

# Cineplex Inc.

## Management's Discussion and Analysis

### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 8, 2024

*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, 2024 and all amounts are in Canadian dollars.*

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### **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 the strategies to achieve such 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 negatives 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"), Cineplex's management's discussion and analysis for the year ended December 31, 2023 ("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; and 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.sedarplus.ca](http://www.sedarplus.ca).

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### 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 an entertainment concept that brings movies, amusement gaming, dining, and live performances together under one roof (Cineplex Junxion). It also operates successful businesses in digital commerce (CineplexStore.com), alternative programming (Cineplex Events), motion picture distribution (Cineplex Pictures), cinema media (Cineplex Media), digital place-based media (Cineplex Digital Media), and until February 1, 2024, 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, by Waterstone Human Capital, 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, 2024, Cineplex owned, leased or had a joint venture interest in 1,631 screens in 158 theatres from coast to coast as well as 13 LBE venues in six provinces.

Cineplex									
Theatre locations and screens at March 31, 2024									
Province	Locations (i)	Screens	3D Digital Screens	UltraAVX	IMAX Screens (ii)	VIP Auditoriums	D-BOX Auditoriums	Recliner Auditoriums	Other Screens (iii)
Ontario	67	716	353	42	14	48	49	114	13
Quebec	17	220	88	10	3	9	7	17	4
British Columbia	25	236	124	16	4	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	4	—	3	3	16	1
Manitoba	5	49	26	3	1	3	4	16	1
New Brunswick	5	41	20	2	—	—	2	3	—
Newfoundland & Labrador	2	14	9	—	1	—	1	—	—
Prince Edward Island	2	13	6	—	—	—	1	—	—
<b>TOTALS</b>	<b>158</b>	<b>1,631</b>	<b>808</b>	<b>98</b>	<b>26</b>	<b>99</b>	<b>102</b>	<b>302</b>	<b>29</b>
Percentage of screens			50 %	6 %	2 %	6 %	6 %	19 %	2 %
(i) Includes <i>Junxion</i> theatres in Manitoba and Ontario.									
(ii) All IMAX screens are 3D enabled. Total 3D screens including IMAX screens are 834 screens or 51% of the circuit.									
(iii) Other screens includes 7 4DX screens, 5 <i>Cineplex Clubhouse</i> screens and 17 ScreenX screens.									

Cineplex - Theatres, screens and premium offerings in the last eight quarters								
	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Theatres	158	158	158	158	157	158	158	159
Screens	1,631	1,631	1,631	1,631	1,625	1,637	1,637	1,640
3D Digital Screens	808	808	809	809	806	809	809	809
UltraAVX Screens	98	97	97	96	95	95	94	94
IMAX Screens	26	26	25	25	25	25	25	25
VIP Auditoriums	99	99	99	99	99	99	99	99
D-BOX Auditoriums	102	102	102	101	100	100	98	98
Recliner Auditoriums	302	299	295	292	283	273	267	267
Other Screens	29	29	27	27	27	27	23	22

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Cineplex - LBE - at March 31, 2024 and 2023 Province	2024		2023	
	<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
<b>TOTALS</b>	<b>10</b>	<b>3</b>	<b>10</b>	<b>3</b>

### Sale of Player One Amusement Group

On November 22, 2023, Cineplex Entertainment Limited Partnership (“CELP”) announced that it had entered into a definitive share purchase agreement to sell 100% of the issued and outstanding shares of Player One Amusement Group Inc. (“P1AG”) for cash proceeds of \$155.0 million, subject to customary post-closing adjustments (the “Sale Transaction”). The Sale Transaction closed on February 1, 2024. On closing of the Sale Transaction, P1AG and CELP entered into a long-term agreement under which P1AG will continue to supply and service amusement games in Cineplex’s theatres and location-based entertainment venues. The proceeds from the Sale Transaction were used to repay bank debt. In connection with the sale of P1AG during the first quarter, Cineplex recognized total net income, net of taxes, from discontinued operations of \$68.1 million. That income included a material gain of \$67.3 million, net of income taxes.

In accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*, the balance sheet discloses separately the assets and liabilities of P1AG at December 31, 2023, and **discontinued operations are excluded from the results of continuing operations** and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations. The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation (see Section 12, Accounting policies). Other than where disclosed, discussions of results and Non-GAAP financial measures, including EBITDA, adjusted EBITDA and adjusted EBITDAaL, in this MD&A are of continuing operations.

While P1AG will continue to be a key supplier to Cineplex’s exhibition and LBE businesses, its operations were managed separately, and Cineplex does not anticipate changes to its amusement revenue generating activities and margins, or operating costs, or general and administrative costs as a result of the sale of P1AG.

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### 1.2 FINANCIAL HIGHLIGHTS

Financial highlights	First Quarter		
	2024	2023 (Section 1) (i)	Change (ii)
(in thousands of dollars, except theatre attendance in thousands of patrons and per share and per patron amounts)			
Total revenues	\$ 294,759	\$ 291,355	1.2%
Theatre attendance	9,819	9,767	0.5%
Net loss from continuing operations	\$ (62,970)	\$ (33,177)	89.8%
Net income from discontinued operations, including gain on disposition	\$ 68,130	\$ 3,004	NM
Net income (loss) (iii)	\$ 5,160	\$ (30,173)	NM
Net loss as a percentage of sales from continuing operations (iii)	(21.4)%	(11.4)%	-10.0%
Cash provided by (used in) operating activities	\$ 35,954	\$ (7,065)	NM
Box office revenues per patron ("BPP") (iv)	\$ 12.74	\$ 12.63	0.9%
Concession revenues per patron ("CPP") (iv)	\$ 8.95	\$ 8.85	1.1%
Adjusted EBITDA (v)	\$ 46,735	\$ 52,719	-11.4%
Adjusted EBITDAaL (v)	\$ 4,585	\$ 11,377	-59.7%
Adjusted EBITDAaL from discontinued operations (v)	\$ 508	\$ 8,866	-94.3%
Adjusted EBITDAaL including discontinued operations (v)	\$ 5,093	\$ 20,243	-74.8%
Adjusted EBITDAaL margin from continuing operations (vi)	1.6 %	3.9 %	-2.3%
Adjusted free cash flow (v)	\$ (6,005)	\$ (5,212)	15.2%
Adjusted free cash flow per share (vi)	\$ (0.094)	\$ (0.082)	14.6%
Loss per share from continuing operations - basic and diluted (iii)	\$ (0.99)	\$ (0.52)	90.4%
Earnings per share from discontinued operations - basic and diluted	\$ 1.07	\$ 0.04	NM
Earnings (loss) per share - basic and diluted (iii)	\$ 0.08	\$ (0.48)	NM
(i) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to the current period presentation. All amounts are from continuing operations unless otherwise noted. See Section 12, Accounting policies.			
(ii) Throughout this MD&A, changes in percentage amounts are calculated as 2024 value less 2023 value.			
(iii) 2024 includes the loss on the 2024 Refinancing of \$53.9 million, and expenses related to other transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).			
(iv) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.			
(v) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.			
(vi) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.			

### 1.3 KEY DEVELOPMENTS IN THE FIRST QUARTER OF 2024

The following describes certain key business initiatives undertaken and results achieved during 2024 in each of Cineplex's core business areas:

#### FILM ENTERTAINMENT AND CONTENT

##### *Theatre Exhibition*

- Reported first quarter box office revenues of \$125.1 million, an increase of \$1.7 million or 1.4% from \$123.3 million, due to a 0.5% increase in theatre attendance as a result of the success of highly anticipated films released during the quarter, including *Dune: Part Two* and *Kung Fu Panda 4*.
- Reported a first quarter record BPP of \$12.74, \$0.11 or 0.9% higher than the \$12.63 reported during the prior year.
- Enhanced the theatre circuit with an IMAX screen at *Cineplex Cinemas Yonge-Eglinton and VIP* and UltraAVX screen at *Scotiabank Theatre Saskatoon and VIP*.

##### *Theatre Food Service*

- Reported first quarter theatre food service revenues of \$87.9 million, an increase of \$1.4 million or 1.6% compared to the prior year, primarily due to a 0.5% increase in theatre attendance.
- Reported a first quarter record CPP of \$8.95, an increase of \$0.10 or 1.1% compared to the prior year, primarily due to an increase in average spend.

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- Completed the national rollout of mobile food and beverage ordering, across the entire theatre circuit during the first quarter, allowing guests to pre-order prior to the beginning of the movie.

### *Alternative Programming and Distribution*

- As part of the theatrical distribution partnership with Lionsgate, Cineplex's distribution business (Cineplex Pictures) distributed *Ordinary Angels* and *Imaginary* during the first quarter.
- Continued a leadership position in alternative programming, with 13.0% of first quarter box office revenues coming from international films, including strong performing titles, *Warning 2* (Punjabi), *Jatt Nuu Chudail Takri* (Punjabi) and *Oye Bhole Oye* (Punjabi), of which Cineplex represented over 75% of the total North American box office market share.
- Event Cinema programming consisted of a variety of successful initiatives including *Queen Rock Montreal*, the early 80's concert presented exclusively in IMAX, *Nabucco* and *Carmen* plus others from the Metropolitan Opera, and some notable family fare including *Trolls*, *Super Mario Bros.*, *Paw Patrol*, and *Peppa's Cinema Party* driving audiences during spring break.

### *Digital Commerce*

- Celebrated Black History Month with a collection of films available on the Cineplex Store, with an accompanying donation to The Black Academy, an organization that celebrates, empowers and showcases Black Canadian talent.

## **MEDIA**

- Reported first quarter media revenues of \$22.4 million, an increase of \$0.1 million or 0.2% compared to the prior year.
- Continued leveraging expertise in data and analytics to drive revenues.

### *Cinema Media*

- Reported first quarter cinema media revenues of \$12.4 million, a decrease of \$1.9 million or 13.1% over the prior year, due to the prior year including advertising deals related to expanding the Scene+ loyalty program, and revenue related to advertising campaigns that were previously deferred during pandemic periods.
- In March of 2024, Cineplex Media released the results of its proprietary Canadian Cinema Attention Results from Lumen, a well-known and respected global research company. These results far outperform any other video media option in the marketplace, and highlight the strength of the Cinema advertising channel.

### *Digital Place-Based Media*

- Reported first quarter revenues of \$9.9 million, an increase of \$1.9 million or 24.0% over the prior year.
- Began operating a network of 200 digital displays in 18 Cadillac Fairview shopping centres and selling digital and static media, sponsorships, and activations for Cadillac Fairview's extensive network of highly desirable shopping destinations across Canada.
- Signed an agreement with Cominar to develop, install, and maintain a state-of-the-art digital signage network in five Cominar managed shopping centres across Quebec. The addition of Cominar's shopping centres grows Cineplex's reach in the greater Montreal area to 117 million shoppers annually, and to over 750 million shoppers annually, across Canada.

## **LOCATION-BASED ENTERTAINMENT**

- Reported first quarter revenues of \$34.5 million, a decrease of \$0.6 million or 1.7% compared to the prior year due to inclement weather in key regions.
- Reported first quarter adjusted store level EBITDAaL of \$9.7 million, a decrease of \$2.4 million or 20.1% compared to the prior year, primarily due to an increase in payroll related costs.

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### LOYALTY

- Membership in the Scene+ loyalty program increased to over 15 million members as at March 31, 2024.
- Celebrated National Popcorn Day on January 19, 2024, by treating Scene+ members across the country to a free bag of popcorn. Additionally, theatre teams across Canada gifted first responders with popcorn as a show of appreciation.

### CORPORATE

- On February 1, 2024, Cineplex completed the sale of 100% of the issued and outstanding shares of P1AG for a purchase price of \$155.0 million in cash, subject to customary post-closing adjustments. In connection with the sale of P1AG, Cineplex recognized a material gain of \$67.3 million during the first quarter.
- On March 4, 2024, Cineplex completed a comprehensive refinancing plan (the "2024 Refinancing"), which included the following components:
  - The closing of a private placement offering of \$575 million aggregate principal amount of 7.625% senior secured notes (the "2024 Notes") due March 31, 2029 (the "2024 Notes Offering").
  - The redemption in full of Cineplex's existing 7.5% senior secured second lien notes due February 26, 2026 (the "2021 Notes") using a portion of the proceeds from the 2024 Notes Offering.
  - The repayment in full and termination of the Eighth Amended and Restated Credit Agreement using a portion of the proceeds from the 2024 Notes Offering.
  - The Corporation entering into of a new \$100 million "covenant-lite" revolving credit facility with a maturity date of March 4, 2027, with a syndicate of banks led by The Bank of Nova Scotia (the "2024 Credit Facility").
  - Amendments to the Corporation's 5.75% convertible unsecured subordinated debentures due September 30, 2025 (the "Convertible Debentures").
  - A redemption, on a pro rata basis, of \$100 million of the outstanding Convertible Debentures at a price of 102.35% of par plus accrued and unpaid interest thereon to, but excluding, the date of the redemption (the "Partial Redemption").

