

# Cineplex Inc.

## Management's Discussion and Analysis

### MANAGEMENT'S DISCUSSION AND ANALYSIS

November 8, 2023

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

*Unless otherwise specified, all information in this MD&A is as of September 30, 2023 and all amounts are in Canadian dollars.*

### MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Section	Contents	Page
1	Overview of Cineplex	2
2	Business strategy	7
3	Overview of operations	8
4	Results of operations	12
5	Balance sheets	30
6	Liquidity and capital resources	32
7	Adjusted free cash flow and dividends	38
8	Share activity	39
9	Seasonality and quarterly results	41
10	Related party transactions	43
11	Significant accounting judgments and estimation uncertainties	43
12	Accounting policies	45
13	Risks and uncertainties	46
14	Controls and procedures	47
15	Outlook	48
16	Non-GAAP and other financial measures	51

# Cineplex Inc.

## Management's Discussion and Analysis

---

### **Non-GAAP and Other Financial Measures**

Cineplex reports on certain non-GAAP measures, non-GAAP ratios, supplementary financial measures and total segments measures that are used by management to evaluate Cineplex's performance. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Cineplex includes these measures because management believes that they assist investors in assessing financial performance. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 16, Non-GAAP and other financial measures.

### **Forward-Looking Statements**

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to Cineplex's objectives and goals, and the strategies to achieve those objectives and goals, as well as statements with respect to Cineplex's beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and "continue" (or the 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 for the year ended December 31, 2022 ("AIF"), the management's discussion and analysis for the year ended December 31, 2022 ("Annual MD&A") and in this MD&A, each of which is incorporated herein by reference and available on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). 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 and Annual MD&A, can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **1. OVERVIEW OF CINEPLEX**

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

# Cineplex Inc.

## Management's Discussion and Analysis

(Cineplex Media), digital place-based media (Cineplex Digital Media) and amusement solutions (Player One Amusement Group). Providing even more value for its guests, Cineplex is a partner in Scene+, Canada's largest entertainment and lifestyle loyalty program.

Proudly recognized as having one of the country's Most Admired Corporate Cultures, 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](http://Cineplex.com).

As of September 30, 2023, 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 September 30, 2023									
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	13	48	49	114	12
Quebec	17	220	88	10	3	9	7	17	3
British Columbia	25	236	125	16	3	20	16	43	3
Alberta	19	201	111	20	2	16	17	93	6
Nova Scotia	10	87	43	1	1	—	2	—	1
Saskatchewan	6	54	28	3	1	3	3	16	1
Manitoba	5	49	26	3	1	3	4	12	1
New Brunswick	5	41	20	2	—	—	2	—	—
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>809</b>	<b>97</b>	<b>25</b>	<b>99</b>	<b>102</b>	<b>295</b>	<b>27</b>
Percentage of screens			50 %	6 %	2 %	6 %	6 %	18 %	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 15 ScreenX screens.									

Cineplex - Theatres, screens and premium offerings in the last eight quarters								
	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Theatres	158	158	157	158	158	159	159	160
Screens	1,631	1,631	1,625	1,637	1,637	1,640	1,640	1,652
3D Digital Screens	809	809	806	809	809	809	810	815
UltraAVX Screens	97	96	95	95	94	94	94	94
IMAX Screens	25	25	25	25	25	25	24	25
VIP Auditoriums	99	99	99	99	99	99	99	99
D-BOX Auditoriums	102	101	100	100	98	98	98	98
Recliner Auditoriums	295	292	283	273	267	267	267	267
Other Screens	27	27	27	27	23	22	22	22

# Cineplex Inc.

## Management's Discussion and Analysis

Cineplex - LBE - at September 30, 2023 and 2022 Province	2023		2022	
	<i>The Rec Room</i>	<i>Playdium</i>	<i>The Rec Room</i>	<i>Playdium</i>
Ontario	4	2	4	2
Alberta	3	—	3	—
Manitoba	1	—	1	—
Newfoundland & Labrador	1	—	1	—
British Columbia	1	—	1	—
Nova Scotia	—	1	—	1
<b>TOTALS</b>	<b>10</b>	<b>3</b>	<b>10</b>	<b>3</b>

### Cineworld Transaction and Bankruptcy Filing

On September 7, 2022, Cineworld Group plc (“**Cineworld**”) filed a petition in the United States Bankruptcy Court commencing Chapter 11 bankruptcy proceedings. Cineworld’s bankruptcy proceedings effectively put an end to Cineplex’s \$1.24 billion judgement against Cineworld, awarded by the Ontario Superior Court of Justice on December 14, 2021. Cineworld entered into a restructuring agreement with some of its lenders on April 2, 2023 and filed a proposed plan of reorganization (the “**Chapter 11 Plan**”) on April 11, 2023. The Chapter 11 Plan was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex’s litigation claim of \$1.24 billion) receiving, in aggregate, (i) USD \$10 million in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the “**Recovery Pool**”). Cineplex’s allocated portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex’s financial statements as at September 30, 2023. Please refer to Cineplex’s Annual MD&A for details on Cineplex’s litigation against Cineworld that occurred prior to the third quarter of 2023.

### 1.2 FINANCIAL HIGHLIGHTS

Financial highlights	Third Quarter			Year to Date		
	2023	2022	Change (i)	2023	2022	Change (i)
(in thousands of dollars, except theatre attendance in thousands of patrons and per share and per patron amounts)						
Total revenues	\$ 463,586	\$ 339,837	36.4%	\$1,227,661	\$ 918,438	33.7%
Theatre attendance	15,690	11,084	41.6%	38,263	28,837	32.7%
Net income (loss) (ii)	\$ 29,746	\$ 30,857	-3.6%	\$ 176,118	\$ (10,055)	NM
Net income (loss) as a percentage of sales (ii)	6.4 %	9.1 %	-2.7%	14.3 %	(1.1)%	NM
Cash provided by operating activities	\$ 44,693	\$ 5,811	669.1%	\$ 141,047	\$ 47,526	196.8%
Box office revenues per patron (“BPP”) (iii)	\$ 12.00	\$ 11.25	6.7%	\$ 12.44	\$ 11.83	5.2%
Concession revenues per patron (“CPP”) (iii)	\$ 8.44	\$ 8.35	1.1%	\$ 8.80	\$ 8.65	1.7%
Adjusted EBITDA (iv)	\$ 125,869	\$ 63,094	99.5%	\$ 290,826	\$ 177,508	63.8%
Adjusted EBITDAaL (iv)	\$ 83,064	\$ 20,430	306.6%	\$ 163,565	\$ 50,475	224.1%
Adjusted EBITDAaL margin (v)	17.9 %	6.0 %	11.9%	13.3 %	5.5 %	7.8%
Adjusted free cash flow (iv)	\$ 66,880	\$ 1,568	NM	\$ 108,090	\$ 1,667	NM
Adjusted free cash flow per share (v)	\$ 1.055	\$ 0.025	NM	\$ 1.706	\$ 0.026	NM
Earnings (loss) per share - basic (ii)	\$ 0.47	\$ 0.49	-4.1%	\$ 2.78	\$ (0.16)	NM
Earnings (loss) per share - diluted (ii)	\$ 0.40	\$ 0.43	-7.0%	\$ 2.14	\$ (0.16)	NM
(i) Throughout this MD&A, changes in percentage amounts are calculated as 2023 value less 2022 value.						
(ii) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.						
(iii) Represents a supplementary financial measure. See Section 16, Non-GAAP and other financial measures.						
(iv) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.						
(v) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.						

