box office	36.2 %	35.0 %	9.2 %	39.3 %	42.9 %
Food service	29.6 %	29.9 %	15.8 %	28.1 %	28.3 %
Media	6.5 %	6.8 %	21.9 %	11.4 %	9.5 %
Amusement	22.2 %	22.0 %	33.5 %	16.7 %	16.0 %
Other	5.5 %	6.3 %	19.6 %	4.5 %	3.3 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Cineplex has four reportable segments, film entertainment and content, media, amusement solutions and location-based entertainment. The reportable segments are business units offering differing products and services and are managed separately due to their distinct natures and are based on the information used by Cineplex's chief operating decision makers.

Revenue mix % by period	First Quarter	
	2023	2022
Film Entertainment and Content	68.7 %	69.2 %
Media	6.5 %	6.8 %
Amusement and Leisure	14.5 %	15.2 %
LBE	10.3 %	8.8 %
Total	100.0 %	100.0 %

A key component of Cineplex's business strategy is to position itself as the leading exhibitor in the Canadian market by providing customers with an exceptional entertainment experience.

The commercial appeal of the films and alternative content released during a given period, and the success of marketing as well as promotion for those films by film studios, distributors and content providers all drive theatre attendance. BPP is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or seniors who pay lower ticket prices), ticket prices during a given period and the appeal of available premium priced product that increases BPP. While BPP is impacted by CineClub, the Cineplex Tuesdays program and the Scene+ loyalty program, these programs are designed to increase theatre attendance frequency at Cineplex's theatres. Cineplex's main focus is to drive incremental visits to theatres, to employ a ticket price strategy which takes into account the local demographics at each theatre and to maximize BPP through premium offerings.

Food service revenues are comprised primarily of concession revenues, arising from food and beverage sales at theatre locations including the newly introduced *Junxion* concept, LBE venues including *The Rec Room* and *Playdium*. In addition, food service revenues include home delivery services by Uber Eats and Skip the Dishes. CPP represents theatre food service revenues divided by theatre attendance, and is impacted by the theatre food service product mix, theatre food service prices, film genre, promotions, discounts for CineClub members, and the Scene+ loyalty program. CPP can fluctuate from quarter to quarter depending on the genre of film product playing. Cineplex believes the Scene+ and CineClub programs drive incremental purchase incidence, increasing overall revenues. Cineplex focuses primarily on growing CPP by optimizing the product offerings, improving operational excellence and strategic pricing to increase purchase incidence and transaction value. Food service revenues from LBE include food and beverage revenues from the various bars and restaurants located throughout the venues.

Media revenues include both cinema media (Cineplex Media) and digital place-based media (Cineplex Digital Media) revenues. Cineplex Media generates revenues primarily from selling pre-show and show-time advertising in Cineplex's theatres. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Additionally, Cineplex Media sells media placements throughout Cineplex's circuit including digital poster cases, as well as sponsorship and advertising in LBE venues. Cineplex Media also sells digital advertising for cineplex.com, the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Cineplex Digital Media designs, installs, maintains

Cineplex Inc.

Management's Discussion and Analysis

and operates digital signage networks in four verticals including DOOH (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers. Cineplex Digital Media revenue is impacted by mall attendance which affect impressions and revenue generated.

Amusement revenues include amusement solutions revenues from P1AG, which supplies and services all the games in Cineplex's theatre circuit while also supplying equipment to third party arcades, amusement parks and centres, bowling alleys and theatre circuits across Canada and the United States, in addition to owning and operating FECs. Additionally, included in amusement revenues are revenues generated by Cineplex's XSCAPE Entertainment Centres and game rooms in theatres as well as revenues generated at LBE venues.

Cineplex generates other revenues from the Cineplex Store, online booking fees, promotional activities, screenings, private parties, corporate events and breakage on gift card sales and prepaid products.

Cost of Sales and Expenses

Film cost represents the film rental fees paid to distributors for films exhibited in Cineplex's theatres. Film costs are calculated as a percentage of box office revenue and are dependent on various factors including the performance of the film. Film costs are accrued on the related box office receipts at either mutually agreed-upon terms established prior to the opening of a film, or estimated terms where a mutually agreed settlement is reached upon conclusion of a film's run, depending upon the film licensing arrangement. There can be significant variances in film cost percentage between quarters due to, among other things, the concentration of box office revenues amongst the top films in the period with stronger performing films typically having a higher film cost percentage.

Cost of food service represents the cost of concession items and other theatre food service items sold, and varies with changes in concession and other theatre food service revenues as well as the quantity and mix of concession and other food service offerings sold. Cost of food and beverages sold at LBE is also included in cost of food service.

Depreciation - right-of-use assets, represents the depreciation of Cineplex's right-of-use assets related to leases. Depreciation is calculated on a straight-line basis from the date of commencement of the lease to the earlier of the end of the useful life of the asset or the end of the lease term.

Depreciation and amortization - other, represents the depreciation and amortization of Cineplex's property, equipment and leaseholds, as well as certain of its intangible assets. Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets.

Loss on disposal of assets represents the loss recognized on assets or components of assets that were sold or otherwise disposed.

Other costs are comprised of theatre occupancy expenses, other operating expenses and general and administrative expenses. These categories are described below.

Theatre occupancy expenses include lease related expenses, percentage rent, property related taxes, business related taxes and insurance and exclude cash rent accounted for as obligations or interest under IFRS 16, *Leases*.

Other operating expenses consist of fixed and variable expenses, with the largest component being theatre salaries and wages. Although theatre salaries and wages, (net of significant subsidies in early 2022), include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in theatre attendance. Other components of this category include marketing which includes the cost of Scene+ points issued, advertising, media, amusement solution (including P1AG and LBE), loyalty, digital commerce, supplies and services, utilities and maintenance. To the extent these costs are variable, they can be managed with changes in business volumes.

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and theatre food service management, accounting and financial reporting, legal, treasury, design and construction, real estate development, communications and investor relations,

Cineplex Inc.

Management's Discussion and Analysis

information systems and administration. Included in these costs are payroll (including Cineplex's Omnibus Incentive Plan costs), occupancy costs related to Cineplex's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. Cineplex maintains general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre and LBE portfolio and its business activities.

Accounting for Joint Arrangements

The financial statements incorporate the operating results of joint arrangements in which Cineplex has an interest using either the equity accounting method (for joint ventures and associates) or recognizing Cineplex's share of the assets, liabilities, revenues and expenses in Cineplex's consolidated results (for joint operations).

Under IFRS 11, Cineplex's 33.3% interest in Scene+, 50% share of one IMAX auditorium in Ontario, and 50% interest in *YoYo's Yogurt Cafe* ("YoYo's") are classified as joint ventures or associates. Cineplex's investment in YoYo's is carried at nil value. Cineplex disposed of its 78.2% interest in the Canadian Digital Cinema Partnership ("CDCP") on December 16, 2022. Through equity accounting, Cineplex's share of the results of operations for these joint ventures and associates are reported as a single item in the statements of operations, 'Share of income of joint ventures and associates'. Theatre attendance for the IMAX auditorium held in a joint venture is not reported in Cineplex's consolidated theatre attendance as the line-by-line results of the joint venture are not included in the relevant lines in the statement of operations.

In addition to the joint ventures which are equity accounted, Cineplex consolidates its 50% share of assets, liabilities, revenues and expenses of its joint operation, Scene GP.

Cineplex Inc.

Management's Discussion and Analysis

4. RESULTS OF OPERATIONS

4.1. SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three months ended March 31, 2023 and 2022 (expressed in thousands of dollars except shares outstanding, per share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2023	Three months ended March 31, 2022	Variance (%)
Box office revenues	\$ 123,338	\$ 79,952	54.3 %
Food service revenues	101,076	68,388	47.8 %
Media revenues	22,296	15,545	43.4 %
Amusement revenues	75,763	50,424	50.3 %
Other revenues	18,484	14,414	28.2 %
Total revenues	340,957	228,723	49.1 %
Film cost	66,074	39,016	69.4 %
Cost of food service	24,237	14,857	63.1 %
Depreciation - right-of-use assets	22,199	24,263	-8.5 %
Depreciation and amortization - other assets	26,006	26,892	-3.3 %
Loss on disposal of assets	744	157	373.9 %
Other costs (a)	186,617	138,352	34.9 %
Costs of operations	325,877	243,537	33.8 %
Net loss	\$ (30,173)	\$ (42,225)	-28.5 %
Adjusted EBITDA (i) (v)	\$ 62,765	\$ 36,475	72.1 %
Adjusted EBITDAaL (i) (v)	\$ 20,243	\$ (5,719)	NM
(a) Other costs include:			
Theatre occupancy expenses	19,248	11,762	63.6 %
Other operating expenses	148,390	110,506	34.3 %
General and administrative expenses (v)	18,979	16,084	18.0 %
Total other costs	\$ 186,617	\$ 138,352	34.9 %
Net loss per share - basic and diluted (v)	\$ (0.48)	\$ (0.67)	-28.4 %
Total assets	\$ 2,075,525	\$ 2,062,367	0.6 %
Long-term debt (iv)	\$ 859,169	\$ 786,811	9.2 %
Shares outstanding at period end	63,375,640	63,352,364	— %
Adjusted free cash flow per share (ii)	\$ 0.026	\$ (0.343)	NM
Box office revenue per patron (iii)	\$ 12.63	\$ 12.00	5.3 %
Concession revenue per patron (iii)	\$ 8.85	\$ 8.82	0.3 %
Film cost as a percentage of box office revenues	53.6%	48.8%	4.8 %
Theatre attendance (in thousands of patrons) (iii)	9,767	6,661	46.6 %
Theatre locations (at period end)	157	159	-1.3 %
Theatre screens (at period end)	1,625	1,640	-0.9 %
(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.			
(ii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.			
(iii) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.			
(iv) Represents the principal component as presented on the financial statements net of any equity component and unamortized costs of long-term debt, Debentures, and Notes Payable. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations and other liabilities.			
(v) 2023 includes expenses related to the Cineworld transaction and associated litigation and claims recovery in the amount of \$0.9 million (2022 - \$0.3 million).			

Cineplex Inc.

Management's Discussion and Analysis

4.2. OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

Total revenues

Total revenues for the three months ended March 31, 2023 increased \$112.2 million (49.1%) to \$341.0 million as compared to the prior year.

Non-GAAP and other financial measures discussed throughout this MD&A, including adjusted EBITDA, adjusted EBITDAaL, adjusted store level EBITDAaL, adjusted EBITDAaL margin, adjusted store level EBITDAaL margin, adjusted free cash flow, theatre attendance, BPP, premium priced product, same theatre metrics, CPP, film cost percentage, food service cost percentage and concession margin per patron are defined and discussed in Section 16, Non-GAAP and other financial measures.