## **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 current operations are primarily conducted in three main areas: film entertainment and content, media, and amusement and leisure including location-based entertainment, all supported by the Scene+ loyalty program.

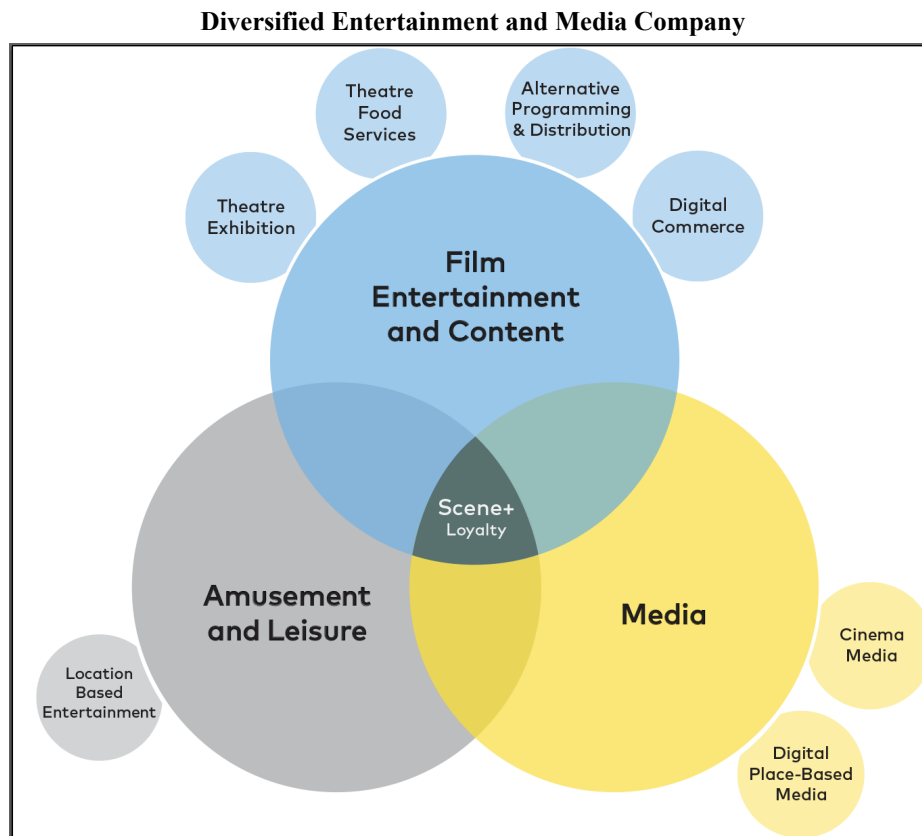
Cineplex's key strategic areas of focus include:

- Continuing to enhance and expand Cineplex's presence as an entertainment destination for Canadians;
- Capitalizing on core media strengths and infrastructure to provide continued growth for Cineplex's media businesses both inside and outside theatres;
- Developing and scaling amusement and leisure concepts by extending existing capabilities and infrastructure;
- Driving value within businesses by leveraging opportunities to optimize value, realize synergies, implement customer-centric technology and leverage big data across Cineplex ecosystems; and
- Pursuing 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.

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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, location-based entertainment, the Cineplex Store, promotions and other revenue streams.

### **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 42.4% of revenue in the first quarter of 2024.



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The following table presents the revenue mix for comparative periods:

Revenue mix % by period	Q1 2024	Q1 2023	Q1 2022	Q1 2021	Q1 2020
		(Section 1)	(Section 1)	(Section 1)	(Section 1)
Box office	42.4 %	42.3 %	41.2 %	13.2 %	44.7 %
Food service	34.5 %	34.7 %	35.3 %	22.6 %	31.9 %
Media	7.6 %	7.7 %	8.0 %	31.8 %	13.1 %
Amusement	8.7 %	9.0 %	8.1 %	4.6 %	5.0 %
Other	6.8 %	6.3 %	7.4 %	27.8 %	5.3 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

After adjusting for the sale of P1AG, Cineplex has three reportable segments, film entertainment and content, media, 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	
	2024	2023
	(Section 1)	
Film Entertainment and Content	80.8 %	80.4 %
Media	7.5 %	7.6 %
LBE	11.7 %	12.0 %
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 *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, improving the guest experience with enhancements to the Cineplex Mobile App and providing greater flexibility with online food and beverage ordering, 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 (CDM) 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

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LBE venues. Cineplex Media also sells digital advertising for [cineplex.com](http://cineplex.com), the Cineplex mobile app and on third party networks operated by CDM. CDM designs, installs, maintains 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. CDM advertising revenue is impacted by mall attendance which affect impressions and revenue generated.

Amusement revenues include revenues generated at LBE venues as well as XSCAPE Entertainment Centres and game rooms in theatres.

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.

(Gain) loss on disposal of assets represents the gain 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, 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, 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, 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

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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+ and 50% share of one IMAX auditorium in Ontario are classified as joint ventures or associates. 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 which recognizes the revenues and costs of redemptions of points issued prior to the launch of Scene+.

# Cineplex Inc.

## Management's Discussion and Analysis

### 4. RESULTS OF OPERATIONS

Other than where disclosed, discussions of results and Non-GAAP financial measures, including EBITDA, adjusted EBITDA and adjusted EBITDAaL, in this MD&A are of continuing operations.

#### 4.1. SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three months ended March 31, 2024 and 2023 (expressed in thousands of dollars except shares outstanding, per share data and per patron data, unless otherwise noted):

	Three months ended March 31, 2024	Three months ended March 31, 2023  (Section 1) (vii)	Variance (%)
Box office revenues	\$ 125,061	\$ 123,338	1.4 %
Food service revenues	101,826	101,076	0.7 %
Media revenues	22,350	22,296	0.2 %
Amusement revenues	25,776	26,161	-1.5 %
Other revenues	19,746	18,484	6.8 %
<b>Total revenues</b>	<b>294,759</b>	<b>291,355</b>	<b>1.2 %</b>
Film cost	64,827	66,074	-1.9 %
Cost of food service	24,504	24,237	1.1 %
Depreciation - right-of-use assets	24,471	21,533	13.6 %
Depreciation and amortization - other assets	21,795	22,873	-4.7 %
(Gain) loss on disposal of assets	(391)	893	NM
Other costs including employee benefits (a)	158,072	147,061	7.5 %
<b>Costs of operations (viii)</b>	<b>293,278</b>	<b>282,671</b>	<b>3.8 %</b>
Net loss from continuing operations	(62,970)	(33,177)	89.8 %
Net income from discontinued operations, including gain on disposition (vii)	68,130	3,004	NM
Net income (loss) (vi)	5,160	(30,173)	NM
Adjusted EBITDA (i)	\$ 46,735	\$ 52,719	-11.4 %
Adjusted EBITDAaL (i)	\$ 4,585	\$ 11,377	-59.7 %
Adjusted EBITDAaL from discontinued operations (i)	\$ 508	\$ 8,866	-94.3 %
Adjusted EBITDAaL including discontinued operations (i)	\$ 5,093	\$ 20,243	-74.8 %
(a) Other costs include:			
Theatre occupancy expenses	19,247	19,248	— %
Other operating expenses including employee benefits	117,791	108,834	8.2 %
General and administrative expenses including employee benefits (v)	21,034	18,979	10.8 %
<b>Total other costs including employee benefits</b>	<b>\$ 158,072</b>	<b>\$ 147,061</b>	<b>7.5 %</b>
Loss per share from continuing operations - basic and diluted (v)	\$ (0.99)	\$ (0.52)	90.4 %
Earnings per share from discontinued operations - basic and diluted	\$ 1.07	\$ 0.04	NM
Earnings (loss) per share - basic and diluted (v)	\$ 0.08	\$ (0.48)	NM
Total assets	\$ 2,221,590	\$ 2,075,525	7.0 %
Long-term debt (iv)	\$ 731,452	\$ 859,169	-14.9 %
Shares outstanding at period end	63,684,281	63,375,640	0.5 %
Adjusted free cash flow per share (ii)	\$ (0.094)	\$ (0.082)	14.6 %
Box office revenue per patron (iii)	\$ 12.74	\$ 12.63	0.9 %
Concession revenue per patron (iii)	\$ 8.95	\$ 8.85	1.1 %
Film cost as a percentage of box office revenues	51.8%	53.6%	-1.8 %
Theatre attendance (in thousands of patrons) (iii)	9,819	9,767	0.5 %
Theatre locations (at period end)	158	157	0.6 %
Theatre screens (at period end)	1,631	1,625	0.4 %

# Cineplex Inc.

## Management's Discussion and Analysis

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- (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, Convertible 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) 2024 includes expenses related to transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).
- (vi) 2024 includes the loss on the 2024 Refinancing of \$53.9 million, and expenses related to other transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).
- (vii) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 13, Accounting policies.
- (viii) Cost of operations excludes certain financial statement line items presented in the consolidated financial statements.

# Cineplex Inc.

## Management's Discussion and Analysis

### 4.2. OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2024

#### Total revenues

Total revenues for the three months ended March 31, 2024 increased \$3.4 million or 1.2% to \$294.8 million as compared to the prior year. A discussion of the factors affecting the changes in box office, food service, media, amusement and other revenues for the period is provided below.

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		
	2024	2023	Change
Box office revenues	\$ 125,061	\$ 123,338	1.4%
Theatre attendance (i)	9,819	9,767	0.5%
Box office revenue per patron (i)	\$ 12.74	\$ 12.63	0.9%
BPP excluding premium priced product (i)	\$ 10.94	\$ 10.40	5.2%
Same theatre box office revenues (i)	\$ 123,889	\$ 123,333	0.5%
Same theatre attendance (i)	9,733	9,767	-0.3%
% Total box from premium priced product (i)	41.3%	47.7 %	-6.4%

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

Box office continuity	First Quarter	
	Box Office	Theatre Attendance
2023 as reported	\$ 123,338	9,767
Same theatre attendance change	(427)	(34)
Impact of same theatre BPP change	982	—
New and acquired theatres (i)	1,172	87
Disposed and closed theatres (i)	(4)	(1)
2024 as reported	\$ 125,061	9,819

(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 2024 Top Cineplex Films		3D	% Box	First Quarter 2023 Top Cineplex Films		3D	% Box
1	Dune: Part Two		18.8 %	1	Avatar: The Way of Water	✓	22.2 %
2	Kung Fu Panda 4	✓	10.4 %	2	Ant-Man and the Wasp: Quantumania	✓	12.1 %
3	Migration	✓	5.5 %	3	Puss in Boots: The Last Wish	✓	7.9 %
4	Wonka		5.1 %	4	John Wick: Chapter 4		6.4 %
5	Anyone But You		5.1 %	5	Creed III		4.3 %

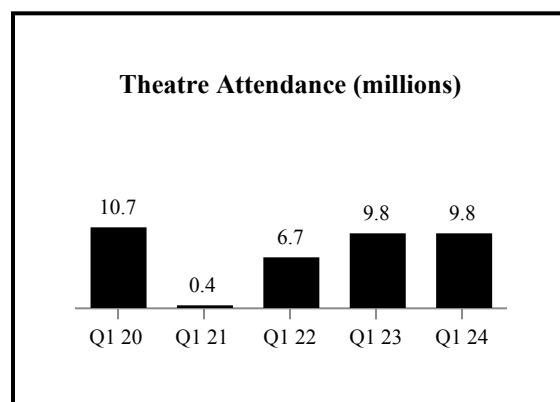
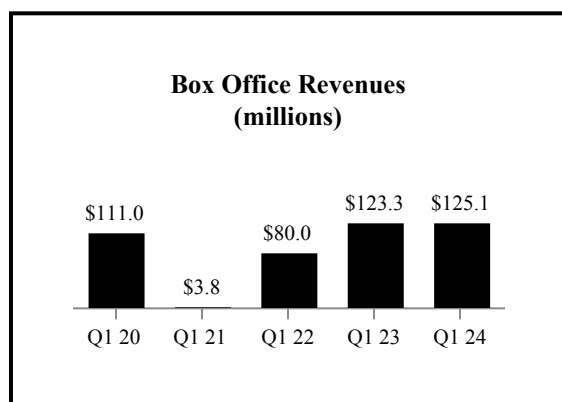
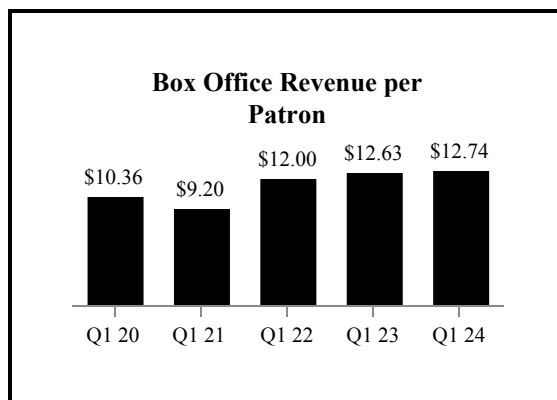
Box office revenues increased by \$1.7 million or 1.4% to \$125.1 million, compared to \$123.3 million recorded in the prior year. This increase was partially due to a 0.1 million or 0.5% increase in theatre attendance to 9.8 million. First quarter box office revenues included the highly anticipated film *Dune: Part Two*, which generated \$82.5 million during its North American opening weekend, and \$626.1 million globally through March 31, 2024.