# Cineplex Inc.

## Management's Discussion and Analysis

---

The third quarter of 2023 was Cineplex's strongest quarter ever, resulting in the following records being achieved in the quarter:

- Adjusted EBITDAaL increased by 306.6% or \$62.6 million to an all-time quarterly record of \$83.1 million.
- Total revenues increased by 36.4% or \$123.7 million to an all-time quarterly record of \$463.6 million.
- Box office revenues increased by 50.9% or \$63.5 million to a third quarter record of \$188.2 million.
- BPP increased by 6.7% or \$0.75 to a third quarter record of \$12.00.
- Food service revenues increased by 39.0% or \$41.0 million to an all-time quarterly record of \$146.2 million.
- Theatre food service revenues increased by 43.1% or \$39.8 million to an all-time quarterly record of \$132.4 million.
- Amusement revenues increased by 8.0% or \$5.6 million to a third quarter record of \$75.2 million.
- LBE revenues increased by 10.2% or \$3.2 million, to a third quarter record of \$34.2 million.
- LBE food service revenues increased by 12.9% or \$1.3 million to a third quarter record of \$11.7 million.
- LBE amusement revenues increased by 8.4% or \$1.7 million to a third quarter record of \$21.8 million.

During the third quarter, box office revenues increased by 50.9% to \$188.2 million as two of the most highly anticipated films of the summer, *Barbie* and *Oppenheimer* were released and achieved both Cineplex's highest summer box office weekend record of all time, and second highest grossing weekend of all time. The global 'Barbenheimer' phenomenon contributed to a theatre attendance increase of 41.6% from 11.1 million to 15.7 million compared to the prior year. The increase in attendance and demand for premium offerings resulted in a BPP of \$12.00.

Food service revenues increased by 39.0% to \$146.2 million in the third quarter of 2023 compared to the prior year. The increase in theatre attendance and third quarter CPP of \$8.44 resulted in theatre food service revenues of \$132.4 million, which increased by \$39.8 million or 43.1%.

Amusement revenues increased by 8.0% or \$5.6 million from the prior year to \$75.2 million, from continued strong results from all businesses including P1AG route and distribution operations, *The Rec Room* and *Playdium*.

Media revenues increased 14.8% to \$29.0 million from the prior year, primarily due to a 28.9% increase in cinema media.

LBE revenues increased by \$3.2 million or 10.2%, from \$31.0 million in the prior year to \$34.2 million. LBE food service revenues increased by \$1.3 million or 12.9%, from \$10.4 million to \$11.7 million. *The Rec Room* and *Playdium* generated third quarter record amusement revenues of \$21.8 million, compared to \$20.2 million in the prior year.

As a result of the growth in total revenue, adjusted EBITDAaL for the current period was \$83.1 million compared to \$20.4 million in the prior year and adjusted free cash flow per share increased to \$1.055 in the current period, compared to \$0.025 in the prior year. Cineplex reported net income of \$29.7 million in the current period (\$0.47 earnings per share - basic and \$0.40 earnings per share - diluted). In the prior year, Cineplex reported net income of \$30.9 million (\$0.49 earnings per share - basic and \$0.43 per share - diluted).

### 1.3 KEY DEVELOPMENTS IN THE THIRD QUARTER OF 2023

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

#### FILM ENTERTAINMENT AND CONTENT

##### *Theatre Exhibition*

- Reported third quarter record box office revenues of \$188.2 million, an increase of \$63.5 million or 50.9% from \$124.7 million due to a 41.6% increase in theatre attendance as a result of a strong film slate during the quarter, including *Barbie*, *Oppenheimer*, and *Mission Impossible: Dead Reckoning*.
- Reported a third quarter record BPP of \$12.00, \$0.75 or 6.7% higher than the \$11.25 reported during the

# Cineplex Inc.

## Management's Discussion and Analysis

---

prior year.

- Welcomed nearly 700,000 guests on August 27, 2023, in celebration of National Cinema Day, marking the second busiest day in Cineplex history.
- Launched the new Cineplex Mobile App, providing guests with an improved experience while browsing for movies and theatres, purchasing movie tickets, discovering exciting events at *The Rec Room* and *Junxion* and using CineClub discounts and Scene+ rewards.
- Continued to enhance the theatre circuit at *SilverCity St. Vital Cinemas* in Winnipeg, Manitoba with a retrofit of all recliner seating at three auditoriums, with one auditorium also enhanced with an UltraAVX screen and another auditorium also enhanced with D-BOX seating.

### *Theatre Food Service*

- Reported all time quarterly record theatre food service revenues of \$132.4 million, an increase of \$39.8 million or 43.1% compared to the prior year primarily due to a 41.6% increase in theatre attendance.
- Reported third quarter CPP of \$8.44, an increase of \$0.09 or 1.1% compared to the prior year, primarily due to an increase in average spend.

### *Alternative Programming and Distribution*

- As part of the theatrical distribution partnership with Lionsgate, Cineplex's distribution business (Cineplex Pictures) distributed *The Expendables 4* and *Saw X* during the third quarter.
- Recognized the third highest pre-sales of all time for TAYLOR SWIFT | THE ERAS TOUR, with over 240,000 tickets sold up to September 30, 2023.
- Cineplex represented 77% and 69%, respectively of the total North American box office market share for successful international films, *Carry on Jatta 3* (Punjabi) and *Mastaney* (Punjabi).
- Event Cinema presented an assortment of big-screen programs, including the live concert presentation of Metallica's '*M72 World Tour Live from Texas*', '*André Rieu's 2023 Maastricht Concert: Love is All Around*' as well as the anime hit '*The First Slam Dunk*' and the moving and dramatic stage adaptation of '*The Hiding Place*'.

### *Digital Commerce*

- Total registered users for Cineplex Store increased 4.1% compared to the prior year, reaching approximately 2.4 million registered users.
- Curated a Cineplex Store collection in honour of National Day for Truth and Reconciliation to highlight diverse Indigenous experiences, cultures and artistic expressions.

## **MEDIA**

- Reported third quarter media revenues of \$29.0 million, an increase of \$3.7 million or 14.8% compared to the prior year.

### *Cinema Media*

- Reported third quarter cinema media revenues of \$19.5 million, an increase of \$4.4 million or 28.9% over the prior year.

### *Digital Place-Based Media*

- Reported third quarter revenues of \$9.5 million, a decrease of \$0.6 million or 6.3% over the prior year.

## **AMUSEMENT SOLUTIONS (P1AG) AND LOCATION-BASED ENTERTAINMENT (LBE)**

- Reported third quarter record revenues of \$75.2 million, an increase of \$5.6 million or 8.0% compared to the prior year.

### *Player One Amusement Group*

- Reported third quarter record revenues of \$49.0 million, an increase of \$3.5 million or 7.7% compared to the prior year. Reported third quarter adjusted EBITDAaL of \$8.5 million, a decrease of \$0.6 million or 6.1% compared to the prior year.

# Cineplex Inc.

## Management's Discussion and Analysis

---

### *Location-based Entertainment*

- Reported third quarter record revenues of \$34.2 million, an increase of \$3.2 million or 10.2% compared to the prior year.
- Reported a third quarter record adjusted store level EBITDAaL of \$9.9 million, an increase of \$0.3 million or 2.8% compared to the prior year.

### **LOYALTY**

- Membership in the Scene+ loyalty program increased to over 14 million members as at September 30, 2023.

### **CORPORATE**

- Commemorated National Day for Truth and Reconciliation on September 30, 2023 by raising awareness and honouring Indigenous communities through Pre-Show content and donations to Tipi of Hope.