Box office revenues

The following table highlights the movement in box office revenues, theatre attendance and BPP for the quarter (in thousands of dollars, except theatre attendance reported in thousands of patrons and per patron amounts, unless otherwise noted):

Box office revenues	First Quarter		
	2023	2022	Change
Box office revenues	\$ 123,338	\$ 79,952	54.3%
Theatre attendance (i)	9,767	6,661	46.6%
Box office revenue per patron (i)	\$ 12.63	\$ 12.00	5.3%
BPP excluding premium priced product (i)	\$ 10.40	\$ 10.49	-0.9%
Same theatre box office revenues (i)	\$ 122,375	\$ 79,614	53.7%
Same theatre attendance (i)	9,691	6,622	46.3%
% Total box from premium priced product (i)	47.7%	36.5%	11.2%

(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

Box office continuity	First Quarter	
	Box Office	Theatre Attendance
2022 as reported	\$ 79,952	6,661
Same theatre attendance change	36,892	3,068
Impact of same theatre BPP change	5,870	—
New and acquired theatres (i)	958	76
Disposed and closed theatres (i)	(334)	(38)
2023 as reported	\$ 123,338	9,767

(i) See Section 16, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

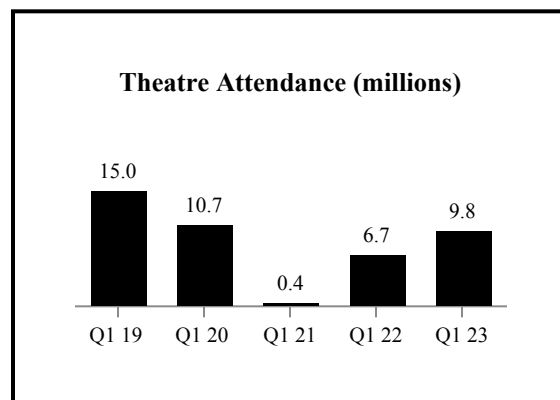
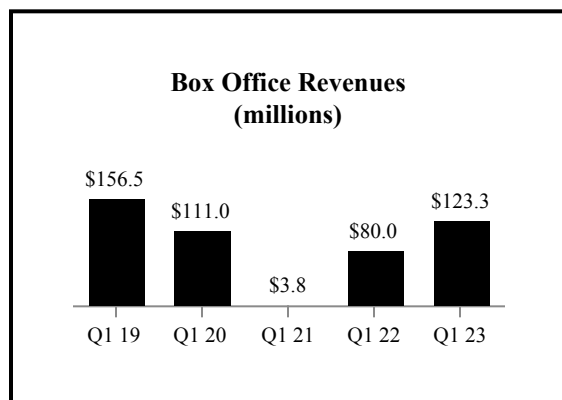
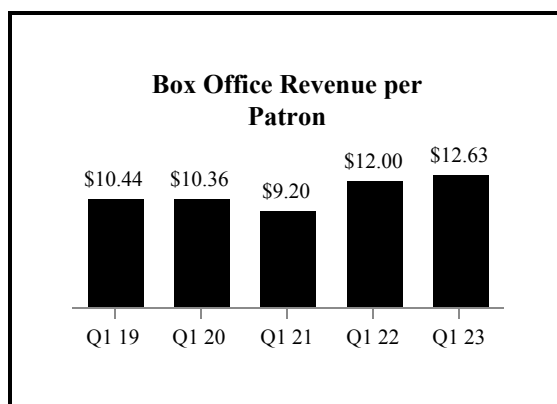
First Quarter 2023 Top Cineplex Films			First Quarter 2022 Top Cineplex Films		
	3D	% Box		3D	% Box
1	Avatar: The Way of Water	✓ 22.2 %	1	The Batman	27.6 %
2	Ant-Man and the Wasp: Quantumania	✓ 12.1 %	2	Spider-Man: No Way Home	✓ 20.4 %
3	Puss in Boots: The Last Wish	✓ 7.9 %	3	Uncharted	13.1 %
4	John Wick: Chapter 4	6.4 %	4	Sing 2	✓ 5.6 %
5	Creed III	4.3 %	5	Jackass Forever	3.4 %

Cineplex Inc.

Management's Discussion and Analysis

Box office revenues increased \$43.4 million to \$123.3 million during the first quarter of 2023, compared to \$80.0 million recorded in 2022. This increase was primarily due to a 3.1 million or 46.6% increase in theatre attendance from 6.7 million to 9.8 million. The increase in theatre attendance is partly attributed to the current period operating without any restrictions, whereas the prior year first quarter was impacted by gradual reopening plans resulting in operating restrictions in select provinces. The increase in theatre attendance is also attributed to the continued success of *Avatar: The Way of Water* which has generated \$2.3 billion globally since its release, as well as the release of *Ant-Man and the Wasp: Quantumania* and *Creed III* which generated \$106.1 million and \$58.4 million, respectively, during their North American opening weekends.

BPP for the three months ended March 31, 2023 was \$12.63, representing a first quarter record for Cineplex and an increase of \$0.63 or 5.3% from \$12.00 reported in the prior year. The increase in BPP was primarily due to film product, including *Ant-Man and the Wasp: Quantumania* and *Avatar: The Way of Water*, which guests enjoyed as premium experiences. In particular, 3D content released during the first quarter had a positive impact on premium priced products, which accounted for 47.7% of the total box office compared to 36.5% in 2022.



Cineplex Inc.

Management's Discussion and Analysis

Food service revenues

The following table highlights the movement in food service revenues, theatre attendance and CPP for the quarter (in thousands of dollars, except theatre attendance and same store attendance reported in thousands of patrons and per patron amounts):

Food service revenues	First Quarter		
	2023	2022	Change
Food service - theatres	\$ 86,444	\$ 58,759	47.1 %
Food delivery - theatres	2,295	3,249	-29.4 %
Food service - LBE	12,337	6,380	93.4 %
Total food service revenues	\$ 101,076	\$ 68,388	47.8 %
Theatre attendance (i)	\$ 9,767	\$ 6,661	46.6 %
CPP (i) (ii)	\$ 8.85	\$ 8.82	0.3 %
Same theatre food service revenues (i)	\$ 85,572	\$ 58,450	46.4 %
Same theatre attendance (i)	9,691	6,622	46.3 %

(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.

Theatre food service revenue continuity	First Quarter	
	Theatre Food Service	Theatre Attendance
2022 as reported	\$ 58,759	6,661
Same theatre attendance change	27,084	3,068
Impact of same theatre CPP change	37	—
New and acquired theatres (i)	868	76
Disposed and closed theatres (i)	(304)	(38)
2023 as reported	\$ 86,444	9,767

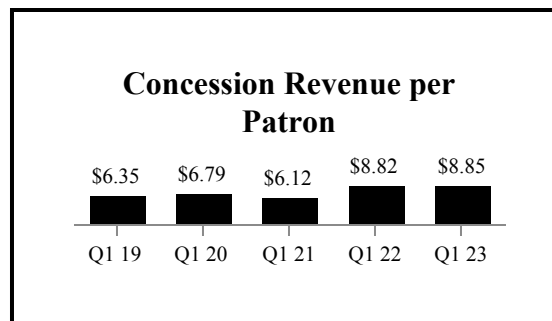
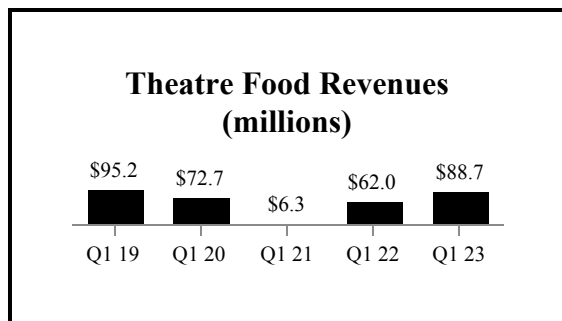
(i) See Section 16, Non-GAAP and other financial measures. Represents theatres opened, acquired, disposed or closed subsequent to the start of the prior year comparative period and is used to report on Cineplex's supplementary financial measures.

Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations, including the newly introduced *Junxion* concept and through delivery services including Uber Eats and Skip the Dishes. Food service revenues also include food and beverage sales at *The Rec Room* and *Playdium*.

Food service revenues increased by \$32.7 million or 47.8% from \$68.4 million to \$101.1 million during the first quarter due to both higher theatre and LBE food service revenues. Theatre food service revenues increased \$27.7 million or 47.1% to \$86.4 million as compared to the prior year. The increase in theatre food services revenue was due to a 46.6% increase in theatre attendance as Cineplex's theatre circuit operated without restrictions, compared to the prior year that was impacted by gradual reopening plans resulting in operating restrictions. CPP increased \$0.03 or 0.3% from \$8.82 to a first quarter record of \$8.85. Operating restrictions in historically lower average spend provinces in the prior year resulted in an overall shift to higher average spend provinces and a CPP of \$8.82, an all-time quarterly record in the prior year. LBE food service revenue also increased \$6.0 million increase to \$12.3 million, a first quarter record.

Cineplex Inc.

Management's Discussion and Analysis

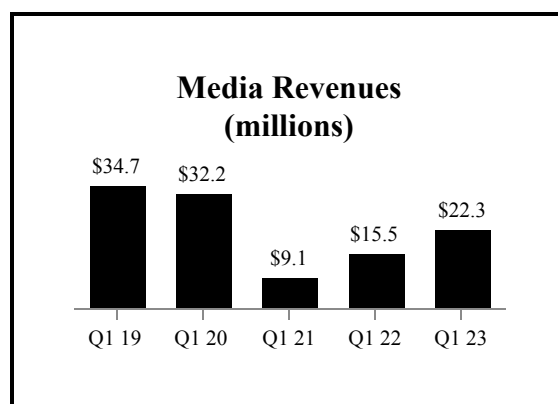


Media revenues

The following table highlights the movement in media revenues for the quarter (in thousands of dollars):

Media revenues	First Quarter		
	2023	2022	Change
Cinema media	\$ 14,293	\$ 8,249	73.3%
Digital place-based media	8,003	7,296	9.7%
Total media revenues	\$ 22,296	\$ 15,545	43.4%

Total media revenues increased \$6.8 million or 43.4% to \$22.3 million during the first quarter of 2023 compared to the prior year. The increase during the first quarter was primarily due to the return of moviegoers with the release of highly anticipated movies. This ultimately resulted in increased advertising opportunities, leading to the increase in cinema advertising from advertisers in a variety of sectors. The increase in total media revenues during the first quarter is also attributable to the \$0.7 million increase in digital placed-media revenues as a result of increased mall traffic, leading to increased advertising from advertisers in a variety of sectors at DOOH networks.



The following table shows a breakdown of the nature of digital place-based media revenues for the quarter (in thousands of dollars):

Digital place-based media revenues	First Quarter		
	2023	2022	Change
Project revenues (i)	\$ 2,906	\$ 2,979	-2.5%
Other revenues (ii)	5,097	4,317	18.1%
Total digital place-based media revenues	\$ 8,003	\$ 7,296	9.7%
(i) Project revenues include hardware sales and professional services.			
(ii) Other revenues include sales of software and its support as well as media advertising.			

Cineplex Inc.

Management's Discussion and Analysis

Amusement revenues

The following table highlights the movement in amusement revenues for the quarter (in thousands of dollars):

Amusement revenues	First Quarter		
	2023	2022	Change
Amusement - P1AG excluding Cineplex exhibition and LBE (i)	\$ 49,602	\$ 34,839	42.4 %
Amusement - Cineplex exhibition (i)	3,926	2,091	87.8 %
Amusement - LBE	22,235	13,494	64.8 %
Total amusement revenues	\$ 75,763	\$ 50,424	50.3%

(i) Cineplex receives a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres. Amusement - Cineplex exhibition reports the total of this venue revenue share which is consistent with the historical presentation of Cineplex's amusement revenues. Amusement - P1AG excluding Cineplex exhibition and LBE reflects P1AG's gross amusement revenues, net of the venue revenue share paid to Cineplex reflected in Amusement - Cineplex exhibition above.

Amusement revenues increased \$25.3 million or 50.3% as compared to the prior year to an all-time quarterly record of \$75.8 million. The increase was primarily due to a \$14.8 million increase in P1AG amusement revenues from US and Canada route locations at FEC's and theatres, along with an increase in distribution sales. The increase is also attributable to a \$8.7 million increase in LBE amusement revenues, resulting in an all-time quarterly record of \$22.2 million. The current period operated without any restrictions, whereas the prior year was impacted by gradual reopenings and operating restrictions, which negatively impacted amusement revenues.

The following table presents the adjusted EBITDAaL for the quarter for P1AG (in thousands of dollars):

P1AG Summary	First Quarter		
	2023	2022	Change
Amusement revenues	\$ 49,602	\$ 34,839	42.4%
Operating expenses	39,556	28,859	37.1 %
Cash rent related to lease obligations (i)	1,180	995	18.6 %
Total	\$ 40,736	\$ 29,854	36.5%
P1AG adjusted EBITDAaL (ii)	\$ 8,866	\$ 4,985	77.9%
P1AG adjusted EBITDAaL Margin (iii)	17.9 %	14.3 %	3.6%

(i) Cash rent that has been reallocated to offset the lease obligations.
(ii) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.
(iii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.