BPP for the three months ended March 31, 2024 was \$12.74, representing a first quarter record, and an increase of \$0.11 or 0.9% from \$12.63 reported in the prior year. The increase in BPP is primarily due to inflationary and

# Cineplex Inc.

## Management's Discussion and Analysis

strategic pricing initiatives. Additionally, the release of *Dune: Part Two*, which drove guests to premium experiences, particularly IMAX. *Kung Fu Panda 4* was also released during the first quarter and attracted guests to 3D experiences. Despite these releases, premium priced products accounted for 41.3% of the total box office during the first quarter, compared to 47.7% in the prior year. The decrease compared to the prior year is due to 42.2% of box office revenues in the prior year resulting from films released as 3D content, including the highly successful *Avatar: The Way of Water*.



### 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):

# Cineplex Inc.

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Food service revenues	First Quarter		
	2024	2023	Change
Food service - theatres	\$ 87,852	\$ 86,444	1.6 %
Food delivery - theatres	2,084	2,295	-9.2 %
Food service - LBE	11,890	12,337	-3.6 %
<b>Total food service revenues</b>	<b>\$ 101,826</b>	<b>\$ 101,076</b>	<b>0.7 %</b>
Theatre attendance (i)	\$ 9,819	\$ 9,767	0.5 %
CPP (i) (ii)	\$ 8.95	\$ 8.85	1.1 %
Same theatre food service revenues (i)	\$ 87,006	\$ 86,439	0.7 %
Same theatre attendance (i)	9,733	9,767	-0.3 %

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

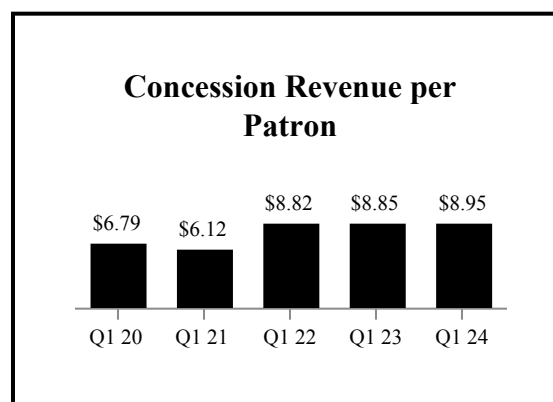
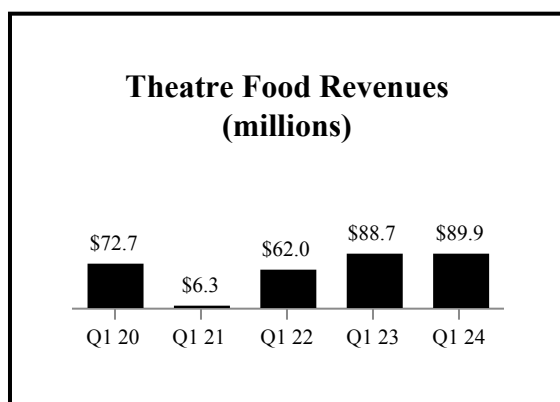
(ii) Food service revenue from LBE and delivery is not included in the CPP calculation.

Theatre food service revenue continuity	First Quarter	
	Theatre Food Service	Theatre Attendance
2023 as reported	\$ 86,444	9,767
Same theatre attendance change	(299)	(34)
Impact of same theatre CPP change	865	—
New and acquired theatres (i)	846	87
Disposed and closed theatres (i)	(4)	(1)
<b>2024 as reported</b>	<b>\$ 87,852</b>	<b>9,819</b>

(i) 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. See Section 16, Non-GAAP and other financial measures

Food service revenues are comprised primarily of concession revenues, which includes food service sales at theatre locations, 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 \$0.8 million or 0.7% to \$101.8 million during the first quarter, compared to \$101.1 million recorded in the prior year. Theatre food service revenues increased by \$1.4 million or 1.6% to \$87.9 million as compared to the prior year. The increase in theatre food service revenue is partially attributed to an increase in average guest spend compared to the prior year and targeted discount offers in the first quarter of 2024 designed to drive purchase incidence. During the first quarter, CPP increased by \$0.10 or 1.1% from the prior year, from \$8.85 to a first quarter record of \$8.95. LBE food service revenue decreased by \$0.4 million or 3.6% due to inclement weather in key regions and East Coast storms that resulted in the closure of two LBE locations for short periods during the quarter.





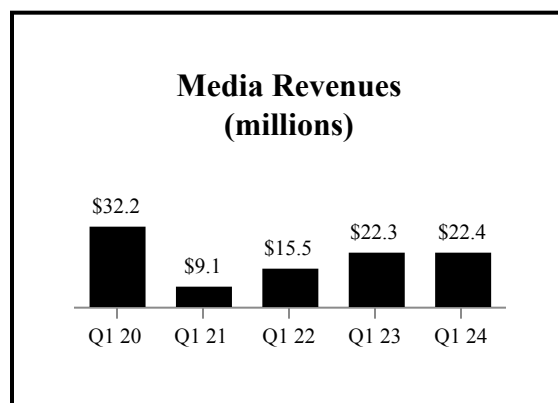
# Cineplex Inc.

## 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		
	2024	2023	Change
Cinema media	\$ 12,425	\$ 14,293	-13.1%
Digital place-based media	9,925	8,003	24.0%
Total media revenues	\$ 22,350	\$ 22,296	0.2%



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		
	2024	2023	Change
Project revenues (i)	\$ 2,852	\$ 2,906	-1.9%
Other revenues (ii)	7,073	5,097	38.8%
Total digital place-based media revenues	\$ 9,925	\$ 8,003	24.0%

(i) Project revenues include hardware sales and professional services.  
(ii) Other revenues include sales of software and its support as well as media advertising.

Total media revenues increased by \$0.1 million or 0.2% to \$22.4 million during the first quarter, compared to \$22.3 million recorded in the prior year. The increase during the first quarter was primarily due to the \$1.9 million or 24.0% increase in digital place-based media revenues, including DOOH media revenue related to the agreement with Cadillac Fairview that began at the beginning of the first quarter. The increase is also attributed to growth in digital services due to the increased size of active networks, and incremental creative project revenue. Cinema Media revenues decreased by \$1.9 million or 13.1% during the first quarter, due to advertising deals, primarily related to expanding the Scene+ loyalty program, which were recognized in 2023. In addition, the prior year includes revenue recognized for advertising campaigns, that were previously deferred during pandemic periods.

# 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		
	2024	2023	Change
		(Section 1 (ii))	
Amusement revenue - LBE	\$ 21,978	\$ 22,235	-1.2 %
Amusement revenue - exhibition (i)	3,798	3,926	-3.3 %
Total amusement revenues from continuing operations	<b>\$ 25,776</b>	<b>\$ 26,161</b>	<b>-1.5%</b>
(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.			
(ii) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 12, Accounting policies.			

Compared to the prior year, amusement revenues decreased by \$0.4 million or 1.5% during the first quarter, to \$25.8 million. The decrease was primarily due to a \$0.3 million or 1.2% decrease in LBE amusement revenues. Following the sale of PIAG, and under the same terms as the prior agreement, Cineplex continues to receive a venue revenue share on games revenues earned at in-theatre game rooms and XSCAPE Entertainment Centres.

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

LBE Summary	First Quarter		
	2024	2023	Change
Food service revenues	\$ 11,890	\$ 12,337	-3.6 %
Amusement revenues	21,978	22,235	-1.2 %
Media and other revenues	629	511	23.1 %
Total revenues	<b>\$ 34,497</b>	<b>\$ 35,083</b>	<b>-1.7 %</b>
Cost of food service	3,314	3,484	(4.9)%
Operating expenses before adjustments (i)	18,733	16,732	12.0 %
Cash rent related to lease obligations (ii)	2,748	2,730	0.7 %
Total	<b>\$ 24,795</b>	<b>\$ 22,946</b>	<b>8.1 %</b>
Adjusted store level EBITDAaL (iii)	<b>\$ 9,702</b>	<b>\$ 12,137</b>	<b>-20.1 %</b>
Adjusted store level EBITDAaL Margin (iv)	<b>28.1 %</b>	<b>34.6 %</b>	<b>-6.5 %</b>
(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, revenues decreased by \$0.6 million or 1.7% from the prior year to \$34.5 million. The decrease in revenue during the first quarter is primarily due to inclement weather in key regions. The first quarter experienced record cold weather in Alberta and Manitoba, as well as East Coast storms that resulted in the closure of two LBE locations for short periods during the quarter. The negative effect of weather was offset by record sales for all Playdium sites, and certain Rec Room locations towards the end of the first quarter. Adjusted store level EBITDAaL during the first quarter was \$9.7 million, and adjusted store level EBITDAaL margin was 28.1%. The decrease in both adjusted store level EBITDAaL and adjusted store level EBITDAaL margin are primarily attributed to minimum wage increases across Canada. Despite the decrease in adjusted store level EBITDAaL margin, compared to the prior year, LBE achieved its target adjusted store level EBITDAaL margin during the current period.

# Cineplex Inc.

## Management's Discussion and Analysis

### Other revenues

The following table highlights the other revenues which includes revenues from online booking fees, Cineplex Pictures distribution, 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		
	2024	2023	Change
Total other revenues	\$ 19,746	\$ 18,484	6.8%

### Film cost

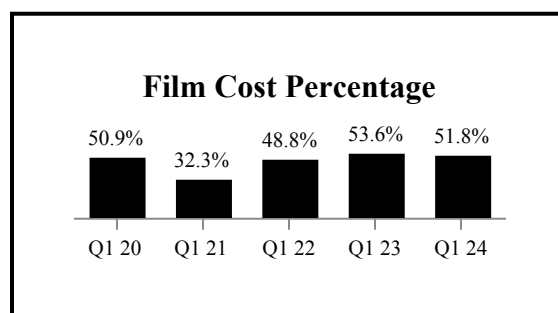
The following table highlights the movement in film cost and the film cost percentage for the quarter (in thousands of dollars, except film cost percentage):

Film cost	First Quarter		
	2024	2023	Change
Film cost	\$ 64,827	\$ 66,074	-1.9%
Film cost percentage (i)	51.8%	53.6%	-1.8%

(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 lower film cost during the first quarter, over the prior year, is due to the top films in the current period having lower settlement rates compared to the prior year.



### 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		
	2024	2023	Change
Cost of food service - theatre	\$ 21,190	\$ 20,753	2.1 %
Cost of food service - LBE	3,314	3,484	(4.9)%
Total cost of food service	\$ 24,504	\$ 24,237	1.1 %
Theatre concession cost percentage (i)	23.6%	23.4%	0.2 %
LBE food cost percentage (i)	27.9%	28.2%	-0.3 %
Theatre concession margin per patron (i)	\$ 6.84	\$ 6.78	0.9 %

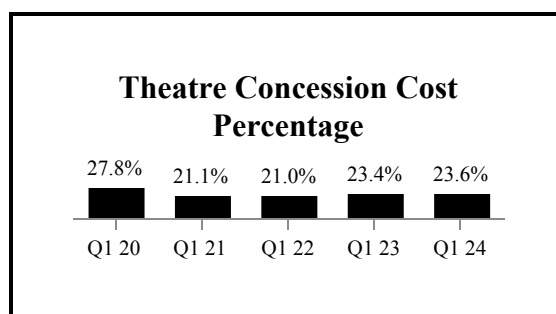
(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.

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## Management's Discussion and Analysis

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.

The increase in cost of food service during the first quarter is positively correlated to the increase in food service revenues recognized during the quarter. Theatre concession cost percentage and LBE food cost percentage remained flat during the first quarter compared to the prior year.



### 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		
	2024	2023	Change
	(Section 1)		
Depreciation of property, equipment and leaseholds	\$ 19,218	\$ 20,304	-5.3%
Amortization of intangible assets and other	2,577	2,569	0.3%
Sub-total - depreciation and amortization - other assets	\$ 21,795	\$ 22,873	-4.7%
Depreciation - right-of-use assets	24,471	21,533	13.6%
Total depreciation and amortization from continuing operations	\$ 46,266	\$ 44,406	4.2%

Depreciation of property, equipment and leaseholds decreased by \$1.1 million, or 5.3% during the quarter compared to the prior year period due to fully depreciated assets.