## **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 four main areas: film entertainment and content, media, amusement and leisure, and location-based entertainment, all supported by the Scene+ loyalty program. Cineplex's key strategic areas of focus include the following:

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

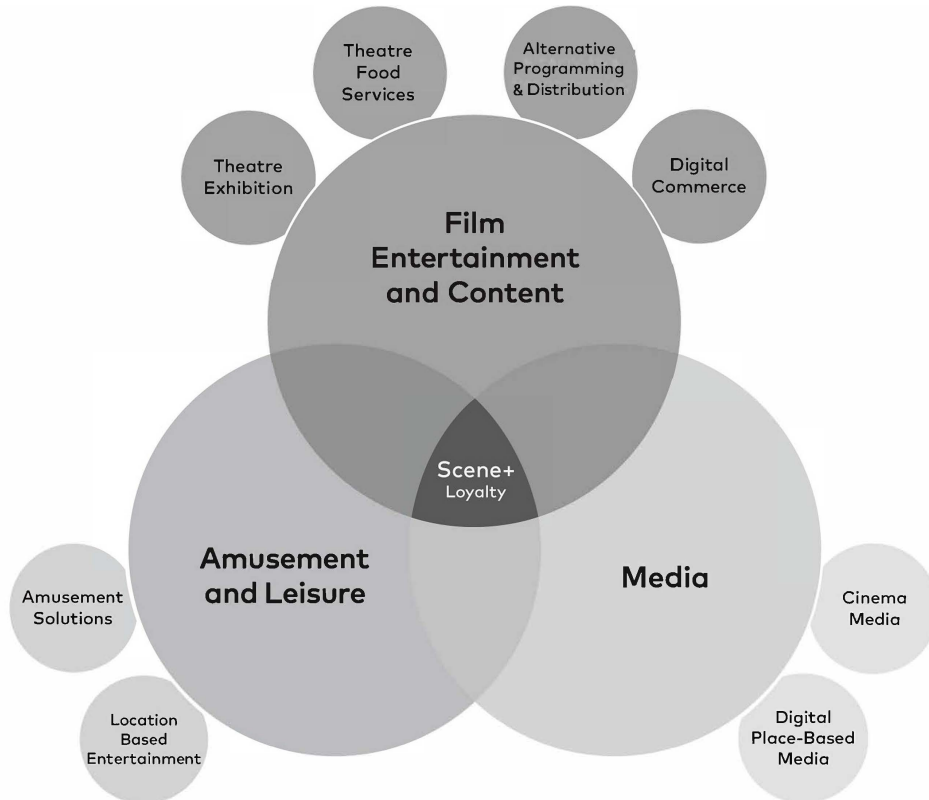
Cineplex uses the Scene+ loyalty program and database as a strategic asset to link these areas of focus and drive customer acquisition and spending across all lines of business.

# Cineplex Inc.

## Management's Discussion and Analysis

---

### Diversified Entertainment and Media Company



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

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



# Cineplex Inc.

## Management's Discussion and Analysis

### 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 40.6% of revenue in the third quarter of 2023.

The following table presents the revenue mix for comparative periods:

Revenue mix % by period	Q3 2023	Q3 2022	Q3 2021	Q3 2020	Q3 2019
Box office	40.6 %	36.7 %	37.6 %	23.8 %	42.5 %
Food service	31.5 %	31.0 %	31.9 %	25.3 %	30.0 %
Media	6.2 %	7.4 %	5.6 %	21.0 %	10.3 %
Amusement	16.2 %	20.5 %	21.3 %	21.7 %	13.9 %
Other	5.5 %	4.4 %	3.6 %	8.2 %	3.3 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Cineplex has four reportable segments, film entertainment and content, media, amusement and leisure 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	Third Quarter		Year to Date	
	2023	2022	2023	2022
Film Entertainment and Content	75.9 %	70.2 %	73.2 %	70.5 %
Media	6.2 %	7.3 %	6.3 %	7.2 %
Amusement and Leisure	10.6 %	13.4 %	12.5 %	13.7 %
LBE	7.3 %	9.1 %	8.0 %	8.6 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

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

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

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

# Cineplex Inc.

## Management's Discussion and Analysis

---

Media revenues include both cinema media (Cineplex Media) and digital place-based media (Cineplex Digital Media) revenues. Cineplex Media generates revenues primarily from selling pre-show and show-time advertising in Cineplex's theatres. Cineplex's media advertising arrangements are impacted by theatre attendance levels which drive impressions and ultimately impact media revenue generated by Cineplex. Additionally, Cineplex Media sells media placements throughout Cineplex's circuit including digital poster cases, as well as sponsorship and advertising in LBE venues. Cineplex Media also sells digital advertising for [cineplex.com](http://cineplex.com), the Cineplex mobile app and on third party networks operated by Cineplex Digital Media. Cineplex Digital Media designs, installs, maintains and operates digital signage networks in four verticals including digital out of home ("DOOH") (in public spaces such as shopping malls and office towers), quick service restaurants, financial institutions and retailers. Cineplex Digital Media revenue is impacted by mall attendance which affect impressions and revenue generated.

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

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

### *Cost of Sales and Expenses*

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

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

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

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

(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

# Cineplex Inc.

## Management's Discussion and Analysis

---

category include marketing which includes the cost of Scene+ points issued, advertising, media, amusement solution (including PIAG and LBE), loyalty, digital commerce, supplies and services, utilities and maintenance. To the extent these costs are variable, they can be managed with changes in business volumes.

General and administrative expenses are primarily costs associated with managing Cineplex's business, including film buying, marketing and promotions, operations and theatre food service management, accounting and financial reporting, legal, treasury, design and construction, real estate development, communications and investor relations, information systems and administration. Included in these costs are payroll (including Cineplex's Omnibus Incentive Plan costs), occupancy costs related to Cineplex's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. Cineplex maintains general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre and LBE portfolio and its business activities.

### *Accounting for Joint Arrangements*

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

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

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

# Cineplex Inc.

## Management's Discussion and Analysis

### 4. RESULTS OF OPERATIONS

#### 4.1. SELECTED FINANCIAL DATA

The following table presents summarized financial data for Cineplex for the three and nine months ended September 30, 2023 and 2022 (expressed in thousands of dollars except shares outstanding, per share data and per patron data, unless otherwise noted):

	Three months ended September 30, 2023	Three months ended September 30, 2022	Variance (%)	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Variance (%)
Box office revenues	\$ 188,233	\$ 124,700	50.9 %	\$ 476,062	\$ 341,024	39.6 %
Food service revenues	146,228	105,193	39.0 %	378,696	284,218	33.2 %
Media revenues	28,957	25,224	14.8 %	77,353	67,175	15.2 %
Amusement revenues	75,204	69,607	8.0 %	227,850	185,754	22.7 %
Other revenues	24,964	15,113	65.2 %	67,700	40,267	68.1 %
<b>Total revenues</b>	<b>463,586</b>	<b>339,837</b>	<b>36.4 %</b>	<b>1,227,661</b>	<b>918,438</b>	<b>33.7 %</b>
Film cost	101,510	66,356	53.0 %	258,055	175,330	47.2 %
Cost of food service	33,220	24,839	33.7 %	88,201	65,031	35.6 %
Depreciation - right-of-use assets	22,512	23,277	-3.3 %	67,361	72,026	-6.5 %
Depreciation and amortization - other assets	24,478	26,079	-6.1 %	75,373	79,622	-5.3 %
(Gain) loss on disposal of assets	—	(49,848)	NM	970	(54,341)	NM
Other costs (a)	202,510	185,048	9.4 %	588,456	500,141	17.7 %
<b>Costs of operations</b>	<b>384,230</b>	<b>275,751</b>	<b>39.3 %</b>	<b>1,078,416</b>	<b>837,809</b>	<b>28.7 %</b>
Net income (loss) (vi)	29,746	30,857	-3.6 %	176,118	(10,055)	NM
Adjusted EBITDA (i)	\$ 125,869	\$ 63,094	99.5 %	\$ 290,826	\$ 177,508	63.8 %
Adjusted EBITDAaL (i)	\$ 83,064	\$ 20,430	306.6 %	\$ 163,565	\$ 50,475	224.1 %
(a) Other costs include:						
Theatre occupancy expenses	17,599	17,714	-0.6 %	54,965	46,874	17.3 %
Other operating expenses	167,459	150,441	11.3 %	480,381	404,968	18.6 %
General and administrative expenses (v)	17,452	16,893	3.3 %	53,110	48,299	10.0 %
<b>Total other costs</b>	<b>\$ 202,510</b>	<b>\$ 185,048</b>	<b>9.4 %</b>	<b>\$ 588,456</b>	<b>\$ 500,141</b>	<b>17.7 %</b>
Earnings (loss) per share - basic (v)	\$ 0.47	\$ 0.49	-4.1 %	\$ 2.78	\$ (0.16)	NM
Earnings (loss) per share - diluted (v)	\$ 0.40	\$ 0.43	-7.0 %	\$ 2.14	\$ (0.16)	NM
Total assets	\$ 2,225,558	\$ 2,089,732	6.5 %	\$ 2,225,558	\$ 2,089,732	6.5 %
Long-term debt (iv)	\$ 814,836	\$ 825,043	-1.2 %	\$ 814,836	\$ 825,043	-1.2 %
Shares outstanding at period end	63,376,721	63,362,713	— %	63,376,721	63,362,713	— %
Adjusted free cash flow per share (ii)	\$ 1.055	\$ 0.025	NM	\$ 1.706	\$ 0.026	NM
Box office revenue per patron (iii)	\$ 12.00	\$ 11.25	6.7 %	\$ 12.44	\$ 11.83	5.2 %
Concession revenue per patron (iii)	\$ 8.44	\$ 8.35	1.1 %	\$ 8.80	\$ 8.65	1.7 %
Film cost as a percentage of box office revenues	53.9%	53.2%	0.7 %	54.2%	51.4%	2.8 %
Theatre attendance (in thousands of patrons) (iii)	15,690	11,084	41.6 %	38,263	28,837	32.7 %
Theatre locations (at period end)	158	158	— %	158	158	— %
Theatre screens (at period end)	1,631	1,637	-0.4 %	1,631	1,637	-0.4 %