Compared to the prior year, P1AG's amusement revenues increased by \$14.8 million to \$49.6 million, an all-time quarterly record. The increase in revenues is attributed to P1AG US and Canadian route locations at FEC's and theatres operating without any government mandated restrictions during the current period, compared to the prior year operations which were more heavily impacted by the continued impact of COVID-19. P1AG adjusted EBITDAaL during the first quarter of 2023 was \$8.9 million, an increase of \$3.9 million compared to the first quarter of 2022 and a first quarter record. P1AG adjusted EBITDAaL margin was 17.9% during the first quarter, an increase of 3.6% compared to the first quarter of 2022. Efficient management of operating expenses allowed for the growth in margins during the first quarter compared to the prior year.

Cineplex Inc.

Management's Discussion and Analysis

The following table presents the LBE adjusted store level EBITDAaL for the quarter (in thousands of dollars):

LBE Summary	First Quarter		
	2023	2022	Change
Food service revenues	\$ 12,337	\$ 6,380	93.4 %
Amusement revenues	22,235	13,494	64.8 %
Media and other revenues	511	169	202.4 %
Total revenues	\$ 35,083	\$ 20,043	75.0 %
Cost of food service	3,484	1,821	91.3 %
Operating expenses before adjustments (i)	16,732	8,478	97.4 %
Cash rent related to lease obligations (ii)	2,730	2,658	2.7 %
Total	\$ 22,946	\$ 12,957	77.1 %
Adjusted store level EBITDAaL (iii)	\$ 12,137	\$ 7,086	71.3 %
Adjusted store level EBITDAaL Margin (iv)	34.6 %	35.4 %	-0.8 %
(i) Includes operating costs of LBE. Pre-opening costs relating to LBE and overhead relating to management of LBE portfolio are not included as they are non-recurring costs.			
(ii) Cash rent that has been reallocated to offset the lease obligations.			
(iii) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.			
(iv) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.			

During the first quarter of 2023, revenues increased by \$15.0 million or 75.0% from the prior year to an all-time quarterly record of \$35.1 million. The higher revenue is due to increased operating levels as Cineplex operated during the entire period with no government mandated restrictions, whereas the prior year period was impacted by the gradual easing of operating restrictions in select provinces. This resulted in all-time quarterly record amusement revenues of \$22.2 million and a first quarter record for food service revenues of \$12.3 million. Additionally, LBE revenues also increased from higher groups and events bookings during the first quarter.

Adjusted store level EBITDAaL for the first quarter of 2023 was an all-time quarterly record of \$12.1 million and adjusted store level EBITDAaL margin during the first quarter was 34.6%. The increase in both adjusted store level EBITDAaL and margin are consistent with the increase in revenues. Adjusted store level EBITDAaL and margin are affected by sales mix, with amusement revenues historically contributing higher margins than food service to LBE locations. Cineplex's LBE venues were subject operating restrictions leading to lower adjusted EBITDAaL in the first quarter of 2022, partially offset by \$2.8 million of government subsidies which reduced operating expenses.

Other revenues

The following table highlights the other revenues which includes revenues from online booking fees, the Cineplex Store, promotional activities, screenings, private parties, corporate events, breakage on gift card sales and revenues from management fees for the quarter (in thousands of dollars):

Other revenues	First Quarter		
	2023	2022	Change
Total other revenues	\$ 18,484	\$ 14,414	28.2%

The quarterly increase in other revenues is primarily due to the implementation of an online booking fee introduced on June 15, 2022 that applies to tickets purchased through Cineplex's mobile app and website. This online booking fee generated \$5.2 million during the first quarter. The increase in other revenues in the quarter is also attributed to higher revenues from venue rentals and breakage related to gift cards and other prepaid products, net of lower Scene revenues.

Cineplex Inc.

Management's Discussion and Analysis

Film cost

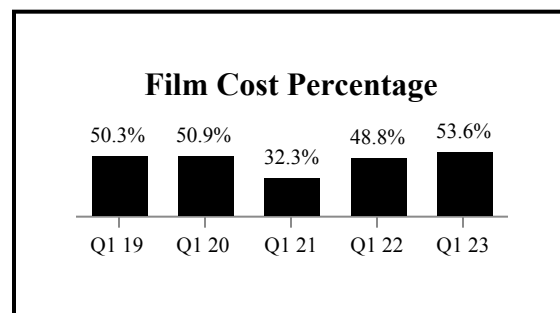
The following table highlights the movement in film cost and the film cost percentage for the quarter (in thousands of dollars, except film cost percentage):

Film cost	First Quarter		
	2023	2022	Change
Film cost	\$ 66,074	\$ 39,016	69.4 %
Film cost percentage (i)	53.6%	48.8%	4.8 %

(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

Film cost varies primarily with box office revenues and can vary from quarter to quarter usually based on the relative strength of the titles exhibited during the period, impacted by film cost terms which vary by title and distributor.

The increase in film cost and film cost percentage during the first quarter over the prior year is positively correlated to the increase in box office revenues recognized during the quarter, as Cineplex's theatre circuit was open and operating without restrictions for the entire period, compared to the prior year that was impacted by the easing of operating restrictions. Film cost percentage increased 4.8% for the first quarter compared to the prior year due to the top films in the first quarter of 2023 having higher settlement rates and making up a larger percentage of box office revenues.



Cost of food service

The following table highlights the movement in cost of food service and food service cost as a percentage of food service revenues ("concession cost percentage") for both theatres and LBE for the quarter (in thousands of dollars, except percentages and margins per patron):

Cost of food service	First Quarter		
	2023	2022	Change
Cost of food service - theatre	\$ 20,753	\$ 13,036	59.2 %
Cost of food service - LBE	3,484	1,821	91.3 %
Total cost of food service	\$ 24,237	\$ 14,857	63.1 %
Theatre concession cost percentage (i)	23.4%	21.0%	2.4 %
LBE food cost percentage (i)	28.2%	28.5%	-0.3 %
Theatre concession margin per patron (i)	\$ 6.78	\$ 6.97	-2.7 %

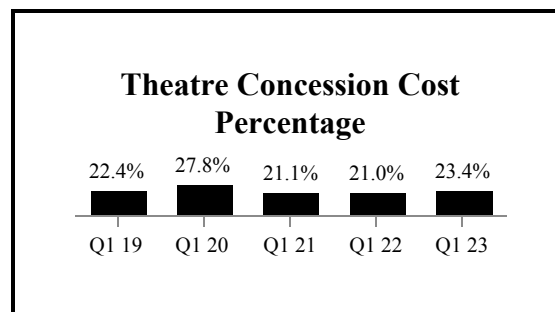
(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

Cost of food service at the theatres varies primarily with theatre attendance, the cost of food and materials purchased as well as the quantity and mix of offerings sold. Cost of food service at LBE venues varies primarily with the volume of guests who visit the location as well as the quantity and mix between food and beverage items sold.

Cineplex Inc.

Management's Discussion and Analysis

The quarterly increase in cost of food service is positively correlated to the increase in food service revenues recognized during the quarter as Cineplex's theatre circuit and LBE businesses were open and operating without restrictions for the entire period, compared to the prior year that was impacted by the easing of operating restrictions. Theatre concession cost percentage for the first quarter increased compared to the prior year due to inflationary food and materials costs. LBE food cost percentage decreased slightly during the first quarter compared to the prior year due to the increase in groups and events bookings, which have historically generated greater margins.



Depreciation and amortization

The following table highlights the movement in depreciation and amortization expenses during the quarter (in thousands of dollars):

Depreciation and amortization expenses	First Quarter		
	2023	2022	Change
Depreciation of property, equipment and leaseholds	\$ 23,281	\$ 24,267	-4.1 %
Amortization of intangible assets and other	2,725	2,625	3.8 %
Sub-total - depreciation and amortization - other assets	\$ 26,006	\$ 26,892	-3.3%
Depreciation - right-of-use assets	22,199	24,263	-8.5 %
Total depreciation and amortization	\$ 48,205	\$ 51,155	-5.8%

Depreciation of property, equipment and leaseholds decreased by \$1.0 million, or 4.1% during the quarter compared to the prior year. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

The quarterly increase in amortization of intangible assets and other as compared to the prior year is due to software development and additions.

Depreciation of right-of-use decreased by \$2.1 million, primarily due to modifications to lease agreements which reduced the related depreciation recognized.

Impairment of long-lived assets

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual consolidated financial statements. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. In addition, for assets other than goodwill and indefinite-lived intangible assets, indicators are assessed considering whether an impairment loss previously recognized may no longer exist or may have decreased.

On March 31, 2023, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2022 and determined that there were no material changes in those key judgments and conclusions. No reversals or impairments of long-lived assets were recognized during the period ended March 31, 2023 and 2022.

Cineplex Inc.

Management's Discussion and Analysis

See Section 5.2, Operating Results, Impairment of long-lived assets in Cineplex's 2022 annual MD&A for further details.

Loss on disposal of assets

The following table shows the movement in the loss on disposal of assets during the quarter (in thousands of dollars):

Loss on disposal of assets	First Quarter		
	2023	2022	Change
Loss on disposal of assets	\$ 744	\$ 157	373.9%

The change in loss on disposal of assets recognized during first quarter of 2023 compared to the prior year is due to nominal activity on the disposal of Cineplex's assets.

Other costs

Other costs include three main sub-categories of expenses: theatre occupancy expenses, which capture associated occupancy costs for Cineplex's theatre operations; other operating expenses, which include the costs related to running Cineplex's film entertainment and content, media, as well as amusement and leisure; and general and administrative expenses, which includes costs related to managing Cineplex's operations, including head office expenses. Please see the discussions below for more details on these categories.

The following table highlights the movement in other costs for the quarter (in thousands of dollars):

Other costs	First Quarter		
	2023	2022	Change
Theatre occupancy expenses	\$ 19,248	\$ 11,762	63.6%
Other operating expenses	148,390	110,506	34.3%
General and administrative expenses	18,979	16,084	18.0%
Total other costs	\$ 186,617	\$ 138,352	34.9%

Theatre occupancy expenses

The following table highlights the movement in theatre occupancy expenses for the quarter (in thousands of dollars):

Theatre occupancy expenses	First Quarter		
	2023	2022	Change
Cash rent paid/payable (i) (ii)	\$ 38,476	\$ 35,832	7.4%
Other occupancy (ii)	18,874	14,900	26.7%
One-time items (iii)	—	(605)	-100.0%
Total theatre occupancy including cash lease payments	\$ 57,350	\$ 50,127	14.4%
Cash rent paid/payable related to lease obligations (iv)	(38,102)	(38,365)	-0.7%
Theatre occupancy as reported	\$ 19,248	\$ 11,762	63.6%

(i) Represents the cash payments for theatre rent paid or payable during the quarter.

(ii) 2022 includes \$2.9 million of rent subsidies included in cash rent paid/payable and \$3.5 million of realty tax subsidies included in other occupancy.

(iii) One-time items include amounts related to both theatre rent and other theatre occupancy costs including real estate taxes, business taxes and common area maintenance. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.

(iv) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Cineplex Inc.

Management's Discussion and Analysis

Theatre occupancy continuity	First Quarter Occupancy
2022 as reported	\$ 11,762
Impact of new and acquired theatres	209
Impact of disposed theatres	(390)
Same store rent change (i)	(64)
One-time items	606
Decrease in subsidies	6,420
Other	442
<u>Impact of IFRS 16:</u>	
Cash rent related to lease obligations	263
2023 as reported	\$ 19,248

(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

Theatre occupancy expenses increased \$7.5 million or 63.6% during the first quarter of 2023 compared to the prior year which benefited from realty tax and rent subsidies of \$6.4 million.