Amortization of intangible assets remained flat during the quarter compared to the prior year.

Depreciation of right-of-use assets increased by \$2.9 million or 13.6% during the quarter compared to the prior year. The increase was primarily due to the addition of right-of-use assets associated with Cadillac Fairview in conjunction with the agreement that began at the beginning of the first quarter.

### (Gain) loss on disposal of assets

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

(Gain) loss on disposal of assets	First Quarter		
	2024	2023	Change
	(Section 1)		
(Gain) loss on disposal of assets	\$ (391)	\$ 893	NM

# Cineplex Inc.

## Management's Discussion and Analysis

The change in the (gain) loss on disposal of assets recognized during the first quarter is due to increased activity on the disposal of Cineplex's assets during the current period, compared to a loss on disposal of assets in the prior period.

### 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, and LBE businesses; 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 including employee benefits	First Quarter		
	2024	2023	Change (Section 1)
Theatre occupancy expenses	\$ 19,247	\$ 19,248	—%
Other operating expenses	117,791	108,834	8.2%
General and administrative expenses	21,034	18,979	10.8%
<b>Total other costs</b>	<b>\$ 158,072</b>	<b>\$ 147,061</b>	<b>7.5%</b>

### 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		
	2024	2023	Change
Cash rent paid/payable (i)	\$ 38,527	\$ 38,476	0.1%
Other occupancy	18,795	18,874	-0.4%
One-time items (ii)	181	—	NM
<b>Total theatre occupancy including cash lease payments</b>	<b>\$ 57,503</b>	<b>\$ 57,350</b>	<b>0.3%</b>
IFRS 16 adjustment (iii)	(38,256)	(38,102)	0.4%
<b>Theatre occupancy as reported</b>	<b>\$ 19,247</b>	<b>\$ 19,248</b>	<b>—%</b>
(i) Represents the cash payments for theatre rent paid or payable during the quarter.			
(ii) 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.			
(iii) Cash rent paid/payable related to lease obligations.			

Theatre occupancy continuity	First Quarter Occupancy
2023 as reported	\$ 19,248
Impact of new and acquired theatres	286
Impact of disposed theatres	(213)
Same store rent change (i)	(65)
One-time items	180
Other	(35)
<u>Impact of IFRS 16:</u>	
Cash rent related to lease obligations	(154)
<b>2024 as reported</b>	<b>\$ 19,247</b>
(i) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.	

Theatre occupancy expenses remained flat during the first quarter compared to the prior year.

# Cineplex Inc.

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### 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		
	2024	2023	Change
	(Section 1)		
Theatre payroll	\$ 38,422	\$ 35,891	7.1%
Theatre operating expenses	29,125	28,302	2.9%
Media	13,754	13,025	5.6%
LBE (i)	21,481	19,462	10.4%
Redemption cost of legacy loyalty points	2,021	7,039	-71.3%
Marketing	1,772	2,236	-20.8%
Scene+ point issuance	5,341	4,774	11.9%
Other (ii)	10,423	1,962	431.2%
Other operating expenses including cash lease payments	<b>\$ 122,339</b>	<b>\$ 112,691</b>	<b>8.6%</b>
IFRS 16 adjustment (iii)	(4,548)	(3,857)	17.9%
Total other operating expenses from continuing operations	<b>\$ 117,791</b>	<b>\$ 108,834</b>	<b>8.2%</b>
(i) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.			
(ii) Other category includes direct costs of Cineplex Pictures, Cineplex Store and overhead costs related to LBE and other Cineplex internal departments.			
(iii) Cash rent paid/payable related to lease obligations.			

Other operating expenses continuity	First Quarter
2023 as reported/revised	\$ 108,834
Impact of new and acquired theatres	729
Impact of disposed theatres	(45)
Same theatre payroll change (i)	2,765
Same theatre operating expenses change (i)	666
Media operating expenses change	729
LBE operating expenses change	2,019
Redemption cost of legacy loyalty points	(5,018)
Marketing change	(464)
Scene+ point issuance change	567
Other	7,700
<u>Impact of IFRS 16:</u>	
Cash rent related to lease obligations	\$ (691)
2024 as reported	<b>\$ 117,791</b>
(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 by \$9.0 million or 8.2% during the first quarter compared to the prior year. The increase in both theatre payroll and LBE operating expenses is primarily due to minimum wage increases across Canada. The increase in theatre operating expenses is correlated to the increase in attendance and related box office and theatre food service revenues recognized during the quarter. Cineplex also recognized a \$0.6 million or 11.9% increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and food service sales. The increase in operating expenses was partially offset by a decrease in redemption costs of legacy loyalty points outstanding before the launch of the Scene+ program.

### 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):

# Cineplex Inc.

## Management's Discussion and Analysis

G&A expenses	First Quarter		
	2024	2023	Change
G&A excluding the following items	\$ 18,040	\$ 15,295	17.9%
Restructuring	139	1,127	-87.7%
Transaction / Litigation costs	1,917	860	122.9%
LTIP (i)	1,145	1,945	-41.1%
Option plan	376	335	12.2%
G&A expenses including cash lease payments	\$ 21,617	\$ 19,562	10.5%
IFRS 16 adjustment (ii)	(583)	(583)	—%
G&A expenses as reported	\$ 21,034	\$ 18,979	10.8%

(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 included as part of lease obligations.

G&A expenses increased by \$2.1 million or 10.8% during the first quarter compared to the prior year. The increase is primarily due to higher professional fees, software, training and health and safety costs. Cineplex incurred \$1.9 million (2023 - \$0.9 million) of expenses related to litigation and other transactions outside the normal course of business during the first quarter.

### Share of loss of joint ventures and associates

Cineplex's joint ventures and associates include its 33.3% interest in Scene+ (2023 - 33.3%) and 50% interest in one IMAX screen in Ontario (2023 - 50%).

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 of joint ventures and associates	First Quarter		
	2024	2023	Change
Share of loss of Scene+	\$ 921	\$ 1,399	-34.2%
Share of (income) loss of other joint ventures and associates	(92)	20	NM
Total loss of joint ventures and associates	\$ 829	\$ 1,419	-41.6%

Cineplex's loss from its joint ventures and associates consisted primarily of a \$0.9 million loss related to Scene+ during the first quarter, which expects losses through 2024 as it scales to expected operating levels.

# Cineplex Inc.

## Management's Discussion and Analysis

### Interest expense

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

Interest expense	First Quarter		
	2024	2023	Change
	(Section 1)		
Interest expense on long-term debt	\$ 14,281	\$ 15,155	-5.8%
Lease interest expense (i)	17,529	16,139	8.6%
Financing fees	736	406	81.3%
Sub-total - cash interest expense from continuing operations	\$ 32,546	\$ 31,700	2.7%
Deferred financing fee accretion and other non-cash interest, net	425	55	672.7%
Accretion expense on Convertible Debentures and Notes Payable	5,513	5,280	4.4%
Interest rate swap - non-cash	(1,020)	2,619	NM
Sub-total - non-cash interest expense from continuing operations	4,918	7,954	-38.2%
Total interest expense from continuing operations	\$ 37,464	\$ 39,654	-5.5%
Total cash interest paid from continuing operations	\$ 34,861	\$ 40,905	-14.8%

(i) Represents total cash interest paid and accrued cash interest related to lease obligations.

Lease interest expense breakdown	First Quarter		
	2024	2023	Change
	(Section 1)		
Cash interest paid - lease obligation	\$ 17,528	\$ 16,365	7.1%
Change in accrued interest - lease obligation	1	(226)	NM
Total lease interest expense from continuing operations	\$ 17,529	\$ 16,139	8.6%

Total interest expense decreased by \$2.2 million or 5.5% 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 \$3.6 million decrease in non-cash interest expense.

### Interest income

The following table highlights interest income received during the quarter (in thousands of dollars):

Interest income	First Quarter		
	2024	2023	Change
Interest income	\$ 275	\$ 211	30.3%

### Foreign exchange

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

Foreign exchange	First Quarter		
	2024	2023	Change
	(Section 1)		
Foreign exchange (gain) loss from continuing operations	\$ (236)	\$ 729	NM

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.3226 at December 31, 2023 to 1.3550 at March 31, 2024.



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## Management's Discussion and Analysis

### 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		
	2024	2023	Change
Loss on financial instruments recorded at fair value	\$ 51,946	\$ 270	NM

The change in the loss in the fair value of financial instruments recognized during the first quarter is due to the loss on the 2024 Refinancing and the revaluation of Cineplex's call option relating to the 2021 Notes and the 2024 Notes, as applicable (Section 6.4, Long-term debt) during the current period.

Loss on financial instruments recorded at fair value	Three months ended March 31, 2024	
Bank Fees and other fees	\$	1,361
Loss on settlement of notes		12,922
Loss on settlement of debentures		39,661
Loss on 2024 Refinancing		53,944
Remeasurement of financial instruments recognized in profit or loss		(1,998)
Loss on financial instruments recorded at fair value	\$	51,946

### 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		
	2024	2023	Change
Current income tax recovery	\$ (640)	\$ —	NM
Deferred income tax recovery	(24,637)	—	NM
Provision for income taxes	\$ (25,277)	\$ —	NM

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately \$150.2 million relating to continuing operations. The provision for income taxes in the first quarter reflects the impact of timing differences in the timing of deductions for tax as compared to accounting, particularly the reduction of losses carried forward. Cineplex will utilize a portion of its net operating losses against the taxable gain from the sale of P1AG, which resulted in no taxes payable resulting from the disposition.

Cineplex's combined statutory income tax rate at March 31, 2024 was 26.3% (2023 - 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 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.

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

The following table presents net income (loss), EBITDA, adjusted EBITDA and adjusted EBITDAaL for the three months ended March 31, 2024 as compared to the prior year (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL	First Quarter		
	2024	2023	Change
			(Section 1)
Net loss from continuing operations (i)	\$ (62,970)	\$ (33,177)	89.8%
Net income from discontinued operations, including gain on disposition	\$ 68,130	\$ 3,004	NM
Net income (loss) (i)	\$ 5,160	\$ (30,173)	NM
Net loss as a percentage of sales from continuing operations	(21.4)%	(11.4)%	-10.0%
EBITDA	\$ (4,792)	\$ 50,672	NM
Adjusted EBITDA	\$ 46,735	\$ 52,719	-11.4%
Adjusted EBITDAaL	\$ 4,585	\$ 11,377	-59.7%
Adjusted EBITDAaL from discontinued operations	\$ 508	\$ 8,866	-94.3%
Adjusted EBITDAaL including discontinued operations	\$ 5,093	\$ 20,243	-74.8%
Adjusted EBITDAaL margin from continuing operations	1.6 %	3.9 %	-2.3%

(i) 2024 includes the loss on the 2024 Refinancing of \$53.9 million, and expenses related to other transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).

Net loss and adjusted EBITDAaL for the first quarter of 2024 was \$63.0 million and \$4.6 million, respectively, compared to net loss of \$33.2 million and adjusted EBITDAaL of \$11.4 million, respectively, in the prior year. The loss on the 2024 Refinancing, contributed to the movement in net loss, compared to the prior year. The decrease in adjusted EBITDAaL compared to the prior year is primarily due to the increase in other operating expenses.

# 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, 2024 as compared to December 31, 2023 (in thousands of dollars):

	March 31, 2024	December 31, 2023	Change (\$)	Change (%)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 92,292	\$ 36,666	\$ 55,626	151.7%
Trade and other receivables	59,627	97,689	(38,062)	-39.0%
Income taxes receivable	3,503	2,766	737	26.6%
Inventories	16,315	17,624	(1,309)	-7.4%
Prepaid expenses and other current assets	13,832	11,481	2,351	20.5%
Fair value of interest rate swap agreements	—	3,217	(3,217)	-100.0%
Assets held for sale (i)	—	93,322	(93,322)	-100.0%
	185,569	262,765	(77,196)	-29.4%
<b>Non-current assets</b>				
Property, equipment and leaseholds	388,249	394,382	(6,133)	-1.6%
Right-of-use assets	783,113	754,793	28,320	3.8%
Deferred income taxes	146,393	146,784	(391)	-0.3%
Fair value of interest rate swap agreements	—	1,109	(1,109)	-100.0%
Interests in joint ventures	5,175	4,896	279	5.7%
Intangible assets	80,731	80,873	(142)	-0.2%
Goodwill	620,300	620,300	—	—%
Derivative financial instrument	12,060	5,590	6,470	115.7%
	\$ 2,221,590	\$ 2,271,492	\$ (49,902)	-2.2%
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 177,150	\$ 172,482	\$ 4,668	2.7%
Income taxes payable	245	173	72	41.6%
Deferred revenue and other	180,943	197,329	(16,386)	-8.3%
Lease obligations	88,711	85,030	3,681	4.3%
Liabilities related to assets held for sale (i)	—	27,241	(27,241)	-100.0%
	447,049	482,255	(35,206)	-7.3%
<b>Non-current liabilities</b>				
Share-based compensation	5,394	4,470	924	20.7%
Long-term debt	731,452	817,439	(85,987)	-10.5%
Lease obligations	1,018,576	993,404	25,172	2.5%
Post-employment benefit obligations	6,847	7,114	(267)	-3.8%
Other liabilities	6,250	6,245	5	0.1%
	2,215,568	2,310,927	(95,359)	-4.1%
<b>Shareholders' deficit</b>				
Total shareholders' deficit	6,022	(39,435)	45,457	-115.3%
	\$ 2,221,590	\$ 2,271,492	\$ (49,902)	-2.2%

(i) See Section 12, Accounting policies for discontinued operations.