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

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

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

(iv) Represents the principal component as presented on the financial statements net of any equity component and unamortized costs of long-term debt, Debentures, and Notes Payable. Excludes share-based compensation, lease obligations, fair value of interest rate swap agreements, post-employment benefit obligations and other liabilities.

(v) 2023 includes expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year-to-date.

(vi) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.

# Cineplex Inc.

## Management's Discussion and Analysis

### 4.2. OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

#### Total revenues

Total revenues for the three months ended September 30, 2023 increased \$123.7 million or 36.4% to \$463.6 million as compared to the prior year. Total revenues for the nine months ended September 30, 2023 increased \$309.2 million or 33.7% to \$1.2 billion 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 and the year to date (in thousands of dollars, except theatre attendance reported in thousands of patrons and per patron amounts, unless otherwise noted):

Box office revenues	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Box office revenues	\$ 188,233	\$ 124,700	50.9%	\$ 476,062	\$ 341,024	39.6 %
Theatre attendance (i)	15,690	11,084	41.6%	38,263	28,837	32.7 %
Box office revenue per patron (i)	\$ 12.00	\$ 11.25	6.7%	\$ 12.44	\$ 11.83	5.2 %
BPP excluding premium priced product (i)	\$ 10.68	\$ 9.90	7.9%	\$ 10.79	\$ 10.27	5.1 %
Same theatre box office revenues (i)	\$ 185,421	\$ 124,115	49.4%	\$ 470,163	\$ 339,589	38.5 %
Same theatre attendance (i)	15,470	11,018	40.4%	37,806	28,676	31.8 %
% Total box from premium priced product (i)	35.0%	36.5 %	-1.5%	42.7 %	38.9 %	3.8 %

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

Box office continuity	Third Quarter		Year to Date	
	Box Office	Theatre Attendance	Box Office	Theatre Attendance
2022 as reported	\$ 124,700	11,084	\$ 341,024	28,837
Same theatre attendance change	50,148	4,452	108,125	9,130
Impact of same theatre BPP change	11,158	—	22,450	—
New and acquired theatres (i)	2,812	220	5,895	456
Disposed and closed theatres (i)	(585)	(66)	(1,432)	(160)
2023 as reported	\$ 188,233	15,690	\$ 476,062	38,263

(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.

Third Quarter 2023 Top Cineplex Films			Third Quarter 2022 Top Cineplex Films		
	3D	% Box		3D	% Box
1	Barbie	25.7 %	1	Thor: Love and Thunder	✓ 18.2 %
2	Oppenheimer	15.5 %	2	Minions: The Rise of Gru	✓ 18.2 %
3	Mission: Impossible Dead Reckoning - Part One	8.8 %	3	Top Gun: Maverick	11.6 %
4	Indiana Jones and the Dial of Destiny	4.6 %	4	Bullet Train	5.8 %
5	Teenage Mutant Ninja Turtles: Mutant Mayhem	✓ 3.3 %	5	Elvis	5.1 %

# Cineplex Inc.

## Management's Discussion and Analysis

Year to Date 2023 Top Cineplex Films			Year to Date 2022 Top Cineplex Films		
	3D	% Box		3D	% Box
1		10.2 %	1		12.6 %
2	✓	8.4 %	2	✓	7.9 %
3		6.1 %	3		7.2 %
4	✓	5.8 %	4	✓	6.8 %
5		5.1 %	5	✓	6.8 %

### Third Quarter

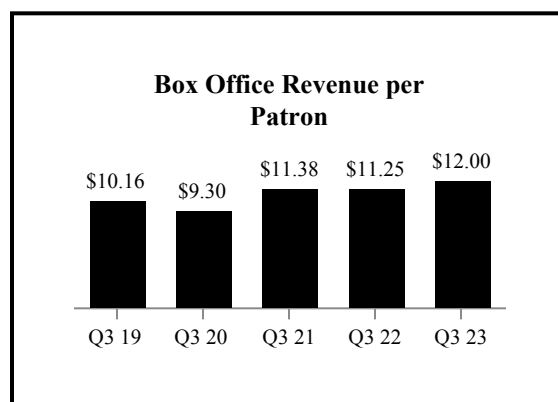
Box office revenues increased by \$63.5 million or 50.9% to a third quarter record of \$188.2 million, compared to \$124.7 million recorded in the prior year. This increase was primarily due to a 4.6 million or 41.6% increase in theatre attendance from 11.1 million to 15.7 million. The increase in theatre attendance is attributed to the strong film slate during the third quarter, including the summer blockbuster performances of *Barbie* and *Oppenheimer*. The 'Barbenheimer' phenomenon achieved the fourth-largest box office weekend in North American history, with *Barbie* and *Oppenheimer* generating \$162.0 million and \$82.5 million, respectively, during their North American opening weekend. The increase in theatre attendance is also attributed to the success of National Cinema Day that drew nearly 700,000 guests to Cineplex theatres, along with other marketing initiatives during the third quarter that positively impacted theatre attendance.

BPP for the three months ended September 30, 2023 was \$12.00, representing a third quarter record for Cineplex and an increase of \$0.75 or 6.7% from \$11.25 reported in the prior year. The increase in BPP was primarily due to strong film product, including *Barbie*, *Oppenheimer* and *Mission: Impossible - Dead Reckoning Part One*, that positively impacted consumer demand and drew guests to premium experiences. In particular, IMAX content released during the third quarter had a positive impact on premium priced products, which accounted for 35.0% of the total box office compared to 36.5% in the prior year.