Other operating expenses

The following table highlights the movement in other operating expenses during the quarter (in thousands of dollars):

Other operating expenses	First Quarter		
	2023	2022	Change
Theatre payroll (i)	\$ 35,891	\$ 16,297	120.2%
Theatre operating expenses	28,302	22,356	26.6%
Media	13,025	10,180	27.9%
PIAG	40,736	29,854	36.5%
LBE (ii)	19,462	11,136	74.8%
SCENE	7,039	13,841	-49.1%
Marketing	2,236	1,362	64.2%
Scene+ point issuance	4,774	2,996	59.3%
Other (iii)	1,962	6,915	-71.6%
Other operating expenses including cash lease payments	\$ 153,427	\$ 114,937	33.5%
Cash rent paid/payable related to lease obligations (iv)	(5,037)	(4,431)	13.7%
Total other operating expenses	\$ 148,390	\$ 110,506	34.3%

(i) 2022 includes \$13.3 million of theatre payroll subsidies.
(ii) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.
(iii) Other category includes overhead costs related to LBE and other Cineplex internal departments.
(iv) Cash rent paid/payable that has been reallocated to offset the lease obligations.

Cineplex Inc.

Management's Discussion and Analysis

Other operating expenses continuity	First Quarter
2022 as reported	\$ 110,506
Impact of new and acquired theatres	592
Impact of disposed theatres	(440)
Same theatre payroll change (i)	19,329
Same theatre operating expenses change (i)	6,111
Media operating expenses change	2,844
PIAG operating expenses change	10,882
LBE operating expenses change	8,326
SCENE change	(6,802)
Marketing change	874
Scene+ point issuance change	1,778
Other	(5,004)
<u>Impact of IFRS 16:</u>	
Cash rent related to lease obligations	(606)
2023 as reported	\$ 148,390
(i) See Section 16, Non-GAAP and other financial measures. These are measures included as part of Cineplex's supplementary financial measure calculations.	

Other operating expenses increased \$37.9 million or 34.3% during the first quarter of 2023 compared to the prior year. Cineplex recognized \$20.7 million of subsidies in the first quarter of 2022, comprised of \$18.2 million of payroll subsidies of which \$13.3 million was offset against theatre payroll and \$2.5 million of non-theatre rent, realty tax and utilities subsidies. PIAG operating expenses increased \$10.9 million from the prior year to \$40.7 million as a result of increased sales. There were no government mandated restrictions imposed during the current period, resulting in increased operating activities at PIAG US and Canadian route locations at FEC's and theatres. Similarly, LBE businesses operated without any government-imposed restrictions, leading to a \$8.3 million increase in LBE operating expenses compared to the prior year. Cineplex also recognized a \$1.8 million increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and concession sales. The increase in operating expenses was partially offset by a decrease in Scene and Other costs.

General and administrative expenses

The following table highlights the movement in general and administrative ("G&A") expenses during the quarter, including share-based compensation costs, and G&A net of these costs (in thousands of dollars):

G&A expenses	First Quarter		
	2023	2022	Change
G&A excluding the following items	\$ 15,295	\$ 12,688	20.5%
Restructuring	1,127	1,441	-21.8%
Transaction / Litigation costs	860	254	238.6%
LTIP (i)	1,945	1,741	11.7%
Option plan	335	517	-35.2%
G&A expenses including cash lease payments	\$ 19,562	\$ 16,641	17.6%
Cash rent paid/payable included as part of lease obligations (ii)	(583)	(557)	4.7%
G&A expenses as reported	\$ 18,979	\$ 16,084	18.0%
(i) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.			
(ii) Cash rent paid/payable that has been reallocated to offset the lease obligations.			

G&A expenses increased \$2.9 million during the first quarter of 2023 compared to the prior year, primarily attributable to \$2.0 million of payroll related subsidies that Cineplex recognized in the first quarter of 2022. Cineplex incurred \$0.9 million (2022 - \$0.3 million) of expenses related to litigation and claims recovery arising from the Cineworld transaction during the quarter (Section 1.1, Cineworld transaction and Bankruptcy Filing).

Cineplex Inc.

Management's Discussion and Analysis

Share of loss (income) of joint ventures and associates

Cineplex's joint ventures and associates include its 33.3% interest in Scene+ (2022 - 50%) and 50% interest in one IMAX screen in Ontario (2022 - 50%). Cineplex wound up its 78.2% interest in CDCP on December 16, 2022 and as at March 31, 2023, Cineplex's 50% investment in YoYo's (2022 - 50%) is carried at nil value.

The following table highlights the components of share of loss (income) of joint ventures and associates during the quarter (in thousands of dollars):

Share of loss (income) of joint ventures and associates	First Quarter		
	2023	2022	Change
Share of income of CDCP	\$ —	\$ (854)	-100.0%
Share of loss of Scene+	1,399	147	851.7%
Share of loss of other joint ventures and associates	20	21	-4.8%
Total loss (income) of joint ventures and associates	\$ 1,419	\$ (686)	NM

On December 16, 2022, Cineplex wound up its investment in CDCP, recognizing a return of capital of \$4.4 million under IAS 28, *Investment in Associates and Joint Ventures*.

Cineplex's loss from its joint ventures and associates consisted primarily of a \$1.4 million loss during the quarter from Scene+, which expects losses through 2023 as it scales to expected operating levels.

Interest expense

The following table highlights the movement in interest expense during the quarter (in thousands of dollars):

Interest expense	First Quarter		
	2023	2022	Change
Interest expense on long-term debt	\$ 15,160	\$ 15,805	-4.1%
Lease interest expense (i)	16,271	14,569	11.7%
Financing fees	406	—	NM
Sub-total - cash interest expense	\$ 31,837	\$ 30,374	4.8%
Deferred financing fee accretion and other non-cash interest, net	103	170	-39.4%
Accretion expense on Debentures and Notes Payable	5,280	4,600	14.8%
Interest rate swap - non-cash	2,619	(10,357)	NM
Sub-total - non-cash interest expense	8,002	(5,587)	NM
Total interest expense	\$ 39,839	\$ 24,787	60.7%
Total cash interest paid	\$ 41,042	\$ 40,086	2.4%
(i) Represents total cash interest paid and accrued cash interest related to lease obligations.			

Lease interest expense breakdown	First Quarter		
	2023	2022	Change
Cash interest paid - lease obligation	\$ 16,497	\$ 14,367	14.8%
Change in accrued interest - lease obligation	(226)	202	-211.9%
Total lease interest expense	\$ 16,271	\$ 14,569	11.7%

Total interest expense increased \$15.1 million for the quarter when compared to the prior year, primarily due to changes in the fair value of the interest rate swaps resulting in a \$13.0 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 6.4, Long-term debt) was \$4.5 million (2022 - \$4.5 million), and Debentures (Section 6.4, Long-term debt) was \$4.5 million (2022 - \$4.5 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of \$0.4 million (2022 - \$0.4 million) and \$4.9 million (2022 - \$4.2 million), respectively.

Cineplex Inc.

Management's Discussion and Analysis

Interest income

Interest income during the quarter was as follows (in thousands of dollars):

Interest income	First Quarter		
	2023	2022	Change
Interest income	\$ 211	\$ 30	603.3%

Foreign exchange

The following table highlights the movement in foreign exchange during the quarter (in thousands of dollars):

Foreign exchange	First Quarter		
	2023	2022	Change
Foreign exchange loss	\$ 14	\$ 234	-94.0%

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.3544 at December 31, 2022 to 1.3533 at March 31, 2023.

Change in fair value of financial instruments

The following table highlights the movement in change in fair value of financial instruments during the quarter (in thousands of dollars):

Change in fair value of financial instruments	First Quarter		
	2023	2022	Change
Loss on financial instruments recorded at fair value	\$ 270	\$ 3,830	-93.0%

For the three months ended March 31, 2023, the loss on financial instruments recorded at fair value in the current period was due to the revaluation of Cineplex's call option relating to the Notes Payable (Section 6.4, Long-term debt).

Income taxes

The following table highlights the movement in current and deferred income tax expense during the quarter (in thousands of dollars):

Income taxes	First Quarter		
	2023	2022	Change
Current income tax expense (recovery)	\$ 1,615	\$ (724)	NM
Deferred income tax expense	2,307	—	NM
Provision for income taxes	\$ 3,922	\$ (724)	NM

At December 31, 2020 the recoverability of the net deferred income tax assets in the normal course of business was uncertain and accordingly the net deferred tax assets were derecognized. Cineplex will evaluate the likelihood of recoverability in the ordinary course of business at each balance sheet date, and will recognize net deferred tax assets when and if appropriate. Current and deferred income taxes have been recognized for one Canadian subsidiary that is generating taxable income. As Cineplex's other businesses continue to recover and return to profitability, deferred income tax assets and liabilities may be recognized, and reversal of previously recognized impairments may be appropriate. Cineplex had \$435.9 million of available non-capital losses available at December 31, 2022.

Cineplex's combined statutory income tax rate at March 31, 2023 was 26.3% (2022 - 26.3%).

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of \$26.6 million of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately \$8.6 million, 50% of which was required to be paid immediately (interest

Cineplex Inc.

Management's Discussion and Analysis

continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has filed an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeal is currently proceeding through the pre-trial steps and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

4.3. NET LOSS, EBITDA AND ADJUSTED EBITDAaL (see Section 16, Non-GAAP and other financial measures)

The following table presents net loss, EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three months ended March 31, 2023 as compared to the prior year (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET LOSS, EBITDA AND ADJUSTED EBITDAaL	First Quarter		
	2023	2022	Change
Net loss	\$ (30,173)	\$ (42,225)	-28.5%
Net loss as a percentage of sales	(8.8)%	(18.5)%	9.7%
EBITDA	\$ 61,582	\$ 32,963	86.8%
Adjusted EBITDA	\$ 62,765	\$ 36,475	72.1%
Adjusted EBITDAaL	\$ 20,243	\$ (5,719)	NM
Adjusted EBITDAaL margin	5.9 %	(2.5)%	8.4%

Net loss and adjusted EBITDAaL for the first quarter of 2023 was \$30.2 million and \$20.2 million, respectively, as compared to a net loss of \$42.2 million and an adjusted EBITDAaL loss of \$5.7 million, respectively, in the prior year. During the current period, Cineplex's theatres and LBE venues across Canada operated without restrictions, compared to operating restrictions imposed in the prior year, contributing to the movement in both net loss and adjusted EBITDAaL. Increases in box office, food service, amusement and media revenues further contributed to the movement in net loss and adjusted EBITDAaL compared to the prior year.

Cineplex Inc.

Management's Discussion and Analysis

5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the three months ended March 31, 2023 as compared to December 31, 2022 (in thousands of dollars):

	March 31, 2023	December 31, 2022	Change (\$)	Change (%)
Assets				
Current assets				
Cash and cash equivalents	\$ 19,699	\$ 34,674	\$ (14,975)	-43.2%
Trade and other receivables	73,405	107,088	(33,683)	-31.5%
Income taxes receivable	2,117	2,033	84	4.1%
Inventories	37,634	36,916	718	1.9%
Prepaid expenses and other current assets	18,279	15,659	2,620	16.7%
Fair value of interest rate swap agreements	7,538	8,993	(1,455)	-16.2%
	158,672	205,363	(46,691)	-22.7%
Non-current assets				
Property, equipment and leaseholds	437,699	449,495	(11,796)	-2.6%
Right-of-use assets	756,345	772,978	(16,633)	-2.2%
Fair value of interest rate swap agreements	1,534	2,426	(892)	-36.8%
Interests in joint ventures	2,451	650	1,801	277.1%
Intangible assets	79,987	80,428	(441)	-0.5%
Goodwill	636,127	636,134	(7)	—%
Derivative financial instrument	2,710	2,980	(270)	-9.1%
	\$ 2,075,525	\$ 2,150,454	\$ (74,929)	-3.5%
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 147,127	\$ 195,296	\$ (48,169)	-24.7%
Income taxes payable	4,839	3,736	1,103	29.5%
Deferred revenue and other	204,001	220,527	(16,526)	-7.5%
Lease obligations	99,574	96,093	3,481	3.6%
	455,541	515,652	(60,111)	-11.7%
Non-current liabilities				
Share-based compensation	4,162	3,752	410	10.9%
Long-term debt	859,169	824,888	34,281	4.2%
Lease obligations	981,427	1,004,546	(23,119)	-2.3%
Post-employment benefit obligations	6,372	6,970	(598)	-8.6%
Other liabilities	6,456	6,460	(4)	-0.1%
Deferred income taxes	2,307	—	2,307	NM
	2,315,434	2,362,268	(46,834)	-2.0%
Shareholders' deficit				
Total shareholders' deficit	(239,909)	(211,814)	(28,095)	13.3%
	\$ 2,075,525	\$ 2,150,454	\$ (74,929)	-3.5%

Cash and cash equivalents. Cash and cash equivalents includes operations petty cash and outstanding deposits and fluctuates with business activities.