**Cash and cash equivalents.** Cash and cash equivalents includes operations petty cash and outstanding deposits and fluctuates with business activities. The balance at March 31, 2024 is higher than usual due to interest and other payments being deferred to April due to the timing of a statutory holiday. Furthermore additional debt was raised to hold cash for working capital and liquidity.

**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 2023 holiday period. December represents the highest volume month for gift card and voucher sales.

# Cineplex Inc.

## Management's Discussion and Analysis

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**Income taxes receivable.** The increase in income taxes receivable is primarily due to timing of installments and estimated taxable income.

**Inventories.** The decrease in inventories is primarily due to concession inventories. The overall movement remains fairly consistent with the prior period.

**Prepaid expenses and other current assets.** The increase in prepaid expenses and other current assets is primarily due to prepayments for insurance and the 2024 technology service contracts extending into the next period.

**Assets held for sale.** P1AG was classified as a discontinued operation in accordance with the application of IFRS 5, *Non-current assets held for sale and discontinued operations*, as at December 31, 2023. The sale of P1AG was completed on February 1, 2024.

**Property, equipment and leaseholds.** The decrease in property, equipment and leaseholds is due to amortization expense (\$19.2 million) and asset dispositions (\$0.2 million) in excess of additions to new build and other capital expenditures (\$15.3 million) and maintenance capital expenditures (\$2.3 million).

**Right-of-use assets.** The increase in right-of-use assets is due to lease extensions and modifications (\$52.9 million), offset by amortization expense of \$24.5 million.

**Deferred income taxes.** The decrease in net deferred income taxes is primarily due to the use of non-capital losses to shield the taxable capital gain from the sale of P1AG, offset by the deferred tax liabilities associated with the financing arrangements.

**Interests in joint ventures.** The increase in interest in joint ventures is primarily due to \$1.2 million of capital contributions made to Cineplex's investment in Scene LP, net of \$0.8 million losses in 2024.

**Intangible assets.** The decrease in intangible assets is due to the capitalization of software development costs (\$2.4 million), offset by amortization expense (\$2.6 million).

**Goodwill.** There was no change in goodwill for the quarter.

**Derivative financial instrument.** The increase in derivative financial instrument reflects the \$5.6 million derecognition of the derivative associated with the 2021 Notes, and the recognition of \$10.1 million fair value derivative related to the 2024 Notes prepayment option. The derivative value increased \$2.0 million to \$12.1 million at March 31, 2024.

**Accounts payable and accrued expenses.** The increase in accounts payable and accrued liabilities is primarily due to the timing of payments of trade payables and interest caused partly by the statutory holiday on March 31, 2024.

**Share-based compensation.** The increase in share-based compensation is primarily due to members of Cineplex's board of directors electing to receive payment in deferred equity units, offset by the decrease in the common share price, which was \$7.43 per share at March 31, 2024 as compared to \$8.37 at December 31, 2023 (see Section 9, Share activity). Additionally, 2024 PSU and RSU grant will be cash settled and included as part of this liability.

**Income taxes payable.** The increase in income taxes payable is immaterial for this quarter.

**Deferred revenue and other.** The decrease in deferred revenue is primarily due to the redemption and associated breakage of gift cards and vouchers in excess of current period sales.

**Lease obligations.** The increase in lease obligations is primarily due to new, extended and modified leases which is partially offset by the payment of lease obligations, the first quarter of 2024.

**Liabilities related to assets held for sale.** P1AG was classified as a discontinued operation in accordance with the application of IFRS 5, *Non-current assets held for sale and discontinued operations*, as at December 31, 2023. The sale of P1AG was completed on February 1, 2024.

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## Management's Discussion and Analysis

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**Fair value of interest rate swap agreements.** Represented the fair values of Cineplex's interest rate swap agreements (see Section 6.4, Long-term debt). The final interest rate swap with a notional value of \$150.0 million and a maturity date of November 13, 2025 was wound up during the first quarter for a gain of \$1.0 million.

**Long-term debt.** Long-term debt consists of the Credit Facilities, Convertible Debentures and 2024 Notes. The decrease in long-term debt reflects use of the proceeds of the sale of P1AG to repay a portion of the credit facility and the impact of the 2024 Refinancing steps (Section 6.4, Long-term debt).

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## 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, location-based entertainment revenues (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, 2024 and 2023 (in thousands of dollars):

Cash flows provided by (used in) operating activities	First Quarter		
	2024	2023	Change
	(Section 1)		
Net loss from continuing operations	\$ (62,970)	\$ (33,177)	\$ (29,793)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of other assets (i)	21,795	22,873	(1,078)
Depreciation of right-of-use assets	24,471	21,533	2,938
Interest rate swap agreements - non-cash interest	(1,020)	2,619	(3,639)
Accretion of Convertible Debentures and notes payable	5,513	5,281	232
Other non-cash interest (ii)	425	55	370
(Gain) loss on disposal of assets	(391)	893	(1,284)
Deferred income taxes	(24,637)	—	(24,637)
Non-cash share-based compensation	858	2,099	(1,241)
(Gain) loss on fair value of financial instruments and extinguishment of debt	51,946	270	51,676
Financing fees	(17,784)	(406)	(17,378)
Net change in interests in joint ventures and associates	921	665	256
Net cash received from unwinding swap	4,583	—	4,583
Changes in operating assets and liabilities	32,244	(29,770)	62,014
<b>Net cash provided by (used in) operating activities from continuing operations</b>	<b>\$ 35,954</b>	<b>\$ (7,065)</b>	<b>\$ 43,019</b>
(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 2024 was \$36.0 million, compared to cash used in operating activities of \$7.1 million in the prior year. The increase is attributed to the timing of settlement of operating assets and liabilities in the period, particularly accounts receivable, accounts payable and deferred revenue.

#### 6.2. INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three months ended March 31, 2024 and 2023 (in thousands of dollars):

Cash flows used in investing activities	First Quarter		
	2024	2023	Change
	(Section 1)		
Proceeds from disposal of assets, including asset related insurance recoveries	\$ 803	\$ 4	\$ 799
Purchases of property, equipment and leaseholds	(15,357)	(14,808)	(549)
Intangible assets additions	(2,181)	(2,831)	650
Tenant inducements	2,177	2,575	(398)
Investment in joint ventures and associates	(1,200)	(2,466)	1,266
<b>Net cash used in investing activities from continuing operations</b>	<b>\$ (15,758)</b>	<b>\$ (17,526)</b>	<b>\$ 1,768</b>

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Cash used in investing activities during the first quarter of 2024 was \$15.8 million, as compared to \$17.5 million in the prior year. The decrease is primarily due to lower capital contributions to Cineplex's investment in Scene LP, and higher proceeds from disposal of capital assets.

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		
	2024	2023	Change
	(Section 1)		
Gross capital expenditures	\$ 15,357	\$ 14,808	\$ 549
Less: tenant inducements	(2,177)	(2,575)	398
Net capital expenditures	<b>\$ 13,180</b>	<b>\$ 12,233</b>	<b>\$ 947</b>
Net capital expenditures consists of:			
Growth and acquisition capital expenditures (i)	\$ 9,480	\$ 7,039	\$ 2,441
Tenant inducements	(2,177)	(2,575)	398
Media growth capital expenditures	50	296	(246)
Premium formats (ii)	1,528	979	549
Maintenance capital expenditures	2,254	2,527	(273)
Other (iii)	2,045	3,967	(1,922)
	<b>\$ 13,180</b>	<b>\$ 12,233</b>	<b>\$ 947</b>
(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, 2024 and 2023 (in thousands of dollars):

Cash flows (used in) provided by financing activities	First Quarter		
	2024	2023	Change
	(Section 1)		
(Repayments) borrowings under credit facility, net	\$ (298,000)	\$ 29,000	\$ (327,000)
Repayments of lease obligations - principal	(25,769)	(26,487)	718
Issuance of notes payable	575,000	—	575,000
Settlement of former notes payable	(254,688)	—	(254,688)
Settlement of Convertible Debentures	(102,350)	—	(102,350)
<b>Net cash (used in) provided by financing activities from continuing operations</b>	<b>\$ (105,807)</b>	<b>\$ 2,513</b>	<b>\$ (108,320)</b>

Cash flows used in financing activities were \$105.8 million during the first quarter of 2024, as compared to cash flows provided by financing activities of \$2.5 million in the prior year. The movement was primarily due to the full redemption of the 2021 Notes; partial redemption of the Convertible Debentures; and repayment in full and termination of the Eighth Amended and Restated Credit Agreement. These repayments were funded by the proceeds from the sale of P1AG and the 2024 Notes Offering. Refer to Section 6.4, Long-term debt.

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### 6.4. LONG-TERM DEBT

Long-term debt consists of the following as at March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Book Value	Face Value	Book Value	Face Value
Credit Facilities	\$ —	\$ —	\$ 298,000	\$ 298,000
Convertible Debentures - 7.75% due March 1, 2030	156,452	216,250	—	—
Notes payable - 7.625% due March 31, 2029	575,000	575,000	—	—
Convertible Debentures - 5.75% due September 30, 2025	—	—	272,469	316,250
Notes payable - 7.5% due February 26, 2026	—	—	246,970	250,000
Total	\$ 731,452	\$ 791,250	\$ 817,439	\$ 864,250

(i) Book value represents the carrying value of the debt component, which is the initial fair value of the instrument, plus cumulative accretion.

### 2024 Refinancing

On March 4, 2024, Cineplex completed the 2024 Refinancing. The 2024 Refinancing resulted in cash fees of \$21.5 million and loss on fair value of financial instruments of \$53.9 million.

### Credit facilities

#### *Former Credit Facilities*

Until December 13, 2023, Cineplex had bank facilities with a syndicate of lenders which included 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 between Cineplex, CELP, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018.

On December 13, 2023, Cineplex entered into the Eighth Amended and Restated Credit Agreement with the same syndicate of lenders, (the "Eighth Amended and Restated Credit Agreement"), which extended the maturity date thereof to November 13, 2025, and governed the Revolving Facility on substantially the same terms, including in respect of the financial covenants.

On March 4, 2024, Cineplex repaid in full and terminated the Eighth Amended and Restated Credit Agreement in connection with the entering into of the 2024 Credit Facility, as described below.

#### *2024 Credit Facility*

On March 4, 2024, Cineplex entered into a new credit agreement with a syndicate of banks led by Scotiabank (the "**2024 Credit Agreement**"), terminating and replacing the Eighth Amended and Restated Credit Agreement in its entirety. The 2024 Credit Facility provides for a new \$100 million "covenant-lite" revolving credit facility with a maturity date of March 4, 2027.

At Cineplex's election, borrowings under the 2024 Credit Agreement will bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate) or CORRA (Canadian



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Overnight Repo Rate Average) plus, in each case, an applicable margin to those rates. Borrowings are available in either Canadian or US dollars.

The 2024 Credit Agreement does not contain financial maintenance covenants, unless borrowings utilized under the agreement (including issued letters of credit) exceed 40% (the “**Utilization Threshold**”) of the total available credit facility measured as at the end of a fiscal quarter of Cineplex. In the event that Utilization Threshold is exceeded, Cineplex will be required to maintain a Total Leverage Ratio of not greater than 4.75 to 1 thereafter until the borrowings drop below 40% utilization.

As a so-called “covenant-lite” credit facility, as long as the Utilization Threshold has not been exceeded, the 2024 Credit Agreement does not restrict the discretion of Cineplex’s management with respect to matters such as the payment of dividends or making certain other payments, making investments, loans and guarantees and otherwise being able to sell or dispose of assets. Cineplex’s ability to take such actions when the Utilization Threshold has been exceeded require that Cineplex’s Total Leverage Ratio be less than 4.25 to 1.00, on a pro forma basis after giving effect to such payment or transaction.

The obligations under the 2024 Credit Agreement are guaranteed jointly and severally, by the Corporation and each direct or indirect restricted subsidiary of the Corporation, other than certain excluded immaterial subsidiaries.

This summary of the 2024 Credit Facility is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions, and was filed on SEDAR+ on March 4, 2024.

The 2024 Credit 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.