### Year to Date

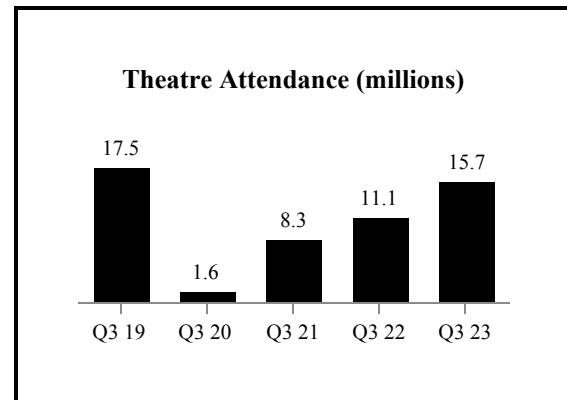
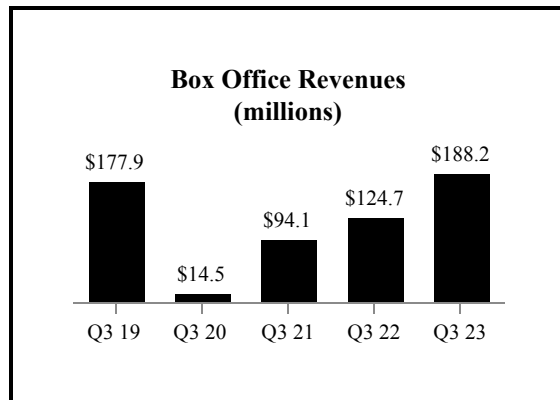
For the year to date period, box office revenues increased by \$135.0 million or 39.6% to \$476.1 million, compared to \$341.0 million recorded in the prior year. The increase was primarily due to a 9.4 million increase in theatre attendance, as a result of strong titles, including *Barbie* and *Oppenheimer*, with both films achieving Cineplex's second highest grossing box office weekend of all time.

BPP during the year to date period was \$12.44, which increased by \$0.61 or 5.2% from \$11.83 reported in the prior year. The increase was due to a higher percentage of box office revenues from premium priced offerings, which accounted for 42.7% of Cineplex's box office revenues for the nine months ended September 30, 2023, compared to 38.9% in the prior year.



# Cineplex Inc.

## Management's Discussion and Analysis



(i) Q3 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

### Food service revenues

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

Food service revenues	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Food service - theatres	\$ 132,362	\$ 92,520	43.1 %	\$ 336,764	\$ 249,325	35.1 %
Food delivery - theatres	2,137	2,285	-6.5 %	6,508	7,924	-17.9 %
Food service - LBE	11,729	10,388	12.9 %	35,424	26,969	31.4 %
<b>Total food service revenues</b>	<b>\$ 146,228</b>	<b>\$ 105,193</b>	<b>39.0 %</b>	<b>\$ 378,696</b>	<b>\$ 284,218</b>	<b>33.2 %</b>
Theatre attendance (i)	\$ 15,690	\$ 11,084	41.6 %	38,263	28,837	32.7 %
CPP (i) (ii)	\$ 8.44	\$ 8.35	1.1 %	\$ 8.80	\$ 8.65	1.7 %
Same theatre food service revenues (i)	\$ 130,169	\$ 92,027	41.4 %	\$ 331,983	\$ 248,079	33.8 %
Same theatre attendance (i)	15,470	11,018	40.4 %	37,806	28,676	31.8 %

(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	Third Quarter		Year to Date	
	Theatre Food Service	Theatre Attendance	Theatre Food Service	Theatre Attendance
2022 as reported	\$ 92,520	11,084	\$ 249,325	28,837
Same theatre attendance change	37,183	4,452	78,989	9,130
Impact of same theatre CPP change	959	—	4,916	—
New and acquired theatres (i)	2,193	220	4,776	456
Disposed and closed theatres (i)	(493)	(66)	(1,242)	(160)
<b>2023 as reported</b>	<b>\$ 132,362</b>	<b>15,690</b>	<b>\$ 336,764</b>	<b>38,263</b>

(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.

### Third Quarter

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

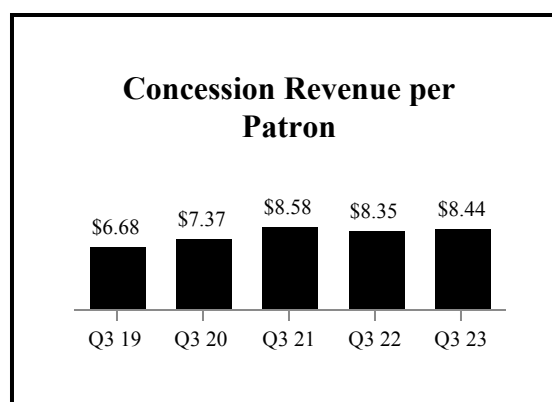
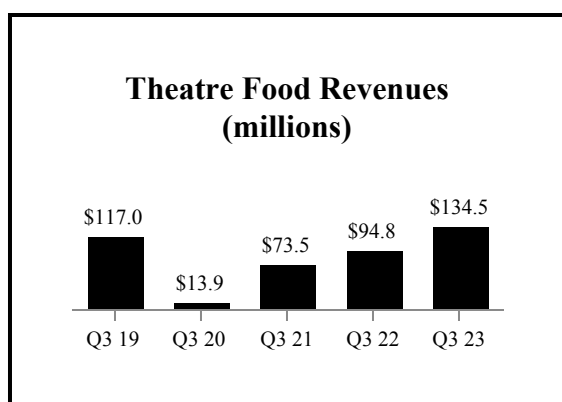
# Cineplex Inc.

## Management's Discussion and Analysis

Food service revenues increased by \$41.0 million or 39.0% to an all-time quarterly record of \$146.2 million during the third quarter, compared to \$105.2 million recorded in the prior year due to both higher theatre and LBE food service revenues. Theatre food service revenues increased by \$39.8 million or 43.1% to an all-time quarterly record of \$132.4 million as compared to the prior year. The increase in theatre food service revenue was primarily due to a 41.6% increase in theatre attendance, partly due to the success of National Cinema Day and marketing initiatives during the third quarter. Additionally, the increase in theatre food service revenue is also attributed to an increase in average guest spend compared to the prior year. During the third quarter, CPP increased by \$0.09 or 1.1% from the prior year, from \$8.35 to \$8.44. LBE food service revenue also increased by \$1.3 million or 12.9% to \$11.7 million, a third quarter record.

### Year to Date

For the year to date period, food service revenues increased by \$94.5 million or 33.2% to \$378.7 million, compared to \$284.2 million recorded in the prior year, primarily due to a \$87.4 million increase in theatre food services. The increase in theatre food service revenues was primarily due to a 9.4 million increase in theatre attendance. Additionally, there was an increase in average guest spend when compared to the prior year. For the year to date period, CPP increased by \$0.15 or 1.7% from \$8.65 to \$8.80. LBE food service revenue also increased by \$8.5 million or 31.4% to \$35.4 million.



(i) Q3 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

### Media revenues

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

Media revenues	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Cinema media	\$ 19,465	\$ 15,097	28.9%	\$ 51,591	\$ 42,046	22.7%
Digital place-based media	9,492	10,127	-6.3%	25,762	25,129	2.5%
Total media revenues	\$ 28,957	\$ 25,224	14.8%	\$ 77,353	\$ 67,175	15.2%

### Third Quarter

Total media revenues increased by \$3.7 million or 14.8% to \$29.0 million during the third quarter, compared to \$25.2 million recorded in the prior year. The increase during the third quarter was primarily due to the increase in cinema media. The release of highly anticipated movies during the third quarter resulted in an increase in moviegoers, resulting in increased advertising opportunities, leading to the increase in cinema advertising from advertisers in a variety of sectors. Digital place-based media revenues, which includes advertising in a variety of sectors at DOOH networks, decreased by \$0.6 million or 6.3% during third quarter, compared to the prior year.

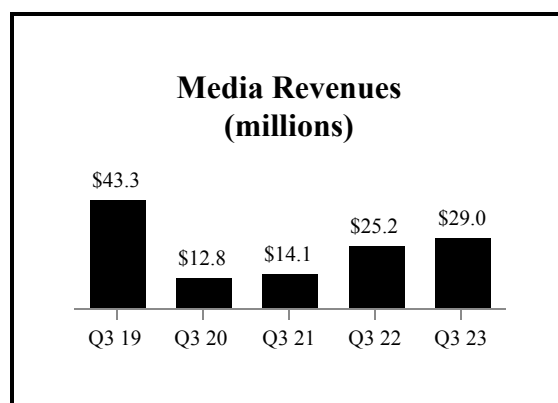


# Cineplex Inc.

## Management's Discussion and Analysis

### Year to Date

For the year to date period, total media revenues increased by \$10.2 million or 15.2% to \$77.4 million, compared to \$67.2 million recorded in the prior year due to the return of moviegoers with the release of highly anticipated movies. This ultimately resulted in increased advertising opportunities, leading to the increase in cinema advertising from advertisers in a variety of sectors. The increase in total media revenues for the year to date period is also attributable to the \$0.6 million or 2.5% increase in digital place-based media revenues as a result of increased mall traffic, leading to increased advertising at DOOH networks.