Trade and other receivables. The decrease in trade and other receivables is primarily due to the collection of trade receivables from the sale of gift cards, vouchers and media sales from the 2022 holiday period. December represents the highest volume month for gift card and voucher sales.

Income taxes receivable. The increase in income taxes receivable is primarily due to exchange rates affecting expected tax refunds.

Inventories. The small increase in inventories is primarily due to higher Exhibition and LBE business volumes.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets is primarily

Cineplex Inc.

Management's Discussion and Analysis

due to prepayments for insurance and the 2023 technology service contracts extending into the next period.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expense (\$23.3 million) and asset dispositions (\$0.9 million) in excess of additions to new build and other capital expenditures (\$10.6 million) and maintenance capital expenditures (\$1.8 million).

Right-of-use assets. The decrease in right-of-use assets is due to amortization expense of (\$22.2 million), partially offset by lease extensions and modifications (\$5.6 million).

Interests in joint ventures. The increase in interest in joint ventures is primarily due to \$2.6 million of capital contributions made to Cineplex's investment in Scene LP, net of \$1.4 million losses.

Intangible assets. The decrease in intangible assets is due to amortization expense (\$2.7 million), partially offset by the capitalization of software development costs (\$2.3 million).

Derivative financial instrument. The decrease in derivative financial instrument is due to the change in fair value of the Notes Payable prepayment option.

Accounts payable and accrued expenses. The decrease in accounts payable and accrued liabilities is primarily due to the settlement of year end liabilities.

Share-based compensation. The increase in share-based compensation is primarily due to the increase in share price, which was \$8.83 per share at March 31, 2023 as compared to \$8.05 at December 31, 2022 (see Section 8, Share activity).

Income taxes payable. The increase in income taxes payable represents the liabilities for current income tax expense relating to 2023 in excess of tax installments paid for certain taxable entities.

Deferred revenue and other. The deferred revenue decrease is primarily due to the redemption of gift cards and vouchers in excess of current period sales, consistent with first quarter expectations.

Lease obligations. The decrease in lease obligations is primarily due to the payment of lease obligations, partially offset by lease extensions and modifications during the first quarter of 2023.

Fair value of interest rate swap agreements. Represents the fair values of Cineplex's outstanding interest rate swap agreements (see Section 6.4, Long-term debt).

Long-term debt. Long-term debt consists of the Credit Facilities, Debentures and Notes Payable. The increase in long-term debt is primarily due to borrowings under the Credit Facilities and the accretion of the Debentures and Notes Payable (Section 6.4, Long-term debt).

Cineplex Inc.

Management's Discussion and Analysis

6. LIQUIDITY AND CAPITAL RESOURCES

6.1. OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios. The following table highlights the movements in cash from operating activities for the three months ended March 31, 2023 and 2022 (in thousands of dollars):

Cash flows provided by (used in) operating activities	First Quarter		
	2023	2022	Change
Net loss from operations	\$ (30,173)	\$ (42,225)	\$ 12,052
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization of other assets (i)	26,006	26,892	(886)
Depreciation of right-of-use assets	22,199	24,263	(2,064)
Unrealized foreign exchange	13	152	(139)
Interest rate swap agreements - non-cash interest	2,619	(10,357)	12,976
Accretion of convertible debentures	5,281	4,600	681
Other non-cash interest (ii)	103	170	(67)
Loss on disposal of assets	744	157	587
Deferred income taxes	2,307	—	2,307
Non-cash share-based compensation	2,099	2,137	(38)
Change in fair value of financial instrument	270	3,830	(3,560)
Net change in interests in joint ventures and associates	665	21	644
Changes in operating assets and liabilities	(28,998)	(15,077)	(13,921)
Net cash provided by (used in) operating activities	\$ 3,135	\$ (5,437)	\$ 8,572
(i) Includes depreciation of property, equipment and leaseholds and amortization of intangible assets.			
(ii) Includes accretion of asset retirement obligations and non-cash interest costs on lease obligations.			

Cash provided by operating activities during the first quarter of 2023 was \$3.1 million as compared to cash used in operating activities of \$5.4 million in the prior year. The movement was primarily due to improved operating results net of settlement of net operating assets and liabilities in the quarter.

6.2. INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2023 and 2022 (in thousands of dollars):

Cash flows used in investing activities	First Quarter		
	2023	2022	Change
Proceeds from disposal of assets, net	\$ 4	\$ 17	\$ (13)
Purchases of property, equipment and leaseholds	(16,489)	(9,602)	(6,887)
Intangible assets additions	(2,831)	(2,173)	(658)
Tenant inducements	2,575	562	2,013
Investment in joint ventures and associates	(2,466)	—	(2,466)
Net cash used in investing activities	\$ (19,207)	\$ (11,196)	\$ (8,011)

Cash used in investing activities during the first quarter of 2023 was \$19.2 million, as compared to \$11.2 million in the prior year. The movement was primarily due to increased capital spend on previously committed projects and capital contributions to Cineplex's investment in Scene LP.

Cineplex Inc.

Management's Discussion and Analysis

Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations in the regions in which Cineplex operates. Components of capital expenditures include (in thousands of dollars):

Capital expenditures	First Quarter		
	2023	2022	Change
Gross capital expenditures	\$ 16,489	\$ 9,602	\$ 6,887
Less: tenant inducements	(2,575)	(562)	(2,013)
Net capital expenditures	\$ 13,914	\$ 9,040	\$ 4,874
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	\$ 7,039	\$ 2,113	\$ 4,926
Tenant inducements	(2,575)	(562)	(2,013)
Media growth capital expenditures	296	770	(474)
Premium formats (ii)	979	325	654
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	449	135	314
Maintenance capital expenditures	3,666	2,531	1,135
Other (iii)	4,060	3,728	332
	\$ 13,914	\$ 9,040	\$ 4,874
(i) Growth and acquisition capital expenditures include expenditures on the construction of new locations (including VIP cinemas) and other Board approved growth projects with the exception of premium formats, media growth, and amusement gaming and leisure growth capital expenditures.			
(ii) Premium formats include capital expenditures for recliner seating, IMAX, UltraAVX, 3D, 4DX and ScreenX.			
(iii) Primary component of Other is the impact of the timing of cash payments relating to the purchases of property, equipment and leaseholds.			

6.3. FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three months ended March 31, 2023 and 2022 (in thousands of dollars):

Cash flows provided by financing activities	First Quarter		
	2023	2022	Change
Borrowings under credit facility, net	\$ 29,000	\$ 43,000	\$ (14,000)
Repayments of lease obligations - principal	(27,532)	(29,267)	1,735
Exercise of cash option	—	34	(34)
Financing fees	(406)	—	(406)
Net cash provided by financing activities	\$ 1,062	\$ 13,767	\$ (12,705)

Cash flows provided by financing activities were \$1.1 million during the first quarter of 2023, as compared to \$13.8 million in the prior year, mainly due to lower borrowings under the Credit Facilities.

Cineplex Inc.

Management's Discussion and Analysis

6.4. LONG-TERM DEBT

Credit facilities

Cineplex has bank facilities with a syndicate of lenders which includes a revolving facility (the "Revolving Facility") and non-revolving credit facility (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities") pursuant to a seventh amended and restated credit agreement dated November 13, 2018 between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders (as further amended from time to time, the "Credit Agreement"). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

At March 31, 2023, the Credit Facilities consisted of the following (in millions of dollars), subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 541.2	\$ 356.0	\$ 7.8	\$ 177.4
Letters of credit outstanding at March 31, 2023 of \$7.8 million are reserved against the Revolving Facility.				

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate) or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

Cineplex's Credit Facilities contain restrictive covenants that limit the discretion of Cineplex's management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, minimum liquidity covenants, anti-hoarding provisions, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex's assets. The Revolving Facility is drawn upon and repaid on a regular basis and as such is presented on a net basis in the Statement of Cash flows.

Cineplex Inc.

Management's Discussion and Analysis

On March 28, 2023, Cineplex entered into the Seventh Amendment, revising certain of the financial covenants throughout the remainder of 2023. Below is a summary of the financial covenant amendments:

Financial Covenant	Amendment	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024 and thereafter
Total Leverage Ratio	Commencing Q1 2023 through to and including Q3 2023 testing is suspended and amended as follows:	—	—	—	3.25x	3.00x
Senior Leverage Ratio	Amended as follows:	3.25x	2.75x	2.50x	2.25x	2.00x
Fixed Charge Coverage Ratio	Amended as follows:	1.10x	1.10x	1.10x	1.25x	1.25x

This summary of the Seventh Amendment is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First, Second, Third, Fourth, Fifth, Sixth and Seventh Amendments were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, December 22, 2022 and March 28, 2023, respectively.

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions. As at March 31, 2023, Cineplex's Senior Leverage Ratio was 2.86x, as compared to a covenant not to exceed 3.25x. Cineplex's fixed charge coverage ratio was 1.16x, as compared to a minimum covenant requirement of 1.10x.

Interest rate swap agreements. Cineplex entered into interest rate swap agreements where Cineplex agreed to pay fixed rates per annum, plus an applicable margin and receive a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

The following table outlines Cineplex's current interest rate swap agreements as of March 31, 2023:

Interest rate swap agreements					
	Notional amount	Inception date	Effective date	Maturity date	Fixed rate payable
Swap - 1	\$200.0 million	November 13, 2018	April 26, 2021	November 14, 2023	2.945 %
Swap - 2	\$100.0 million	November 13, 2018	November 13, 2018	November 14, 2023	2.830 %
Swap - 3	\$150.0 million	November 13, 2018	November 13, 2018	November 13, 2025	2.898 %

The interest rate swaps are measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations.

Based on the Credit Agreement in effect at March 31, 2023, Cineplex's effective cost of borrowing on the \$450.0 million hedged borrowings was 6.404% (March 31, 2022 - \$450.0 million hedged borrowings - 6.904%) after considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

Convertible debentures

On July 17, 2020, Cineplex issued \$316.3 million aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures"), which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

Cineplex Inc.

Management's Discussion and Analysis

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the share on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in the form of cash or in the form of shares, at the option of Cineplex.

At the holder's option, the Debentures may be converted into shares at a conversion price of \$10.94 per share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion. Conversion of outstanding Debentures will result in the issuance of shares from treasury.

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. During the period ended March 31, 2023, Cineplex recorded accretion and cash interest expense on the Debentures of \$4.9 million (2022 - \$4.2 million) and \$4.5 million (2022 - \$4.5 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at March 31, 2023, Cineplex has \$316.3 million principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

The foregoing is a summary of the key terms of the Debentures. This summary is qualified in its entirety by reference to the provisions of the Debentures trust indenture which contains a complete statement of those terms and conditions. The Debenture trust indenture was filed on SEDAR on July 15, 2020.

Notes Payable

On February 26, 2021, Cineplex completed the \$250.0 million Notes Payable offering. The Notes Payable mature on February 26, 2026 and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2021. The Notes Payable are subordinate to the security granted for the obligations under the Credit Facilities, and are subject to the terms of an intercreditor agreement with the agent under the Credit Facilities.

During the period ended March 31, 2023, Cineplex recorded accretion and cash interest expense on the Notes Payable of \$0.4 million (2022 - \$0.4 million) and \$4.5 million (2022 - \$4.5 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2023, Cineplex has \$250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$2.7 million as at March 31, 2023 (2022 - \$5.4 million), which is presented on the consolidated balance sheets as a derivative financial instrument.