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 100.0	\$ —	\$ 8.0	\$ 92.0

At March 31, 2024, Cineplex was subject to a margin of 2.75% (2023 - 3.00%) on the prime rate and margin of 3.75% (2023 - 4.00% on bankers’ acceptances) on the CORRA advances and SOFR advances, plus a 0.25% (2023 - 0.25%) per annum fee for letters of credit issued. Cineplex pays a commitment fee on the daily unadvanced portion of the 2024 Credit Agreement, which will vary based on the Total Leverage Ratio and was 0.75% at March 31, 2024 (2023 - 1.00%).

### *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.

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 %

Swaps 1 and 2 matured on November 14, 2023, and swap 3 was unwound during the first quarter of 2024. The interest rate swaps were 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. Upon the unwinding of swap 3, Cineplex received net cash flows of \$4.6 million.

# Cineplex Inc.

## Management's Discussion and Analysis

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### Convertible debentures

On July 17, 2020, Cineplex issued \$316.25 million aggregate principal amount of convertible unsecured subordinated debentures, which were initially intended to mature on September 30, 2025 and bore interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 of each year.

On March 4, 2024, in connection with the 2024 Refinancing, the Corporation made certain amendments to the Convertible Debentures, which were approved in writing by holders of approximately 89% of the outstanding Convertible Debentures. The amendments to the Convertible Debentures included:

- the partial redemption of \$100 million principal value, which was completed on March 11, 2024, following which \$216.25 million principal amount of Convertible Debentures remain outstanding;
- an increase in the interest rate from 5.75% to 7.75% effective April 1, 2024;
- a decrease in the conversion price from \$10.94 to \$10.29 per Common Share (representing a conversion rate of 97.1817 Common Shares per \$1,000 principal amount of Convertible Debentures);
- an extension of the maturity date of the Convertible Debentures from September 30, 2025 to March 1, 2030; and
- the remaining Convertible Debentures not being redeemable prior to March 1, 2027; and, at any time after March 1, 2027 and prior to March 1, 2029, Cineplex shall be permitted to redeem the Convertible Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest as set out in more detail, below. On and after March 1, 2029, the Convertible Debentures would be redeemable at the option of Cineplex at any time at par plus accrued and unpaid interest to the date of redemption.

The amendments were made effective pursuant to a supplemental indenture that was executed on March 4, 2024 (the "Supplemental Indenture"). All of the amendments to the Convertible Debentures were effective as at March 4, 2024, other than the change in interest rate from 5.75% to 7.75% and the re-designation of the Convertible Debentures to be "7.75% convertible unsecured subordinated debentures due March 1, 2030", which become effective as at April 1, 2024.

The Convertible Debentures are not redeemable by Cineplex prior to March 1, 2027. On or after March 1, 2027 and prior to March 1, 2029, Cineplex may, at its option, redeem the Convertible Debentures in whole or in part from time to time provided that the volume weighted average trading price of the share on the TSX 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 March 1, 2029, the Convertible 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 Convertible Debentures may be converted into shares at a conversion price of \$10.29 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 Convertible Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Convertible 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 Convertible Debentures will result in the issuance of shares from treasury.

The foregoing is a summary of the key terms of the Convertible Debentures. This summary is qualified in its entirety by reference to the provisions of the Convertible Debentures trust indenture which contains a complete statement of those terms and conditions. The trust indenture for the Convertible Debentures and the Supplemental Indenture were filed on SEDAR+ on July 15, 2020 and March 4, 2024, respectively.

Cineplex has accounted for this redemption as an extinguishment of debt, including a derecognition of \$14,800 of fair value of the previous conversion component recognized in contributed surplus.

# Cineplex Inc.

## Management's Discussion and Analysis

The fair value of the liability component of the Convertible Debentures was assessed at inception based on an estimated market discount rate of 14.88% , and will be accreted to the full face value of \$216,250 over the term of the Convertible Debentures. The residual value of \$54.32 million (\$70,19 million net of \$15,87 million deferred income taxes) 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 Unaccreted deferred financing fees and discount as at March 31, 2024 related to the Convertible Debentures is \$59.8 million.

During the quarter ended March 31, 2024, Cineplex recorded accretion and cash interest expense on the Convertible Debentures of \$5.1 million (2023 - \$4.9 million) and \$4.2 million (2023 - \$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, 2024, Cineplex has \$216.25 million principal amount of Convertible Debentures outstanding.

### Notes Outstanding

The 2021 Notes and the 2024 Notes (as applicable) outstanding are as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Face value of Notes payable <sup>(i)</sup>	\$ 575,000	\$ 250,000
Unaccreted deferred financing fees and discount <sup>(ii)</sup>	—	(3,030)
Notes payable	<u>\$ 575,000</u>	<u>\$ 246,970</u>

(i) See descriptions of the 2021 Notes and the 2024 Notes below.

(ii) No accretion of the 2024 Notes is required as the notes were initially recognized at face value. The underwriter's fees and financial asset derivative being had equal values of \$10,1 million.

During the quarter ended March 31, 2024, Cineplex recorded accretion and cash interest expense on the 2021 Notes and the 2024 Notes, as applicable, payable of \$0.4 million (2023 - \$0.4 million) and \$6.4 million (2023 - \$4.5 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at March 31, 2024, Cineplex has \$575.0 million principal amount of 2024 Notes outstanding. Cineplex's derivative financial instrument on the outstanding 2021 Notes and 2024 Notes, as applicable, 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 are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$12.1 million as at March 31, 2024 (2023 - \$5.6 million) which is presented on the consolidated balance sheets as a derivative financial instrument.

### 2021 Notes

On February 26, 2021, Cineplex completed an offering of \$250.0 million of aggregate principal amount of 7.5% senior secured second lien notes due February 26, 2026. On March 4, 2024, in connection with the 2024 Refinancing, Cineplex redeemed the 2021 Notes in their entirety. The redemption of all of the 2021 Notes, in an aggregate principal amount of \$250.0 million, occurred at redemption price equal to 101.875 % of principal, resulting in a cash payment of approximately \$254.7 million plus all accrued and unpaid interest to the date of the redemption.

### 2024 Notes

On March 4, 2024, in connection with the 2024 Refinancing, Cineplex closed a private placement offering of \$575.0 million aggregate principal amount of 7.625% senior secured notes due March 31, 2029. The 2024 Notes were issued pursuant to an indenture entered into among Cineplex and TSX Trust Company, as trustee and collateral agent, dated March 4, 2024 (the "2024 Notes Indenture").

# Cineplex Inc.

## Management's Discussion and Analysis

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The 2024 Notes contain a number of prepayment options, and Cineplex recognized a fair value derivative asset of \$10.1 million on issuance. Issuance costs of \$10.1 million resulted in the 2024 Notes being presented at face value on the balance sheet, and no non-cash interest will be recognized.

The 2024 Notes are fully and unconditionally guaranteed, jointly and severally, by Cineplex and each direct or indirect restricted subsidiary of Cineplex that is a borrower or guarantees the obligations of Cineplex or any other borrower under the 2024 Credit Facility.

At any time from and after January 31, 2026, Cineplex may, at its option, redeem the 2024 Notes, in whole or in part, at the redemption prices set forth in the 2024 Notes Indenture, plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date. In addition, at any time prior to January 31, 2026, the Company may, at its option, on one or more occasions, redeem up to 40% of the aggregate principal amount of the 2024 Notes at a redemption price equal to 107.625% of the aggregate principal amount thereof redeemed plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date, with the net cash proceeds of one or more equity offerings; provided that (a) the aggregate principal amount of the 2024 Notes outstanding immediately after the occurrence of each such redemption is equal to not less than 60% of the original aggregate principal amount of the 2024 Notes; and (b) each such redemption occurs within 90 days of the date of closing of each such equity offering. If Cineplex sells certain assets without applying the proceeds in a permitted manner within 365 days of receipt thereof, Cineplex must make an offer to each holder of 2024 Notes to purchase all or a portion of its Notes at 100% of the aggregate principal amount of the 2024 Notes so repurchased plus accrued and unpaid interest to, but not including, the date of repurchase. If Cineplex undergoes certain change of control events, Cineplex must make an offer to repurchase the 2024 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2024 Notes so repurchased plus accrued and unpaid interest to, but not including, the date of repurchase.

If Cineplex, any guarantor or other payor is required to withhold or deduct any amount for or on account of taxes from any payment made under or with respect to the 2024 Notes or any guarantee, as the case may be, Cineplex, such guarantor or other payor, as applicable, will pay (together with such payment) such additional amounts as may be necessary so that the net amount received by each holder or beneficial owner of a 2024 Note after such withholding or deduction (including any such withholding or deduction from such additional amounts) will not be less than the amount the holder or beneficial owner would have received if such taxes had not been withheld or deducted (subject to certain exceptions).

In addition to the restrictions on asset sales and change of control events described above, the 2024 Notes Indenture contains covenants that restrict, among other things, Cineplex's ability to incur liens other than permitted liens, make restricted payments, incur certain indebtedness and enter into certain transactions with affiliates, in each case, subject to certain conditions.

The 2024 Notes Indenture contains customary events of default substantially similar to those set out in the trust indenture governing the 2021 Notes, and as more specifically set out in the 2024 Notes Indenture. Upon the occurrence of an event of default under the 2024 Notes Indenture, the trustee thereunder, acting on the instruction of the requisite majority of holders of the 2024 Notes, and subject to the Intercreditor Agreement, would be entitled to accelerate all amounts outstanding under the 2024 Notes and, upon such acceleration, to instruct the collateral agent under the Intercreditor Agreement to enforce the security granted to the lenders by Cineplex and the guarantors. Following repayment of the lenders under the 2024 Credit Facility and any other priority lien obligations under the Intercreditor Agreement, the holders of the 2024 Notes would then be repaid from the proceeds of such security, using all available assets. Only after such repayment and the payment of any other secured and unsecured creditors would the holders of Common Shares receive any proceeds from the liquidation of Cineplex's assets.

The foregoing is a summary of the key terms of the 2024 Notes. This summary is qualified in its entirety by reference to the provisions of the 2024 Notes Indenture which contains a complete statement of those terms and conditions. The 2024 Notes Indenture was filed on SEDAR+ on March 4, 2024.

### *Security and Ranking*

The obligations under both the 2024 Credit Facility and the 2024 Notes are secured by charges granted in favour of TSX Trust Company, as collateral agent, over substantially all of the personal and real property owned by Cineplex its subsidiaries that are guarantors of such debt, other than certain excluded immaterial subsidiaries. The priorities of the liens securing the obligations under the 2024 Credit Agreement and the 2024 Notes are governed by the terms of a collateral agent and intercreditor agreement (the "Intercreditor Agreement"). Pursuant to the Intercreditor

# Cineplex Inc.

## Management's Discussion and Analysis

Agreement and the security granted in connection therewith: (i) the 2024 Notes rank effectively junior, to the extent of the value of the collateral, to Cineplex's and the guarantor's obligations under the 2024 Credit Agreement and any other priority lien debt set out therein; (ii) rank pari passu in right of payment with all existing and future senior indebtedness of Cineplex and the guarantors and senior in right of payment to any future subordinated indebtedness of Cineplex and the guarantors; (iii) rank effectively senior to any existing and future unsecured obligations of Cineplex and the guarantors to the extent of the value of the collateral securing the 2024 Notes (subject to the prior payment of any priority lien debt including under the 2024 Credit Agreement); and (iv) are structurally subordinated to all existing and future indebtedness, claims of holders of preferred stock and other liabilities of subsidiaries of Cineplex that do not guarantee the 2024 Notes.

### 6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$43.0 million (\$35.0 million net of tenant inducements) related to the completion of construction of one theatre, three location-based entertainment locations and other premium experiences.

Management will continue to assess its future capital spending taking into consideration its legal commitments, 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)

#### 7.1. ADJUSTED FREE CASH FLOW

The following table illustrates adjusted free cash flow per share for the three months ended March 31, 2024 and 2023 and measures relevant to the discussion of adjusted free cash flow per share (expressed in thousands of dollars except shares outstanding):

	First Quarter		
	2024	2023	Change
	(Section 1)		
Cash flows provided by (used in) continuing operations	\$ 35,954	\$ (7,065)	NM
Net loss from continuing operations (ii)	\$ (62,970)	\$ (33,177)	89.8%
Standardized free cash flow (i)	\$ 21,400	\$ (21,869)	NM
Adjusted free cash flow (i)	\$ (6,005)	\$ (5,212)	15.2%
Average number of shares outstanding	63,684,281	63,375,471	0.5%
Adjusted free cash flow per share (i)	\$ (0.094)	\$ (0.082)	14.6%

(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.  
(ii) 2024 includes the loss on the 2024 Refinancing of \$53.9 million, and expenses related to other transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).

Adjusted free cash flow per share decreased during the first quarter due to working capital movements.