(i) Q3 2020 is not a meaningful metric as a majority of Cineplex's theatres were closed for the period.

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

Digital place-based media revenues	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Project revenues (i)	\$ 3,255	\$ 4,110	-20.8%	\$ 8,833	\$ 10,270	-14.0%
Other revenues (ii)	6,237	6,017	3.7%	16,929	14,859	13.9%
<b>Total digital place-based media revenues</b>	<b>\$ 9,492</b>	<b>\$ 10,127</b>	<b>-6.3%</b>	<b>\$ 25,762</b>	<b>\$ 25,129</b>	<b>2.5%</b>

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

### Amusement revenues

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

Amusement revenues	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Amusement revenue excluding exhibition and LBE	\$ 49,046	\$ 45,541	7.7%	\$ 153,845	\$ 125,477	22.6%
Amusement revenue - exhibition (i)	4,314	3,910	10.3%	12,732	9,249	37.7%
Amusement revenue - LBE	21,844	20,156	8.4%	61,273	51,028	20.1%
<b>Total amusement revenues</b>	<b>\$ 75,204</b>	<b>\$ 69,607</b>	<b>8.0%</b>	<b>\$ 227,850</b>	<b>\$ 185,754</b>	<b>22.7%</b>

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

# Cineplex Inc.

## Management's Discussion and Analysis

### Third Quarter

Compared to the prior year, amusement revenues increased by \$5.6 million or 8.0% during the third quarter, to a third quarter record of \$75.2 million. The increase was primarily due to an increase of \$3.5 million or 7.7% in P1AG amusement revenues and \$1.7 million or 8.4% increase in LBE amusement revenues.

### Year to Date

For the year to date period, amusement revenues increased by \$42.1 million or 22.7% compared to the prior year. The increase was primarily due to higher P1AG revenues which increased by \$28.4 million or 22.6% and a \$10.2 million or 20.1% increase in LBE amusement revenues.

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

P1AG Summary	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Amusement revenues	\$ 49,046	\$ 45,541	7.7%	\$ 153,845	\$ 125,477	22.6%
Operating expenses	39,625	35,541	11.5%	120,079	100,393	19.6%
Cash rent related to lease obligations (i)	971	999	-2.8%	3,386	2,980	13.6%
Total	\$ 40,596	\$ 36,540	11.1%	\$ 123,465	\$ 103,373	19.4%
P1AG adjusted EBITDAaL (ii)	\$ 8,450	\$ 9,001	-6.1%	\$ 30,380	\$ 22,104	37.4%
P1AG adjusted EBITDAaL Margin (iii)	17.2 %	19.8 %	-2.6%	19.7 %	17.6 %	2.1%

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

### Third Quarter

Player One Amusement Group reported third quarter record revenues of \$49.0 million, an increase of \$3.5 million or 7.7% compared to the prior year. The increase in revenues is primarily due to increases in P1AG amusement revenues from Canada and US route locations at FEC's and theatres, along with an increase in distribution sales. Adjusted EBITDAaL during the third quarter was \$8.5 million, a decrease of \$0.6 million or 6.1% compared to the prior year.

### Year to Date

For the year to date period, P1AG's amusement revenues increased by \$28.4 million or 22.6% to \$153.8 million. The increase in revenues is attributed to P1AG Canadian and US route locations at FEC's and theatres, and a record year to date for distribution sales. P1AG adjusted EBITDAaL during the year to date period was \$30.4 million, an increase of \$8.3 million compared to the prior year. Efficient management of operating expenses and the Employee Retention Credit subsidy in the amount of \$2.8 million allowed for the growth in margin during the year to date period compared to the prior year.

# Cineplex Inc.

## Management's Discussion and Analysis

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

LBE Summary	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Food service revenues	\$ 11,729	\$ 10,388	12.9 %	\$ 35,424	\$ 26,969	31.4 %
Amusement revenues	21,844	20,156	8.4 %	61,273	51,028	20.1 %
Media and other revenues	616	494	24.7 %	1,688	1,208	39.7 %
Total revenues	<b>\$ 34,189</b>	<b>\$ 31,038</b>	<b>10.2 %</b>	<b>\$ 98,385</b>	<b>\$ 79,205</b>	<b>24.2 %</b>
Cost of food service	3,336	2,990	11.6 %	10,087	7,699	31.0 %
Operating expenses before adjustments (i)	18,182	15,694	15.9 %	51,670	38,457	34.4 %
Cash rent related to lease obligations (ii)	2,748	2,697	1.9 %	8,220	7,941	3.5 %
Total	<b>\$ 24,266</b>	<b>\$ 21,381</b>	<b>13.5 %</b>	<b>\$ 69,977</b>	<b>\$ 54,097</b>	<b>29.4 %</b>
Adjusted store level EBITDAaL (iii)	<b>\$ 9,923</b>	<b>\$ 9,657</b>	<b>2.8 %</b>	<b>\$ 28,408</b>	<b>\$ 25,108</b>	<b>13.1 %</b>
Adjusted store level EBITDAaL Margin (iv)	<b>29.0 %</b>	<b>31.1 %</b>	<b>-2.1 %</b>	<b>28.9 %</b>	<b>31.7 %</b>	<b>-2.8 %</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.

### Third Quarter

During the third quarter, revenues increased by \$3.2 million or 10.2% from the prior year to a third quarter record of \$34.2 million. The increase in revenue is primarily due to an increase in visitation. The increase in revenues is also attributed to food service revenues of \$11.7 million, a third quarter record. Adjusted store level EBITDAaL for the third quarter was \$9.9 million, also a third quarter record, and adjusted store level EBITDAaL margin during the third quarter was 29.0%. Payroll costs were low during the third quarter of 2022 due to general labour shortages resulting in payroll costs lower than historical levels and what is required at optimal operating levels. Adjusted store level EBITDAaL and margin are affected by sales mix, with amusement revenues historically contributing higher margins than food service to LBE locations.

### Year to Date

For the year to date period, revenues increased by \$19.2 million or 24.2% from the prior year. The increase in revenue is primarily due to higher groups and events bookings and higher amusement sales during the period and an increase in visitation. The increase in revenue during the year to date period is also partially attributed to the success of special occasions and holidays including Valentines Day, Family Day and Spring Break. Adjusted store level EBITDAaL for the year to date period was \$28.4 million and adjusted store level EBITDAaL margin during the year to date period was 28.9%. The increase in adjusted store level EBITDAaL is consistent with the increase in revenues. However, adjusted store level EBITDAaL margin decreased compared to the prior year because for the year to date period of 2022, operating expenses were partially offset by \$2.7 million of government subsidies. Furthermore, the decrease in adjusted store level EBITDAaL margin is due to sales mix, with amusement revenues historically contributing higher margins than food service to LBE locations.

### 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 and the year to date (in thousands of dollars):

Other revenues	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Total other revenues	\$ 24,964	\$ 15,113	65.2%	\$ 67,700	\$ 40,267	68.1%

# Cineplex Inc.

## Management's Discussion and Analysis

### Third Quarter and Year to Date

The quarterly and year to date increase in other revenues is primarily due to the implementation of an online booking fee introduced on June 15, 2022 that applies to tickets purchased through Cineplex's mobile app and website. This online booking fee generated \$9.9 million (2022 - \$5.2 million) during the third quarter and \$22.1 million (2022 - \$6.5 million) during the year to date period. The increase in other revenues during both periods is also attributed to higher revenues from distribution revenue, venue rentals and breakage related to gift cards and other prepaid products, net of lower Scene revenues.