The foregoing is a summary of the key terms of the Notes Payable. This summary is qualified in its entirety by reference to the provisions of the Notes Payable trust indenture which contain a complete statement of those terms and conditions. The Notes Payable trust indenture was filed on SEDAR on February 26, 2021.

Cineplex Inc.

Management's Discussion and Analysis

6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$49.5 million (\$40.5 million net of tenant inducements) related to the completion of construction of four operating locations including both theatres and location-based entertainment locations.

Management will continue to assess its future capital spending taking into consideration its legal commitments, restrictions imposed by the Credit Facilities (as amended) and requirements of the business on a short and long-term basis and believes that it has adequate liquidity to fund operations.

Cineplex conducts a significant part of its operations in leased premises. Cineplex's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. Cineplex's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years.

7. ADJUSTED FREE CASH FLOW AND DIVIDENDS (see Section 16, Non-GAAP and other financial measures)

Cineplex's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, Cineplex's results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the Board may deem relevant. As a result of the Arrangement Agreement, Cineplex stopped paying dividends after the monthly dividend that was paid on February 28, 2020. Cineplex does not expect to return to paying dividends until the contractual restrictions imposed by the terms of its long-term debt agreements permit and liquidity has improved. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

7.1. ADJUSTED FREE CASH FLOW

The following table illustrates adjusted free cash flow per share for the three months ended March 31, 2023 and 2022 and measures relevant to the discussion of adjusted free cash flow per share (expressed in thousands of dollars except shares outstanding):

	First Quarter		
	2023	2022	Change
Cash flows provided by (used in) operations	\$ 3,135	\$ (5,437)	NM
Net loss	\$ (30,173)	\$ (42,225)	-28.5%
Standardized free cash flow (i)	\$ (13,350)	\$ (15,022)	-11.1%
Adjusted free cash flow (i)	\$ 1,626	\$ (21,745)	NM
Average number of shares outstanding	63,375,471	63,346,444	—%
Adjusted free cash flow per share (i)	\$ 0.026	\$ (0.343)	NM

(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.

Adjusted free cash flow per share for the first quarter of 2023 increased mainly due to significantly improved operating results across Cineplex's theatres and LBE businesses.

7.2. DIVIDENDS

Cineplex has not paid any dividends after the dividend that was paid on February 28, 2020 and is currently restricted from paying any dividends under the Credit Facilities.

Cineplex Inc.

Management's Discussion and Analysis

8. SHARE ACTIVITY

Share capital balances at March 31, 2023 and 2022 and transactions during the quarter are as follows: (expressed in thousands of dollars except share amounts):

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2022	63,375,400	\$ 852,697	\$ 852,697
Issuance of shares on exercise of options	240	22	22
Balance - March 31, 2023	63,375,640	\$ 852,719	\$ 852,719

	Shares	Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2021	63,344,298	\$ 852,465	\$ 852,465
Issuance of shares on exercise of options	8,066	110	110
Balance - March 31, 2022	63,352,364	\$ 852,575	\$ 852,575

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans (collectively, the "Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,732,018 provided that no more than 1,893,445 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at March 31, 2023, 499,374 (2022 - 875,889) Shares are available to be issued under the Incentive Plan.

Stock Options

Stock options issued under the Incentive Plan will be administered by the Board of Directors which will establish the exercise price at the time each option is granted, which in all cases will not be less than the market price on the grant date. All of the options must be exercised over specified periods not to exceed ten years from the date granted. Options issued under the Incentive Plan may be exercised for cash or on a cashless basis, both of which result in the issuance of shares from treasury. Options granted will be accounted for as equity-settled.

During the period ended March 31, 2023, Cineplex recorded \$0.3 million (2022 - \$0.5 million) of employee benefits expense with respect to the options.

Cineplex Inc.

Management's Discussion and Analysis

A summary of option activities for the three months ended March 31, 2023 and 2022 is as follows:

	2023			2022	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding - January 1	7.00	2,102,818	\$ 18.90	2,198,805	21.48
Granted		461,786	8.71	223,578	13.39
Exercised		(7,126)	8.25	(24,098)	8.25
Forfeited		(84,936)	18.28	(61,752)	20.57
Options outstanding – end of period	7.37	2,472,542	\$ 17.05	2,336,533	\$ 20.87
Options vested and exercisable		1,512,468		1,253,874	

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At March 31, 2023, 238,774 options (2022 - 377,384) are available for grant.

RSU and PSU awards

	PSU share equivalents granted	RSU share equivalents granted	PSU share equivalents minimum payout	PSU share equivalents maximum payout
2023 LTIP awards granted in Q1 2023	307,551	477,254	—	615,102
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092

During the first quarter of 2023, Cineplex issued 477,254 equity settled RSUs with a fair value \$8.71 per unit (total fair value of \$4.2 million on issuance) and 307,551 equity settled PSUs with a fair value of \$8.71 per unit (total fair value of \$2.7 million on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2025.

Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's common shares, and the application of a performance multiplier that ranges from a minimum of zero to a maximum of two. Performance multipliers are developed based on Total Shareholder Return percentile rank relative to a select peer group and composite group. Participants will receive one fully paid Share issued from treasury that can vary depending on the achievement of established performance targets. Performance conditions are reflected in Cineplex's estimate of the grant-date fair value for equity instruments granted.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of \$1.8 million for the three months ended March 31, 2023 (2022 - \$1.7 million) under the Incentive Plan relating to RSU and PSU. At March 31, 2023, \$0.3 million (2022 - \$0.3 million) was included in current share-based compensation liability and \$6.2 million in contributed surplus (2022 - \$4.4 million).

Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For period ended March 31, 2023, Cineplex recognized compensation expense of \$0.2 million (2022 expense - \$0.1 million) associated with the deferred equity units. At March 31, 2023, \$3.8 million (2022 - \$5.0 million) was included in share-based compensation liability.

Cineplex Inc.

Management's Discussion and Analysis

9. SEASONALITY AND QUARTERLY RESULTS

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases as the most marketable motion pictures were traditionally released during the summer and holiday seasons in Canada. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition and Cinema Media revenues and operating cash flows. The seasonality of theatre attendance has become less pronounced as film studios have trended to releasing content more evenly throughout the year, but the unexpected emergence of a hit film can impact seasonality results. The timing, quantity, and quality of film releases can have a significant impact on Cineplex's results of operations, and the results of one period are not necessarily indicative of future results. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had \$356.0 million drawn and \$177.4 million available as of March 31, 2023, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 6.4, Long-term debt).

Cineplex Inc.

Management's Discussion and Analysis

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

	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues								
Box office revenues	\$ 123,338	\$120,248	\$124,700	\$136,372	\$ 79,952	\$125,890	\$ 94,114	\$ 12,498
Food service revenues	101,076	97,168	105,193	110,637	68,388	87,244	79,971	13,258
Media revenues	22,296	44,553	25,224	26,406	15,545	32,795	14,060	9,401
Amusement revenues	75,763	60,847	69,607	65,723	50,424	45,096	53,319	22,184
Other revenues	18,484	27,308	15,113	10,740	14,414	8,926	8,916	7,585
	340,957	350,124	339,837	349,878	228,723	299,951	250,380	64,926
Expenses								
Film cost	66,074	63,567	66,356	69,958	39,016	61,990	45,838	5,611
Cost of food service	24,237	22,671	24,839	25,335	14,857	21,042	16,362	2,867
Depreciation - right-of-use assets	22,199	23,491	23,277	24,486	24,263	25,041	25,151	25,737
Depreciation and amortization - other	26,006	25,575	26,079	26,651	26,892	27,501	28,297	27,735
Loss (gain) on disposal of assets	744	(3,466)	(49,848)	(4,650)	157	1,576	22	179
Other costs	186,617	187,597	185,048	176,741	138,352	157,970	139,527	73,352
(Reversal) impairment of long-lived assets	—	(19,880)	—	—	—	3,717	—	—
	325,877	299,555	275,751	318,521	243,537	298,837	255,197	135,481
Subtotal	\$ 15,080	\$ 50,569	\$ 64,086	\$ 31,357	\$(14,814)	\$ 1,114	\$ (4,817)	\$(70,555)
Adjusted EBITDA (i)	\$ 62,765	\$ 74,186	\$ 63,094	\$ 77,939	\$ 36,475	\$ 58,328	\$ 48,606	\$(16,902)
Adjusted EBITDAaL (i)	\$ 20,243	\$ 31,197	\$ 20,430	\$ 35,764	\$ (5,719)	\$ 20,198	\$ 10,762	\$(53,165)
Net (loss) income	\$ (30,173)	\$ 10,168	\$ 30,857	\$ 1,313	\$(42,225)	\$(21,778)	\$(33,552)	\$(103,704)
Net (loss) income per share - basic	\$ (0.48)	\$ 0.16	\$ 0.49	\$ 0.02	\$ (0.67)	\$ (0.34)	\$ (0.53)	\$ (1.64)
Net (loss) income per share - diluted	\$ (0.48)	\$ 0.16	\$ 0.43	\$ 0.02	\$ (0.67)	\$ (0.34)	\$ (0.53)	\$ (1.64)
Cash provided by (used in) operating activities	\$ 3,135	\$ 59,622	\$ 5,811	\$ 47,152	\$ (5,437)	\$ 27,480	\$ 52,023	\$ 17,133
Cash used in investing activities	(19,207)	(21,898)	(14,523)	(8,132)	(11,196)	(3,937)	(2,374)	(1,761)
Cash provided by (used in) financing activities	1,062	(31,893)	11,128	(36,349)	13,767	(25,067)	(50,191)	(6,086)
Effect of exchange rate differences on cash	35	(11)	(146)	(181)	22	(9)	(189)	413
Net change in cash	\$ (14,975)	\$ 5,820	\$ 2,270	\$ 2,490	\$ (2,844)	\$ (1,533)	\$ (731)	\$ 9,699
BPP (ii)	\$ 12.63	\$ 13.06	\$ 11.25	\$ 12.29	\$ 12.00	\$ 12.29	\$ 11.38	\$ 10.89
CPP (ii)	\$ 8.85	\$ 8.93	\$ 8.35	\$ 8.84	\$ 8.82	\$ 7.49	\$ 8.58	\$ 7.86
Film cost percentage (ii)	53.6 %	52.9 %	53.2 %	51.3 %	48.8 %	49.2 %	48.7 %	44.9 %
Theatre attendance (in thousands of patrons) (ii)	9,767	9,208	11,084	11,092	6,661	10,245	8,272	1,148
Theatre locations (at period end)	157	158	158	159	159	160	161	160
Theatre screens (at period end)	1,625	1,637	1,637	1,640	1,640	1,652	1,656	1,651
(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.								
(ii) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.								

Cineplex Inc.

Management's Discussion and Analysis

Summary of adjusted free cash flow by quarter

Management calculates adjusted free cash flow per share as follows (see Section 16, Non-GAAP and other financial measures, for a discussion of adjusted free cash flow) (in thousands of dollars except per share data and number of shares outstanding):

	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash provided by (used in) operating activities	\$ 3,135	\$ 59,622	\$ 5,811	\$ 47,152	\$ (5,437)	\$ 27,480	\$ 52,023	\$ 17,133
Less: Total capital expenditures net of proceeds on sale of assets	(16,485)	(27,538)	(14,466)	(10,885)	(9,585)	(4,985)	(1,603)	(4,992)
Standardized free cash flow	(13,350)	32,084	(8,655)	36,267	(15,022)	22,495	50,420	12,141
Add/(Less):								
Changes in operating assets and liabilities	28,998	(15,907)	25,815	1,120	15,077	1,405	(32,640)	(62,622)
Changes in operating assets and liabilities of joint ventures	754	(746)	1,892	775	(707)	307	(31)	(524)
Principal component of lease obligations	(27,532)	(26,141)	(26,330)	(27,428)	(29,267)	(25,525)	(24,191)	(19,086)
Principal portion of cash rent paid not pertaining to current period	1,201	(381)	(381)	(381)	1,143	(737)	—	(369)
Growth capital expenditures and other	12,819	14,804	9,727	6,078	7,054	(350)	736	4,511
Share of income of joint ventures, net of non-cash depreciation	(1,264)	(2,103)	(500)	95	(23)	(622)	(47)	2
Net cash received from CDCP	—	62	—	5,318	—	1,995	—	—
Adjusted free cash flow (i)	\$ 1,626	\$ 1,672	\$ 1,568	\$ 21,844	\$ (21,745)	\$ (1,032)	\$ (5,753)	\$ (65,947)
Average number of shares outstanding	63,375,471	63,366,796	63,362,713	63,360,746	63,346,444	63,343,223	63,342,557	63,339,618
Adjusted free cash flow per share (ii)	\$ 0.026	\$ 0.026	\$ 0.025	\$ 0.345	\$ (0.343)	\$ (0.016)	\$ (0.091)	\$ (1.041)
(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.								
(ii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.								