# Cineplex Inc.

## Management's Discussion and Analysis

### 7.2. DIVIDENDS

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. Cineplex does not expect to return to paying dividends until liquidity has improved and target leverage ratios of 2.5x to 3.0x are achieved. 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. Cineplex has not paid any dividends after the dividend that was paid on February 28, 2020.

### 8. SHARE ACTIVITY

Share capital balances at March 31, 2024 and 2023 and transactions during the periods are as follows: (expressed in thousands of dollars except share amounts):

	Shares	Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2023	63,684,281	\$ 856,696
Balance - March 31, 2024	63,684,281	\$ 856,696

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

### Omnibus Incentive Plan

On November 12, 2020, Cineplex's 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 3,522,717 provided that no more than 696,130 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, 2024, 692,753 (2023 - 499,374) shares are available to be issued under the Incentive Plan.

### Stock Options

Stock options issued under the Incentive Plan will be administered by Cineplex's 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.

# Cineplex Inc.

## Management's Discussion and Analysis

Cineplex recognized employee benefits expense of \$0.4 million with respect to options during the three months ended March 31, 2024 (2023 - \$0.3 million).

A summary of option activities for the three months ended March 31, 2024 and 2023 is as follows:

	2024			2023	
	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	6.71	2,360,605	\$ 16.51	2,102,818	18.90
Granted		641,533	8.03	461,786	8.71
Exercised				(7,126)	8.25
Forfeited		(94,921)	16.04	(84,936)	18.28
Options outstanding – end of period	7.23	2,907,217	\$ 14.65	2,472,542	17.05
Options vested and exercisable		1,416,374		1,512,468	

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, 2024, 692,753 options (2023 - 238,774) 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
2024 LTIP awards granted in Q1 2024	381,265	541,347	—	762,530
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

During the first quarter of 2024, Cineplex issued 541,347 cash settled RSUs with a fair value \$8.03 per unit (total fair value of \$4,347 on issuance) and 381,265 cash settled PSUs with a fair value of \$8.03 per unit (total fair value of \$3,062 on issuance). The fair value was initially assessed based on Cineplex's closing common share price on the grant date, and fluctuates with the common share price at each balance sheet date. The value of the award is reflected in non-current share-based compensation liability on the balance sheet.

The RSU and PSU awards issued will vest in the third quarter of 2026. The RSU and PSU awards granted in 2022 and 2023 will be equity settled. The unvested value of the awards is reflected in contributed surplus.

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 \$1.6 million for the three months ended March 31, 2024 (2023 - \$1.8 million) under the Incentive Plan relating to RSU and PSU awards. At March 31, 2024, \$1.2

# Cineplex Inc.

## Management's Discussion and Analysis

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million (2023 - \$0.3 million) was included in share-based compensation liability and \$5.9 million in contributed surplus (2023 - \$6.2 million).

### Deferred equity units

Members of Cineplex's board of directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. Cineplex recognized compensation expense of \$(0.5) million for the three months ended March 31, 2024 (2023 - \$0.2 million) associated with the deferred equity units. At March 31, 2024, \$4.2 million (2023 - \$3.8 million) was included in share-based compensation liability.

## 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 location-based entertainment, 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 2024 Credit Agreement, which had \$nil drawn and cash on hand of \$92.0 million available as of March 31, 2024, subject to restrictions 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):

	2024	2023				2022		
	Q1	Q4	Q3 (Section 1) (iv)	Q2 (Section 1) (iv)	Q1 (Section 1) (iv)	Q4 (Section 1) (iv)	Q3 (Section 1) (iv)	Q2 (Section 1) (iv)
<b>Revenues</b>								
Box office revenues	\$ 125,061	\$123,841	\$188,233	\$164,491	\$123,338	\$120,248	\$124,700	\$136,372
Food service revenues	101,826	104,453	146,228	131,392	101,076	97,168	105,193	110,637
Media revenues	22,350	41,302	28,957	26,100	22,296	44,553	25,224	26,406
Amusement revenues	25,776	22,502	26,158	21,686	26,161	20,643	24,066	20,626
Other revenues	19,746	22,980	24,964	24,252	18,484	27,308	15,113	10,740
	<b>294,759</b>	<b>315,078</b>	<b>414,540</b>	<b>367,921</b>	<b>291,355</b>	<b>309,920</b>	<b>294,296</b>	<b>304,781</b>
<b>Expenses</b>								
Film cost	64,827	65,357	101,510	90,471	66,074	63,567	66,356	69,958
Cost of food service	24,504	25,786	33,220	30,744	24,237	22,671	24,839	25,335
Depreciation - right-of-use assets	24,471	22,259	21,894	21,971	21,533	22,799	22,618	23,966
Depreciation and amortization - other	21,795	21,819	21,959	22,230	22,873	22,179	22,236	22,629
(Gain) loss on disposal of assets	(391)	1,553	128	336	893	(3,327)	(49,879)	(4,654)
Other costs	158,072	156,394	162,885	158,431	147,061	153,835	149,507	140,748
Reversal of impairment of long-lived assets	—	—	—	—	—	(19,880)	—	—
	<b>293,278</b>	<b>293,168</b>	<b>341,596</b>	<b>324,183</b>	<b>282,671</b>	<b>261,844</b>	<b>235,677</b>	<b>277,982</b>
<b>Subtotal</b>	<b>\$ 1,481</b>	<b>\$ 21,910</b>	<b>\$ 72,944</b>	<b>\$ 43,738</b>	<b>\$ 8,684</b>	<b>\$ 48,076</b>	<b>\$ 58,619</b>	<b>\$ 26,799</b>
<b>Adjusted EBITDA (i)</b>	<b>\$ 46,735</b>	<b>\$ 65,902</b>	<b>\$ 116,448</b>	<b>\$ 87,893</b>	<b>\$ 52,719</b>	<b>\$ 67,744</b>	<b>\$ 53,094</b>	<b>\$ 68,835</b>
<b>Adjusted EBITDAaL (i)</b>	<b>\$ 4,585</b>	<b>\$ 24,178</b>	<b>\$ 74,614</b>	<b>\$ 47,194</b>	<b>\$ 11,377</b>	<b>\$ 25,830</b>	<b>\$ 11,429</b>	<b>\$ 27,646</b>
<b>Net (loss) income from continuing operations</b>	<b>\$ (62,970)</b>	<b>\$(12,102)</b>	<b>\$ 24,467</b>	<b>\$ 158,863</b>	<b>\$(33,177)</b>	<b>\$ 9,572</b>	<b>\$ 27,093</b>	<b>\$ (2,622)</b>
<b>Net income from discontinued operations, including gain on disposition</b>	<b>68,130</b>	<b>3,148</b>	<b>5,279</b>	<b>17,682</b>	<b>3,004</b>	<b>596</b>	<b>3,764</b>	<b>3,935</b>
<b>Net income (loss) (iii)</b>	<b>\$ 5,160</b>	<b>\$ (8,954)</b>	<b>\$ 29,746</b>	<b>\$ 176,545</b>	<b>\$(30,173)</b>	<b>\$ 10,168</b>	<b>\$ 30,857</b>	<b>\$ 1,313</b>
(Loss) earnings per share from continuing operations - basic	\$ (0.99)	\$ (0.19)	\$ 0.39	\$ 2.51	\$ (0.52)	\$ 0.15	\$ 0.43	\$ (0.04)
Earnings per share from discontinued operations - basic	\$ 1.07	\$ 0.05	\$ 0.08	\$ 0.28	\$ 0.04	\$ 0.01	\$ 0.06	\$ 0.06
Earnings (loss) per share - basic	\$ 0.08	\$ (0.14)	\$ 0.47	\$ 2.79	\$ (0.48)	\$ 0.16	\$ 0.49	\$ 0.02
(Loss) earnings per share from continuing operations - diluted	\$ (0.99)	\$ (0.19)	\$ 0.34	\$ 1.80	\$ (0.52)	\$ 0.15	\$ 0.39	\$ (0.04)
Earnings per share from discontinued operations - diluted	\$ 1.07	\$ 0.05	\$ 0.06	\$ 0.19	\$ 0.04	\$ 0.01	\$ 0.04	\$ 0.06
Earnings (loss) per share - diluted	\$ 0.08	\$ (0.14)	\$ 0.40	\$ 1.99	\$ (0.48)	\$ 0.16	\$ 0.43	\$ 0.02
Cash provided by (used in) operating activities from continuing operations	\$ 35,954	\$ 83,385	\$ 36,646	\$ 82,722	\$ (7,065)	\$ 51,107	\$ (1,387)	\$ 41,151
Cash used in investing activities from continuing operations	(15,758)	(19,331)	(8,786)	(16,732)	(17,526)	(17,849)	(12,930)	(5,460)
Cash (used in) provided by financing activities from continuing operations	(105,807)	(27,790)	(53,916)	(50,796)	2,513	(30,956)	11,998	(35,484)
Effect of exchange rate differences on cash from continuing operations	55	(68)	64	(49)	34	(88)	220	77
Net change in cash from continuing operations	\$ (85,556)	\$ 36,196	\$(25,992)	\$ 15,145	\$(22,044)	\$ 2,214	\$ (2,099)	\$ 284
Cash flows provided by (used in) discontinued operations	\$ 141,182	\$(18,562)	\$ 5,029	\$ 5,151	\$ 7,069	\$ 3,605	\$ 4,369	\$ 2,206
BPP (ii)	\$ 12.74	\$ 12.90	\$ 12.00	\$ 12.84	\$ 12.63	\$ 13.06	\$ 11.25	\$ 12.29
CPP (ii)	\$ 8.95	\$ 9.28	\$ 8.44	\$ 9.21	\$ 8.85	\$ 8.93	\$ 8.35	\$ 8.84
Film cost percentage (ii)	51.8 %	52.8 %	53.9 %	55.0 %	53.6 %	52.9 %	53.2 %	51.3 %

# Cineplex Inc.

## Management's Discussion and Analysis

Theatre attendance (in thousands of patrons) (ii)	<b>9,819</b>	9,599	15,690	12,806	9,767	9,208	11,084	11,092
Theatre locations (at period end)	<b>158</b>	158	158	158	158	157	158	158
Theatre screens (at period end)	<b>1,631</b>	1,631	1,631	1,631	1,631	1,625	1,637	1,637

(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.  
(iii) 2024 includes the loss on the 2024 Refinancing of \$53.9 million, and expenses related to other transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).  
(iv) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 12, Accounting policies.

### 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):

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
			(Section 1) (iii)	(Section 1) (iii)	(Section 1) (iii)	(Section 1) (iii)	(Section 1) (iii)	(Section 1) (iii)
Cash provided by (used in) operating activities	\$ <b>35,954</b>	\$ 83,385	\$ 36,646	\$ 82,722	\$ (7,065)	\$ 51,107	\$ (1,387)	\$ 41,151
Less: Total capital expenditures net of proceeds on sale of assets	<b>(14,554)</b>	(18,595)	(6,897)	(12,181)	(14,804)	(23,488)	(12,873)	(8,213)
Standardized free cash flow	<b>21,400</b>	64,790	29,749	70,541	(21,869)	27,619	(14,260)	32,938
Add/(Less):								
Changes in operating assets and liabilities	<b>(32,244)</b>	(47,152)	51,380	(22,646)	29,770	(12,189)	25,713	(872)
Changes in operating assets and liabilities of joint ventures	<b>(92)</b>	(732)	229	(415)	754	(746)	1,892	775
Principal component of lease obligations	<b>(25,769)</b>	(24,135)	(24,916)	(24,796)	(26,487)	(25,204)	(25,460)	(26,563)
Principal portion of cash rent paid not pertaining to current period	<b>1,237</b>	(398)	(397)	(398)	1,201	(381)	(381)	(381)
Growth capital expenditures and other	<b>12,300</b>	8,220	4,198	8,279	12,277	12,677	9,246	5,535
Share of income of joint ventures, net of non-cash depreciation	<b>(621)</b>	(1,640)	(476)	(382)	(1,264)	(2,103)	(500)	95
Financing fees	<b>17,784</b>	—	—	—	406	—	—	—
Net cash received from CDCP	<b>—</b>	—	—	—	—	62	—	5,318
Adjusted free cash flow (i)	\$ <b>(6,005)</b>	\$ (1,047)	\$ 59,767	\$ 30,183	\$ (5,212)	\$ (265)	\$ (3,750)	\$ 16,845
Average number of shares outstanding	<b>63,684,281</b>	63,477,036	63,376,721	63,376,043	63,375,471	63,366,796	63,362,713	63,360,746
Adjusted free cash flow per share (ii)	\$ <b>(0.094)</b>	\$ (0.016)	\$ 0.943	\$ 0.476	\$ (0.082)	\$ (0.004)	\$ (0.059)	\$ 0.266

(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) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 12, Accounting policies.

### 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.

# Cineplex Inc.

## Management's Discussion and Analysis

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### **11. MATERIAL 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 material impact Cineplex's consolidated financial statements. These estimates and judgments have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *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.