### Film cost

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

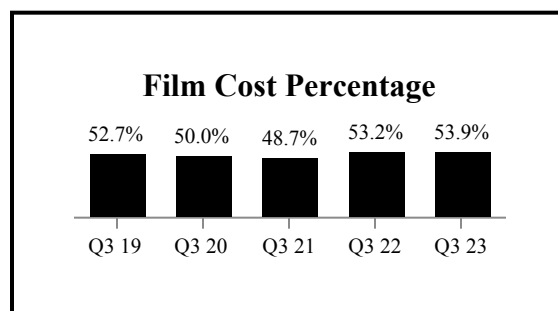
Film cost	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Film cost	\$ 101,510	\$ 66,356	53.0 %	\$ 258,055	\$ 175,330	47.2 %
Film cost percentage (i)	53.9%	53.2%	0.7 %	54.2%	51.4%	2.8 %

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

### Third Quarter and Year to Date

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

The increase in film cost and film cost percentage during the third quarter and year to date over the prior year is positively correlated to the increase in box office revenues recognized during both periods due to the release of strong film titles including *Barbie* and *Oppenheimer*. Film cost percentage increased by 0.7% during the third quarter and increased by 2.8% during the year to date period compared to the prior year. For the year to date period, the top films had higher settlement rates, making up a larger percentage of box office revenues.



# Cineplex Inc.

## Management's Discussion and Analysis

### 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 and the year to date (in thousands of dollars, except percentages and margins per patron):

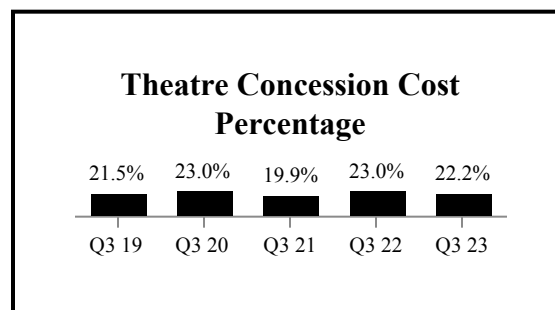
Cost of food service	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Cost of food service - theatre	\$ 29,884	\$ 21,849	36.8 %	\$ 78,114	\$ 57,332	36.2 %
Cost of food service - LBE	3,336	2,990	11.6 %	10,087	7,699	31.0 %
<b>Total cost of food service</b>	<b>\$ 33,220</b>	<b>\$ 24,839</b>	<b>33.7 %</b>	<b>\$ 88,201</b>	<b>\$ 65,031</b>	<b>35.6 %</b>
Theatre concession cost percentage (i)	22.2%	23.0%	-0.8 %	22.8%	22.3%	0.5 %
LBE food cost percentage (i)	28.4%	28.8%	-0.4 %	28.5%	28.5%	— %
Theatre concession margin per patron (i)	\$ 6.56	\$ 6.42	2.2 %	\$ 6.80	\$ 6.72	1.2 %

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

### Third Quarter and Year to Date

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 third quarter and year to date period is positively correlated to the increase in food service revenues recognized during the quarter and year to date period. Despite inflationary food and material costs, theatre concession cost percentage declined marginally during the third quarter and increased marginally during the year to date period compared to the prior year. LBE food cost percentage declined marginally during the third quarter and remained flat during the year to date period compared to the prior year.



### Depreciation and amortization

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

Depreciation and amortization expenses	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Depreciation of property, equipment and leaseholds	\$ 22,052	\$ 23,176	-4.8 %	\$ 67,798	\$ 71,308	-4.9 %
Amortization of intangible assets and other	2,426	2,903	-16.4 %	7,575	8,314	-8.9 %
<b>Sub-total - depreciation and amortization - other assets</b>	<b>\$ 24,478</b>	<b>\$ 26,079</b>	<b>-6.1 %</b>	<b>\$ 75,373</b>	<b>\$ 79,622</b>	<b>-5.3 %</b>
Depreciation - right-of-use assets	22,512	23,277	-3.3 %	67,361	72,026	-6.5 %
<b>Total depreciation and amortization</b>	<b>\$ 46,990</b>	<b>\$ 49,356</b>	<b>-4.8 %</b>	<b>\$ 142,734</b>	<b>\$ 151,648</b>	<b>-5.9 %</b>

# Cineplex Inc.

## Management's Discussion and Analysis

### Third Quarter and Year to Date

Depreciation of property, equipment and leaseholds decreased by \$1.1 million, or 4.8% during the quarter compared to the prior year and by \$3.5 million or 4.9% for the year to date period compared to the prior year. The decrease was primarily due to fully depreciated property, equipment and leaseholds.

Amortization of intangible assets and other decreased by \$0.5 million, or 16.4% during the quarter compared to the prior year, and by \$0.7 million or 8.9% for the year to date period compared to the prior year. The decrease was primarily due to fully amortized software development assets.

Depreciation of right-of-use assets decreased by \$0.8 million or 3.3% during the quarter compared to the prior year and by \$4.7 million or 6.5% during the year to date period compared to the prior year. The decrease was primarily due to modifications to lease agreements which reduced the related depreciation recognized.

### (Gain) loss on disposal of assets

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

(Gain) loss on disposal of assets	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
(Gain) loss on disposal of assets	\$ —	\$ (49,848)	NM	\$ 970	\$ (54,341)	NM

### Third Quarter and Year to Date

The change in the (gain) loss on disposal of assets recognized during the third quarter and year to date period is due to minimal activity on the disposal of Cineplex's assets during the current periods, compared to the recognition of a \$50.1 million gain related to the reorganization of Scene LP as specific non-financial milestones were completed during the third quarter of 2022.

### 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 amusement and leisure 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 and the year to date (in thousands of dollars):

Other costs	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Theatre occupancy expenses	\$ 17,599	\$ 17,714	-0.6%	\$ 54,965	\$ 46,874	17.3%
Other operating expenses	167,459	150,441	11.3%	480,381	404,968	18.6%
General and administrative expenses	17,452	16,893	3.3%	53,110	48,299	10.0%
Total other costs	\$ 202,510	\$ 185,048	9.4%	\$ 588,456	\$ 500,141	17.7%

# Cineplex Inc.

## Management's Discussion and Analysis

### Theatre occupancy expenses

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

Theatre occupancy expenses	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Cash rent paid/payable (i) (ii)	\$ 37,337	\$ 37,866	-1.4%	\$ 111,954	\$ 110,629	1.2%
Other occupancy (ii)	17,686	18,157	-2.6%	54,916	51,316	7.0%
One-time items (iii)	(596)	(1,013)	-41.2%	(1,114)	(2,296)	-51.5%
Total theatre occupancy including cash lease payments	<b>\$ 54,427</b>	<b>\$ 55,010</b>	<b>-1.1%</b>	<b>\$ 165,756</b>	<b>\$ 159,649</b>	<b>3.8%</b>
IFRS 16 adjustment (iv)	(36,828)	(37,296)	-1.3%	(110,791)	(112,775)	-1.8%
Theatre occupancy as reported	<b>\$ 17,599</b>	<b>\$ 17,714</b>	<b>-0.6%</b>	<b>\$ 54,965</b>	<b>\$ 46,874</b>	<b>17.3%</b>

(i) Represents the cash payments for theatre rent paid or payable during the quarter.  
(ii) 2022 includes \$3.4 million of rent subsidies included in cash rent paid/payable and \$3.5 million of realty tax subsidies included in other occupancy for the year to date period.  
(iii) One-time items include amounts related to both theatre rent and other theatre occupancy costs including real estate taxes, business taxes and common area maintenance. They are isolated here to illustrate Cineplex's theatre rent and other theatre occupancy costs excluding these one-time, non-recurring items.  
(iv) Cash rent paid/payable related to lease obligations.