10. RELATED PARTY TRANSACTIONS

Cineplex may have transactions in the normal course of business with entities whose management, directors or trustees are also directors of Cineplex. Any such transactions are in the normal course of operations and are measured at market-based exchange amounts. Unless otherwise noted, these transactions are not considered related party transactions for financial statement purposes.

11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. The following are the estimates and judgments applied by management that most significantly impact Cineplex's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Cineplex Inc.

Management's Discussion and Analysis

Goodwill and long lived assets - recoverable amount

Cineplex tests at least annually whether goodwill suffered any impairment. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. Management makes assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including significant key assumptions relating to attendance and the related revenue growth rates and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. (See note 11, Impairment of long-lived assets in Cineplex's consolidated annual financial statements).

At the end of each future reporting period Cineplex will assess whether there are indications that the impairment loss recognized for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset and may reverse previously recorded impairment.

Financial instruments - fair value of over-the-counter derivatives

Cineplex's over-the-counter derivatives include interest rate swaps used to economically hedge exposure to variable cash flows associated with interest payments on Cineplex's borrowings. Management estimates the fair values of these derivatives as the present value of expected future cash flows to be received or paid, based on available market data, which includes market yields and counterparty credit spreads. Cineplex also has a prepayment option on the Notes Payable. The fair market value of prepayment option on Notes Payable was determined using an option pricing model with observable market inputs consistent with accepted methods for valuing financial instruments.

Revenue recognition - gift cards and prepaid certificates

Management estimates the value of gift cards that are not expected to be redeemed by customers, based on the terms of the gift cards and historical redemption patterns, including industry data. The estimates are reviewed annually, or when evidence indicates the existing estimate is not valid.

Revenue recognition - Scene+

The timing and number of points redeemed by Scene+ members affects the timing and amount of both revenue and cost of redemptions recognized by Cineplex. If the number of points actually redeemed by members is lower than Cineplex's estimate of points expected to be redeemed, the estimate of average revenue per point will be prospectively revised, and net income would be higher over time.

Income taxes

The timing of reversal of timing differences and the expected income allocation to various tax jurisdictions within Canada affect the effective income tax rate used to compute the deferred income tax asset. Management will assess the recoverability of deferred tax assets as economic conditions improve. There are material uncertainties relating to the recoverability of losses incurred in the current and prior years. Accordingly, no deferred tax assets were recognized in the current period. Management estimates the reversals and income allocation based on historical and budgeted operating results and income tax laws existing at the consolidated balance sheet dates. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

Fair value of identifiable assets acquired and liabilities assumed in business combinations

Significant judgment is required in identifying tangible and intangible assets and liabilities of the acquired businesses, as well as determining their fair values.

Share-based compensation

Management is required to make certain assumptions and to estimate future financial performance to estimate the

Cineplex Inc.

Management's Discussion and Analysis

fair value of share-based awards at each consolidated balance sheet date. The LTIP and Incentive Plan requires management to estimate future non-GAAP earnings measures, future revenue growth relative to specified industry peers, and total shareholder return, both absolutely and relative to specified industry peers. Future non-GAAP earnings are estimated based on current projections, updated at least annually, taking into account actual performance since the grant of the award. Future revenue growth relative to peers is based on historical performance and current projections, updated at least annually for actual performance since the grant of the award by Cineplex and its peers. Total shareholder return for Cineplex and its peers is updated at each consolidated balance sheet date based on financial models, taking into account financial market observable inputs.

Lease terms

Some leases of property contain extension options exercisable by Cineplex up to one year before the end of the non-cancellable contract period. Where practicable, Cineplex seeks to include extension options in new leases to provide operational flexibility. In determining the lease term, Cineplex considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

12. ACCOUNTING POLICIES

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2022, with the exception of accounting standards issued in the current quarter.

The International Accounting Standards Board ("IASB") has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023. Cineplex continues to evaluate the impact of the amended accounting standards on Cineplex's consolidated financial statements and has not early adopted any amendments to existing accounting standards.

Accounting standards issued

The following amendments have been adopted or are being evaluated by Cineplex:

IAS 12, Deferred taxes related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statements.

Cineplex Inc.

Management's Discussion and Analysis

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statements.

IAS 1, Classification of liabilities as current or non-current

In December 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.

13. RISKS AND UNCERTAINTIES

Cineplex is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. Cineplex has operating and risk management strategies and insurance programs to help minimize these operating risks and uncertainties. In addition, Cineplex has entity level controls and governance procedures including a corporate code of business conduct and ethics, whistle blowing procedures, clearly articulated corporate values and detailed policies outlining the delegation of authority within Cineplex.

Cineplex conducts an annual enterprise risk management assessment which is overseen by Cineplex's executive management team and the Audit Committee, and is reported to the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Cineplex. On an annual basis, all members of senior management participate in a detailed review of enterprise risk in four major categories: environment risks, process risks, information risks and business unit risks. The results of such analysis are presented to the Audit Committee for their review and then reviewed with the whole of the Board. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

Any discussion about risks should be read in conjunction with "Forward-Looking Statements". The principal risks and uncertainties described in the 2022 Annual MD&A have not materially changed since December 31, 2022 other than the following:

On May 2, 2023, the Writers Guild of America announced that more than 11,000 members representing television and movie writers went on strike for the first time since 2007. If not resolved in a timely manner, the strike could halt the production of content and delay the release of previously scheduled television shows and movies.

14. CONTROLS AND PROCEDURES

14.1. DISCLOSURE CONTROLS AND PROCEDURES

Cineplex's management is responsible for establishing and maintaining disclosure controls and procedures for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to Cineplex, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

Cineplex Inc.

Management's Discussion and Analysis

14.2. INTERNAL CONTROLS OVER FINANCIAL REPORTING

Cineplex's management is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for Cineplex as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting using the Integrated Control - Integrated Framework: 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or caused them to be designed under its supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

There has been no change in Cineplex's internal controls over financial reporting that occurred during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect, Cineplex's internal control over financial reporting.

15. OUTLOOK

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 13, Risks and uncertainties.

FILM ENTERTAINMENT AND CONTENT

Theatre Exhibition

Studios continue to recognize the promotional and financial value of a theatrical release window as evidenced by record setting box office results from films including *Top Gun: Maverick*, *Avatar: The Way of Water*, *Minion: The Rise of Gru* over the past year. Additionally, *The Super Mario Bros. Movie*, released on April 5, 2023, generated \$204.6 million at the domestic box office over its 5-day opening weekend, setting a record for an animated title in its opening weekend and generating over \$1 billion globally since its release. Cineplex believes that compelling content will continue to strengthen consumer enthusiasm for the theatrical movie-going experience and will bring people to Cineplex theatres during 2023 and beyond. Cineplex also remains encouraged by the commitments from non-traditional studios which further validate the importance of the cinematic experience and the role theatrical exhibition plays in elevating content to its full potential. Upcoming film releases for the year include the following: *Fast X*, *The Little Mermaid*, *Spider-Man: Across the Spider-Verse*, *Transformers: Rise of the Beasts*, *The Flash*, *Elemental*, *Indiana Jones and the Dial of Destiny*, *Mission: Impossible - Dead Reckoning - Part One*, *Barbie*, *Oppenheimer*, *The Marvels*, *Teenage Mutant Ninja Turtles: Mutant Mayhem*, *Gran Turismo*, *Haunted Mansion*, *The Equalizer 3*, *The Nun 2*, *Kraven the Hunter*, *Dune: Part Two*, *The Hunger Games: The Ballad of Songbirds and Snakes*, *Wish*, *Wonka* and *Aquaman and the Lost Kingdom*.

Cineplex continues to focus on providing guests with a variety of premium viewing options through which to enjoy the theatre experience. These premium-priced offerings, which include UltraAVX, VIP Cinemas, IMAX, D-BOX, 3D, 4DX, Cineplex Clubhouse and ScreenX generate higher revenues per patron and expand the customer base. Cineplex believes that these premium formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats. Cineplex will continue to expand those offerings throughout its circuit in 2023 and beyond. Cineplex offers CineClub membership, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues. Subsequent to March 31, 2023, the program has reached 100,000 members since launching in August 2021.

Cineplex is also focused on maintaining and improving guest experience, including recliner seating, and will continue to expand those offerings throughout its circuit in 2023 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and continue to be valued by audiences.

Cineplex opened its first-ever *Junxion* location at *Cineplex Junxion Kildonan* in Winnipeg, Manitoba in December 2022 and will open its second, *Cineplex Junxion Erin Mills* in Mississauga, Ontario in the second quarter of 2023.

Cineplex Inc.

Management's Discussion and Analysis

Cineplex Junxion is a new entertainment concept which features a cinema with reclining seats, an open lobby and stage for events and performances, amusement gaming, and expanded food offerings.

Cineplex plans to open a new Cineplex Cinema, *Royalmount* in Montreal, Quebec in 2024.

The following table compares 2023 monthly box office revenues to 2019 monthly box office revenues:

Month	2019 Box office (i)	2023 Box office (i)	2023 as a percentage of 2019
January	\$52,034	\$45,744	88%
February	\$41,892	\$36,950	88%
March	\$62,570	\$40,644	65%
April	\$63,759	\$61,278	96%

(i) Amounts are in thousands of dollars.

Theatre Food Service

Cineplex's core focus is on operational execution, marketing and providing the optimal product mix to provide further growth in this area. As part of this strategy, Cineplex continues to expand its product offering through its in-house brands across the circuit, as well as leveraging digital menu board technologies which provide guests with enhanced messaging during visits to the theatre food service locations and expanding VIP cinema menu offerings. Cineplex also leverages mobile technology to enhance the food service experience in its theatres and has VIP in-seat ordering, with plans to offer mobile ordering in traditional theatres in 2023. Cineplex continues to expand its home delivery services of concessions in partnership with Uber Eats, Skip The Dishes and others.

Alternative Programming & Distribution

Cineplex Pictures focuses on the acquisition of feature film rights for both theatrical release and in home release in Canada. Upcoming films that will be distributed as part of the distribution partnership with Lionsgate for the year include the following: *Are You There God? It's Me, Margaret*, *Sisu*, *About My Father*, *The Blackening*, *Joy Ride*, *White Bird*, *The Expendables 4*, *Ordinary Angels* and *The Hunger Games: The Ballad of Songbirds and Snakes*. Additional films that will be distributed by Cineplex Pictures include *Air* and *Challengers*.

Cineplex offers a wide variety of alternative programming, including international film programming, the popular *Metropolitan Opera Live in HD* series, sports programming and various concert performances by popular recording artists. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations, in addition to adding dedicated event screens.