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, Cineplex will estimate the recoverable amount of that asset and may reverse previously recorded impairment.

#### *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.

#### *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. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the continued strong return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income taxes recovery of approximately \$150.2 million. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

#### *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

# Cineplex Inc.

## Management's Discussion and Analysis

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consolidated financial statements for the year ended December 31, 2023. 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, 2023, with the exception of accounting standards issued in the current quarter.

### Accounting standards issued

Management of Cineplex reviews all changes to the IFRS when issued. 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, 2024. The following amendments have been adopted or are being evaluated by Cineplex:

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 determined that the changes have no material impact on Cineplex's interim condensed consolidated financial statements.

## **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 its 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 2023 Annual MD&A have not materially changed since December 31, 2023 other than the following:

### *Competition Bureau's Allegation that Cineplex's Online Booking Fee constitutes Misleading Advertising and Drip Pricing*

On May 18, 2023, the Competition Bureau filed a Notice of Application, commencing legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing". The Competition Bureau is not contesting Cineplex's right to charge the online booking fee; it is only contesting the manner in which the online booking fee is presented to consumers.

The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring the return of online booking fee sums in an amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. On a finding of contravention, the *Competition Act (Canada)* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

# Cineplex Inc.

## Management's Discussion and Analysis

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Cineplex strongly denies the allegations and believes that they are without merit. Cineplex believes that the online booking fee fully complies with the letter and spirit of the law. Cineplex filed its response to the Notice of Application on June 30, 2023 and the Competition Bureau filed its reply on July 14, 2023.

The trial of this matter was held in February, 2024.

Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately \$44.0 million in online booking fee revenues since inception through March 31, 2024.

### *Class Action Lawsuits regarding Cineplex's Online Booking Fee*

In January, 2024, class-action lawsuits were initiated in British Columbia and Quebec with respect to Cineplex's online booking fee. Both lawsuits allege that the online booking fee is misleading and constitutes "drip pricing".

The lawsuits seek to include all Canadians who purchased a Cineplex movie ticket and were charged an online booking fee. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows, and no amount has been accrued in Cineplex's consolidated financial statements as at March 31, 2024.

## **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.

### **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: 2017 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*

# Cineplex Inc.

## Management's Discussion and Analysis

Cineplex reported an increase of \$1.7 million to \$125.1 million in first quarter box office revenues compared to the prior year. 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 the remainder of 2024 and beyond. A number of films shifted release to the second half of 2024, as a result of film release date shifts and production delays related to the impact of the writers' and actors' strikes, industry observers expect the second quarters' box office results to be challenging. However, Cineplex remains encouraged by the commitments from non-traditional studios and international content 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: *Challengers*, *The Fall Guy*, *The Garfield Movie*, *Kingdom of the Plant of the Apes*, *Inside Out 2*, *Bad Boys 4*, *A Quiet Place: Day One*, *Despicable Me 4*, *Deadpool 3*, *Beetlejuice 2*, *Transformers One*, *Joker: Folie à Deux*, *Smile 2*, *Venom 3*, *Gladiator 2*, *Wicked*, *The Lord of the Rings: The War of the Rohirrim*, *Mufasa: The Lion King*, and *Sonic the Hedgehog 3*.

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 during the remainder of 2024 and beyond. In addition, Cineplex offers CineClub membership, providing members with benefits accessible across Cineplex's businesses nationwide including Cineplex theatres, the Cineplex Store and LBE venues.

Cineplex will continue to use data analytics and marketing personalization to drive theatrical and LBE visitation, and food and gaming purchase incidence. Cineplex continues to hold its North American leadership position in alternative programming, with 13.0% of first quarter box office revenues coming from international films.

Cineplex is also focused on maintaining and improving guest experience, including recliner seating, and will continue to expand those offerings throughout its circuit during the remainder of 2024 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 operates *Cineplex Junxion Kildonan* in Winnipeg, Manitoba and *Cineplex Junxion Erin Mills* in Mississauga, Ontario. The *Cineplex Junxion* entertainment concept 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 the fourth quarter of 2024.

The following table compares 2024 monthly box office revenues to 2019 monthly box office revenues:

Month	2019 Box office (i)	2023 Box office (i)	2024 Box office (i)	2024 as a percentage of 2019	2024 as a percentage of 2023
January	\$52,034	\$45,744	\$37,620	72%	82%
February	\$41,892	\$36,950	\$28,222	67%	76%
March	\$62,571	\$40,644	\$59,219	95%	146%
April	\$63,759	\$61,278	\$29,183	46%	48%
	\$220,256	\$184,616	\$154,244	70%	84%

(i) Amounts are in thousands of dollars.

# Cineplex Inc.

## Management's Discussion and Analysis

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### *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. During the first quarter, Cineplex completed the national rollout of online food and beverage ordering through Cineplex's mobile app across the entire theatre circuit. Cineplex continues to focus on 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: *Unsung Hero*, *The Strangers: Chapter 1*, *Borderlands*, *Never Let Go*, *White Bird: A Wonder Story*, *The Best Christmas Pageant Ever* and *Ballerina*.

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*

The Cineplex Store 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.

## **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 March of 2024, Cineplex Media released the results of its proprietary Canadian Cinema Attention Results from Lumen, a well known and respected global research company. These results were consistent with studies undertaken in the USA, UK and Australia and demonstrated the superior impact of the big screen in terms of advertising viewability, attention to the creative and brand recall. These results far outperform any other video media option in the marketplace. Attention, as a means of measuring advertising impact and effectiveness, is gaining traction in the media community. With a strong slate in 2024 and beyond, Cineplex believes its cinema media business will continue to grow through its advertising and attention metrics and innovative media opportunities within Cineplex's theatres, including data services to clients. Cineplex Media also sells media for CDM DOOH clients and LBE. Cineplex Media's revenues are impacted by economic factors and a lack of cyclical drivers that appeal to advertisers. Theatre attendance levels are crucial for driving impressions and has resulted in revenue growth, excluding corporate commitments, and is in line with attendance increases. As attendance continues to rebound, Cineplex expects advertisers to continue to return to cinema, resulting in a positive upturn in media revenues. Cineplex is leveraging data to better serve its advertising customers and grow revenues.

# Cineplex Inc.

## Management's Discussion and Analysis

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### *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 including at Cadillac Fairview and Cominar properties in 2024. Cineplex will continue to explore opportunities across North America, 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.

## **AMUSEMENT AND LOCATION-BASED ENTERTAINMENT**

### *Amusement*

Cineplex's in-theatre gaming, including XSCAPE amusement revenues have exceeded pre-pandemic levels, reflecting strong consumer demand for out-of-home entertainment.

### *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 *The Rec Room* locations in Vancouver, British Columbia and Montreal, Quebec, and a *Playdium* in Fairview Mall in Toronto, Ontario in Q4 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.

## **LOYALTY**

Membership in the Scene+ loyalty program increased to over 15 million members as at March 31, 2024. The growth in the Scene+ loyalty program provides Cineplex with opportunities to grow its customer base across all of its businesses, including Scene+ ability to engage members who are not existing Cineplex customers.

## **FINANCIAL OUTLOOK**

Cineplex remains confident in the long-term fundamentals of theatrical exhibition and the other businesses it operates. Over the last several months, Cineplex executed several important strategic initiatives designed to reduce leverage, improve financial flexibility, and position the Company for accelerated long-term growth.

With our strategic initiatives and an encouraging film slate on the horizon, Cineplex is on the path of achieving its target leverage ratio of 2.5x to 3.0x. Once achieved on a sustaining basis, we will assess shareholder return options, including the re-introduction of dividends and / or share buybacks.



# Cineplex Inc.

## Management's Discussion and Analysis

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### **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.

#### **NON-GAAP RATIOS**

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

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

#### **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 (gain) on disposal of assets, foreign exchange, the equity income of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations.

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

EBITDA, adjusted EBITDA and adjusted EBITDAaL are non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Cineplex's EBITDA, adjusted EBITDA and adjusted EBITDAaL may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA, adjusted EBITDA or adjusted EBITDAaL as reported by other entities.

#### **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.

# Cineplex Inc.

## Management's Discussion and Analysis

### Adjusted Store Level EBITDAaL Margin

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

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

Reconciliation of reported net income (loss) to adjusted EBITDAaL	Three months ended March 31,	
	2024	2023 (Section 1) (iii)
<b>Net income (loss) (ii)</b>	<b>\$ (62,970)</b>	<b>\$ (33,177)</b>
Depreciation and amortization - other	21,795	22,873
Depreciation - right-of-use assets	24,471	21,533
Interest expense - lease obligations	17,910	16,151
Interest expense - other	19,554	23,503
Interest income	(275)	(211)
Current income tax recovery	(640)	—
Deferred income tax recovery	(24,637)	—
<b>EBITDA</b>	<b>\$ (4,792)</b>	<b>\$ 50,672</b>
(Gain) loss on disposal of assets, including businesses	(391)	893
Loss on financial instruments recorded at fair value	51,946	270
Foreign exchange (gain) loss	(236)	729
Depreciation and amortization - joint ventures and associates	201	142
Taxes and interest of joint ventures and associates	7	13
<b>Adjusted EBITDA</b>	<b>\$ 46,735</b>	<b>\$ 52,719</b>
Cash rent paid/payable related to lease obligations	(43,387)	(42,543)
Cash rent paid not pertaining to current period	1,237	1,201
<b>Adjusted EBITDAaL (i)</b>	<b>\$ 4,585</b>	<b>\$ 11,377</b>
<b>Adjusted EBITDAaL from discontinued operations (i)</b>	<b>\$ 508</b>	<b>\$ 8,866</b>
<b>Adjusted EBITDAaL including discontinued operations (i)</b>	<b>\$ 5,093</b>	<b>\$ 20,243</b>
(i) See Section 16, Non-GAAP and other financial measures.		
(ii) 2024 includes the loss on the 2024 Refinancing of \$53.9 million, and expenses related to other transactions or litigation outside the normal course of business in the amount of \$1.9 million (2023 - \$0.9 million).		
(iii) The results of discontinued operations (P1AG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 12, Accounting policies.		

## 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 Inc.

## Management's Discussion and Analysis

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 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 provided by (used in) operating activities to adjusted free cash flow per share	Three months ended March 31,	
	2024	2023 (Section 1) (iii)
<b>Cash provided by operating activities</b>	\$ 35,954	\$ (7,065)
Less: Total capital expenditures net of proceeds on sale of assets	(14,554)	(14,804)
Standardized free cash flow	<b>21,400</b>	<b>(21,869)</b>
Add/(Less):		
Changes in operating assets and liabilities (i)	(32,244)	29,770
Changes in operating assets and liabilities of joint ventures and associates (i)	(92)	754
Repayments of lease obligations - principal	(25,769)	(26,487)
Principal portion of cash rent paid not pertaining to current period	1,237	1,201
Growth capital expenditures and other (ii)	12,300	12,277
Share of income of joint ventures and associates, net of non-cash depreciation	(621)	(1,264)
Financing fees	17,784	406
<b>Adjusted free cash flow</b>	<b>\$ (6,005)</b>	<b>\$ (5,212)</b>
Average number of shares outstanding	63,684,281	63,375,471
<b>Adjusted free cash flow per share</b>	<b>\$ (0.094)</b>	<b>\$ (0.082)</b>
<p>(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to note 24, Changes in operating assets and liabilities of Cineplex's 2024 Annual Consolidated Financial Statements for further details.</p> <p>(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.</p> <p>(iii) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 12, Accounting policies.</p>		

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

Reconciliation of adjusted EBITDAaL to adjusted free cash flow	Three months ended March 31,	
	2024	2023 (Section 1) (i)
Adjusted EBITDAaL	\$ 4,585	\$ 11,377
Adjust for:		
Interest expense - other	(19,554)	(23,503)
Interest rate swap agreements - non-cash interest	(1,020)	2,619
Accretion of convertible debentures and notes payable	5,513	5,281
Non-cash share-based compensation	858	2,099
Foreign exchange	236	(729)
Interest income	275	211
Maintenance capital expenditures	(2,254)	(2,527)
Cash received from unwinding swap	4,583	—
Current income taxes	640	—
Cash foreign exchange	133	(40)
<b>Adjusted free cash flow</b>	<b>\$ (6,005)</b>	<b>\$ (5,212)</b>

(i) The results of discontinued operations (PIAG) have been excluded from prior period figures as applicable per IFRS 5 to conform to current period presentation. All amounts are from continuing operations unless noted. See Section 12, Accounting policies.

### SUPPLEMENTARY FINANCIAL MEASURES

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

#### Earnings (loss) per Share Metrics

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

#### Per Patron Revenue Metrics

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

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

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

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

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

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**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, 2024 the impact of one location that has been opened or acquired and one location that has been closed or otherwise disposed of have been excluded, resulting in 156 theatres being included in the same theatre metrics.

### 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.