Digital Commerce

As at-home and on-the-go content distribution and consumption continues to evolve, Cineplex believes it is well positioned to take advantage of this market with its transactional TVOD digital commerce platform, the Cineplex Store, which offers thousands of movies and other content that can be rented or purchased digitally and viewed on multiple devices. The Cineplex Store is available on a wide range of mobile and smart TV devices in Canada. Studios continue to provide TVOD exclusive windows, and the Cineplex Store is committed to bringing these titles to its customers as soon as they become available, with the unique and country-wide exclusive ability to follow and re-engage the consumer across Theatrical and Digital viewing windows. Continued plans to expand across new connected devices, including Amazon Fire TV with a launch expected to take place in the spring of 2023, and to offer trending episodic content are just two of the exciting growth opportunities for Cineplex in this market. Cineplex will continue to innovate and invest in the platform to meet the evolving needs of its customers.

Cineplex Inc.

Management's Discussion and Analysis

MEDIA

Cinema Media

Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex's theatres. Cineplex also sells media for Cineplex Digital Media clients and LBE. Cineplex Media revenues are impacted by theatre attendance levels which drive impressions and continue to grow as attendance rebounds and advertisers return to cinema. Cineplex intends to leverage data to better serve its advertising customers and grow revenues.

Digital Place-Based Media

Cineplex's digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial services and retail sectors as well as immersive DOOH media networks. Cineplex will continue to explore opportunities outside Canada, in order to better service its current customer base and to attract new clients. Cineplex believes that the strengths of its digital place-based media business makes Cineplex a leader in the indoor digital signage industry and will provide a platform for significant growth throughout Canada and the United States. CDM manages and sells advertising in mall networks covering greater than 50% of mall traffic in Canada. However, advertising revenues have lagged the return of mall traffic but continue to grow as mall traffic grows. Cineplex has entered into advertising arrangements with customers including but not limited to the Royal Bank of Canada, Sephora, Suncor, Walmart, Oxford Properties, and continues to explore opportunities to expand its advertising portfolio.

AMUSEMENT SOLUTIONS AND LBE

Amusement Solutions

PIAG supplies and services all of the games in Cineplex's theatre circuit and LBE venues, while also supplying equipment to third party arcades, amusement centres, bowling alleys, amusement parks and theatre circuits, in addition to owning and operating family entertainment centres. PIAG continues to expand its operations throughout both Canada and the United States.

Cineplex's amusement business revenues, adjusted EBITDAaL and adjusted EBITDAaL margins have exceeded pre-pandemic levels, reflecting strong consumer demand and operational efficiencies. The amusement solutions business has experienced continuous periods of growth, setting all-time quarterly record revenues in the current period.

Location Based Entertainment

Cineplex's LBE business features entertainment destination locations that cater to a wide range of guests through *The Rec Room*, a social entertainment destination targeting millennials featuring a wide range of entertainment options including an attractions area featuring recreational gaming, a live entertainment venue and high definition screens for watching a wide range of entertainment programming, and *Playdium*, complexes specially designed for teens and families. *The Rec Room* is complemented with an upscale casual dining environment, as well as an expansive bar with a wide range of digital monitors and a large screen for watching sporting events and bookings for corporate events. Cineplex plans to open new LBE locations in Vancouver, British Columbia and Montreal, Quebec in 2024.

Cineplex's LBE revenues, adjusted EBITDAaL and adjusted EBITDAaL margins have exceeded pre-pandemic levels, reflecting more locations, strong consumer demand and operational efficiencies. Cineplex's LBE business has experienced continuous periods of growth, setting all-time quarterly record revenues in the current period.

Cineplex Inc.

Management's Discussion and Analysis

LOYALTY

Membership in the Scene+ loyalty program reached 13 million members after March 31, 2023. During 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's former flexible customer loyalty program. Cineplex welcomed Empire Company Limited as a co-owner of Scene+ during the third quarter of 2022, providing members with increased opportunities to earn and redeem points through Empire's family of brands in Atlantic Canada, Western Canada, Ontario in 2022, and Quebec in March 2023. During the third quarter of 2022, Scene+ announced that Home Hardware Stores Limited will be joining Scene+ with a launch expected to take place in the summer of 2023, providing members with additional opportunities to earn and redeem points. The growth in the Scene+ loyalty program provides Cineplex with opportunities to grow its customer base across all of its businesses.

FINANCIAL OUTLOOK

Cineplex remains confident that the slate of upcoming film releases for the year ahead, coupled with return to movie-going will result in strong box office and media performance. Cineplex's management continues to focus on managing capital expenditures and believes that it has adequate liquidity to fund operations.

The effects of global inflation and rising interest rates on financial markets could significantly impact the ability to raise capital and increase the cost of borrowing. There are limitations on Cineplex's ability to mitigate the adverse financial impact of inflation and sustained higher interest rates.

Management remains focused on deleveraging and optimizing its capital structure and cost of capital. Cineplex's Notes Payable and Debentures are subject to fixed interest rates below market interest rates which might be available to Cineplex today. Further, Cineplex's interest rate swap agreements effectively hedge 100% of the current and expected borrowing under the Credit Facilities in 2023. Accordingly, Cineplex's interest rate risk exposure is materially minimized.

Theatrical exhibition continues to be Cineplex's largest operating segment. April 2023 represented Cineplex's highest combined April box office and theatre food service revenues of all time. Coming out of this year's CinemaCon convention, Cineplex management is extremely pleased with the quantity and quality of upcoming film product for the remainder of 2023 and into 2024. Cineplex believes a return to movie-going will result in strong theatrical exhibition and media performance, which combined with our recent record performance in amusement and leisure businesses gives us increased confidence in the future of our businesses.

16. 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.

Cineplex Inc.

Management's Discussion and Analysis

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 that are reported by Cineplex.

16.1 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 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.

Cineplex Inc.

Management's Discussion and Analysis

The following represents management's calculation of EBITDA, adjusted EBITDA, and adjusted EBITDAaL (expressed in thousands of dollars):

Reconciliation of reported net loss to adjusted EBITDAaL	Three months ended March 31,	
	2023	2022
Net loss	\$ (30,173)	\$ (42,225)
Depreciation and amortization - other	26,006	26,892
Depreciation - right-of-use assets	22,199	24,263
Interest expense - lease obligations	16,333	14,704
Interest expense - other	23,506	10,083
Interest income	(211)	(30)
Current income tax expense (recovery)	1,615	(724)
Deferred income tax expense	2,307	—
EBITDA	\$ 61,582	\$ 32,963
Loss on disposal of assets	744	157
Loss on financial instruments recorded at fair value	270	3,830
CDCP equity income (i)	—	(854)
Foreign exchange loss	14	234
Depreciation and amortization - joint ventures and associates (ii)	142	131
Taxes and interest of joint ventures and associates (ii)	13	14
Adjusted EBITDA	\$ 62,765	\$ 36,475
Cash rent paid/payable related to lease obligations	(43,723)	(43,353)
Cash rent paid not pertaining to current period	1,201	1,159
Adjusted EBITDAaL (iii)	\$ 20,243	\$ (5,719)
(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 16, Non-GAAP and other financial measures.		

16.2 ADJUSTED FREE CASH FLOW

Free cash flow is a non-GAAP measure generally used by Canadian corporations as an indicator of financial performance and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized free cash flow adjusts the amount of cash from operating activities to deduct capital expenditures net of proceeds on sale of assets in ordinary business operations. Standardized free cash flow is a non-GAAP measure recommended by the CICA in its 2008 interpretive release, *Improved Communication with Non-GAAP Financial Measures: General Principles and Guidance for Reporting EBITDA and Free Cash Flow*, and is designed to enhance comparability. Adjusted free cash flow is also a non-GAAP measure used by Cineplex to modify standardized free cash flow to exclude certain cash flow activities and to measure the amount available for activities such as repayment of debt, dividends to owners and investments in future growth through acquisitions. Adjusted free cash flow includes repayments of lease obligations that represented the principal portion of rent expenses that were included in net income calculation prior to the adoption of accounting standard IFRS 16, *Leases*, by Cineplex. Given that the materiality of the principal portion of the rent expenses and comparability of adjusted free cash flow disclosure for comparative periods, adjusted free cash flow also adjusts standard free cash flow to deduct principal amount of repayment of lease obligation.

Cineplex presents standardized free cash flow and adjusted free cash flow per share because they are key measures used by investors to value and assess Cineplex. Cineplex's management defines adjusted free cash flow as standardized free cash flow adjusted for certain items, and considers adjusted free cash flow the amount available for distribution to shareholders. Standardized free cash flow is defined by the CICA as cash from operating activities as reported in the GAAP financial statements, less total capital expenditures minus proceeds from the disposition of capital assets other than those of discontinued operations, as reported in the GAAP financial statements; and

Cineplex Inc.

Management's Discussion and Analysis

dividends, when stipulated, unless deducted in arriving at cash flows from operating activities. The standardized free cash flow calculation excludes common dividends and others that are declared at the Board's discretion.

Management calculates adjusted free cash flow per share as follows (expressed in thousands of dollars except shares outstanding and per share data):

Reconciliation of reported cash used in operating activities to adjusted free cash flow per share	Three months ended March 31,	
	2023	2022
Cash used in operating activities	\$ 3,135	\$ (5,437)
Less: Total capital expenditures net of proceeds on sale of assets	(16,485)	(9,585)
Standardized free cash flow	(13,350)	(15,022)
Add/(Less):		
Changes in operating assets and liabilities (i)	28,998	15,077
Changes in operating assets and liabilities of joint ventures and associates (i)	754	(707)
Repayments of lease obligations - principal	(27,532)	(29,267)
Principal portion of cash rent paid not pertaining to current period	1,201	1,143
Growth capital expenditures and other (ii)	12,819	7,054
Share of income of joint ventures and associates, net of non-cash depreciation	(1,264)	(23)
Adjusted free cash flow	\$ 1,626	\$ (21,745)
Average number of shares outstanding	63,375,471	63,346,444
Adjusted free cash flow per share	\$ 0.026	\$ (0.343)
(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to Note 25 of Cineplex's 2022 Annual Consolidated Financial Statements for further details.		
(ii) Growth capital expenditures and other represent expenditures on Board approved projects, exclude maintenance capital expenditures and are net of proceeds on asset sales. The Revolving Facility (discussed above in Section 6.4, Long-term debt) is available to Cineplex to fund Board approved projects.		

Alternatively, the calculation of adjusted free cash flow using the income statement as a reference point would be as follows (expressed in thousands of dollars):

Reconciliation of reported net loss to adjusted free cash flow	Three months ended March 31,	
	2023	2022
Net loss	\$ (30,173)	\$ (42,225)
Adjust for:		
Depreciation and amortization - other	26,006	26,892
Depreciation - right-of-use assets	22,199	24,263
Change in fair value of financial instrument	270	3,830
Loss on disposal of assets	744	157
Non-cash interest (i)	8,003	(5,587)
Non-cash foreign exchange	13	152
Share of income of CDCP (ii)	—	(854)
Non-cash depreciation of joint ventures and associates	142	131
Deferred income tax expense	2,307	—
Taxes and interest of joint ventures and associates	13	14
Maintenance capital expenditures	(1,815)	(2,531)
Repayments of lease obligations - principal	(27,532)	(29,267)
Principal portion of cash rent paid not pertaining to current period	1,201	1,143
Non-cash items:		
Non-cash share-based compensation	2,099	2,137
Adjusted free cash flow	\$ 3,477	\$ (21,745)
(i) Non-cash interest includes amortization of deferred financing costs on the long-term debt, accretion expense on the convertible debentures, notes payable, and other non-cash interest expense items.		
(ii) Excludes the share of income or loss of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow. On December 16, 2022, Cineplex divested its investment in CDCP.		

Cineplex Inc.

Management's Discussion and Analysis

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.

Loss per Share Metrics

Cineplex has presented basic and diluted 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 theatre attendance for the period.

Premium priced product: Defined as 3D, 4DX, UltraAVX, IMAX, ScreenX and VIP film product.

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.

Same Theatre Analysis

Cineplex reviews and reports same theatre metrics relating to box office revenues, theatre food service revenues, theatre rent expense and theatre payroll expense, as these measures are widely used in the theatre exhibition industry as well as other retail industries.

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended March 31, 2023 the impact of one location that has been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 152 theatres being included in the same theatre metrics.

Cineplex Inc.

Management's Discussion and Analysis

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.