Theatre occupancy continuity	Third Quarter Occupancy	Year to Date Occupancy
2022 as reported	\$ 17,714	\$ 46,874
Impact of new and acquired theatres	476	1,087
Impact of disposed theatres	(284)	(1,875)
Same store rent change (i)	(813)	(1,363)
One-time items	416	1,181
Decrease in subsidies	39	6,874
Other	(417)	203
<u>Impact of IFRS 16:</u>		
Cash rent related to lease obligations	468	1,984
2023 as reported	<b>\$ 17,599</b>	<b>\$ 54,965</b>

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

### Third Quarter

Theatre occupancy expenses decreased by \$0.1 million or 0.6% during the third quarter compared to the prior year.

### Year to Date

Theatre occupancy expenses increased by \$8.1 million or 17.3% during the year to date period. The year to date increase in theatre occupancy expenses is due to the prior year being impacted by gradual reopening plans, which resulted in lower rent related expenses. Furthermore, the prior year to date period benefited from realty tax and rent subsidies of \$6.9 million.

### Other operating expenses

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

# Cineplex Inc.

## Management's Discussion and Analysis

Other operating expenses	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Theatre payroll (i)	\$ 43,146	\$ 36,911	16.9%	\$ 120,957	\$ 90,383	33.8%
Theatre operating expenses	31,649	28,719	10.2%	88,945	77,258	15.1%
Media	12,656	12,952	-2.3%	38,089	35,148	8.4%
PIAG	40,596	36,540	11.1%	123,465	103,373	19.4%
LBE (ii)	20,930	18,391	13.8%	59,890	46,398	29.1%
SCENE	3,582	7,195	-50.2%	14,196	25,699	-44.8%
Marketing	2,885	2,718	6.1%	7,067	6,539	8.1%
Scene+ point issuance	7,991	4,452	79.5%	20,107	12,573	59.9%
Other (iii)	9,021	6,958	29.6%	22,791	20,508	11.1%
Other operating expenses including cash lease payments	<b>\$ 172,456</b>	<b>\$ 154,836</b>	<b>11.4%</b>	<b>\$ 495,507</b>	<b>\$ 417,879</b>	<b>18.6%</b>
IFRS 16 adjustment (iv)	(4,997)	(4,395)	13.7%	(15,126)	(12,911)	17.2%
Total other operating expenses	<b>\$ 167,459</b>	<b>\$ 150,441</b>	<b>11.3%</b>	<b>\$ 480,381</b>	<b>\$ 404,968</b>	<b>18.6%</b>

(i) 2022 includes \$0.1 million of theatre payroll subsidies for the third quarter and \$14.7 million for the year to date period.

(ii) Includes operating costs of LBE locations. Overhead relating to management of LBE portfolio are included in the 'Other' line.

(iii) Other category includes direct costs of Cineplex Pictures, Cineplex Store and overhead costs related to LBE and other Cineplex internal departments.

(iv) Cash rent paid/payable related to lease obligations.

Other operating expenses continuity	Third Quarter	Year to Date
2022 as reported	\$ 150,441	\$ 404,968
Impact of new and acquired theatres	1,318	3,046
Impact of disposed theatres	(437)	(1,409)
Same theatre payroll change (i)	5,611	29,121
Same theatre operating expenses change (i)	2,115	11,101
Media operating expenses change	(296)	2,941
PIAG operating expenses change	4,056	20,092
LBE operating expenses change	2,539	13,492
SCENE change	(3,613)	(11,504)
Marketing change	167	528
Scene+ point issuance change	3,539	7,535
Other	2,621	2,685
<u>Impact of IFRS 16:</u>		
Cash rent related to lease obligations	(602)	\$ (2,215)
2023 as reported	<b>\$ 167,459</b>	<b>\$ 480,381</b>

(i) See Section 16, Non-GAAP and other financial measures. These are measures included as part of Cineplex's supplementary financial measure calculations.



# Cineplex Inc.

## Management's Discussion and Analysis

### Third Quarter

Other operating expenses increased by \$17.0 million or 11.3% during the third quarter compared to the prior year. The increase in theatre payroll and theatre operating expenses is positively correlated to the increase in attendance and related box office and theatre food service revenues recognized during the quarter. PIAG operating expenses increased \$4.1 million or 11.1% from the prior year as a result of higher sales. Similarly, the increase in LBE revenues resulted in a \$2.5 million or 13.8% increase in LBE operating expenses compared to the prior year. Cineplex also recognized a \$3.5 million or 79.5% 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 SCENE costs.

### Year to Date

Other operating expenses increased by \$75.4 million or 18.6% during the year to date period compared to the prior year. The increase in theatre payroll and theatre operating expenses is positively correlated to the increase in attendance and related box office and theatre food service revenues recognized during the year to date period. PIAG operating expenses increased \$20.1 million or 19.4% as a result of higher sales, net of \$2.8 million wage subsidies recognized in the second quarter of 2023. Similarly, the increase in LBE revenues resulted in a \$13.5 million or 29.1% increase in LBE operating expenses compared to the prior year. Cineplex also recognized a \$7.5 million or 59.9% increase in marketing expenses relating to the cost of issuance of Scene+ points due to higher box office and food service sales. Lastly, Cineplex recognized \$22.0 million of subsidies during the year to date period of 2022, comprised of \$19.6 million of payroll subsidies of which \$14.7 million was offset against theatre payroll and \$2.4 million of non-theatre rent, realty tax and utility subsidies. The increase in operating expenses was partially offset by a decrease in SCENE costs.

### General and administrative expenses

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

G&A expenses	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
G&A excluding the following items (i)	\$ 14,256	\$ 15,372	-7.3%	\$ 44,856	\$ 41,976	6.9%
Restructuring	255	358	-28.8%	1,382	1,811	-23.7%
Transaction / Litigation costs	1,762	1,246	41.4%	2,814	2,735	2.9%
LTIP (ii)	1,446	175	726.3%	4,835	2,268	113.2%
Option plan	316	326	-3.1%	973	1,242	-21.7%
G&A expenses including cash lease payments	\$ 18,035	\$ 17,477	3.2%	\$ 54,860	\$ 50,032	9.6%
IFRS 16 adjustment (iii)	(583)	(584)	-0.2%	(1,750)	(1,733)	1.0%
G&A expenses as reported	\$ 17,452	\$ 16,893	3.3%	\$ 53,110	\$ 48,299	10.0%

(i) 2022 includes \$2.0 million of labour subsidies for the year to date period.  
(ii) LTIP includes the expense for RSUs and PSUs, as well as the expense for the executive and Board deferred share unit plans.  
(iii) Cash rent paid/payable included as part of lease obligations.

### Third Quarter

G&A expenses increased by \$0.6 million or 3.3% during the third quarter compared to the prior year, primarily due to the \$1.3 million increase in LTIP expense during the period compared to the prior year due to the share price increase in the current period relative to the prior year. Cineplex incurred \$1.8 million (2022 - \$1.2 million) of expenses related to litigation and claims recovery arising from the Cineworld transaction and other transactions or

# Cineplex Inc.

## Management's Discussion and Analysis

litigation outside the normal course of business during the third quarter (Section 1.1, Cineworld transaction and Bankruptcy Filing).

### *Year to Date*

G&A expenses increased by \$4.8 million or 10.0% during the year to date period compared to the prior year, primarily attributable to the \$2.6 million or 113.2% increase in LTIP expense during the period compared to the prior year related to higher share price. Further contributing to the increase is the \$2.0 million of payroll related subsidies that Cineplex recognized in the prior year. Cineplex incurred \$2.8 million (2022 - \$2.7 million) of expenses related to litigation and claims recovery arising from the Cineworld transaction and other transactions or litigation outside the normal course of business during the year to date period (Section 1.1, Cineworld transaction and Bankruptcy Filing).

### **Share of loss (income) of joint ventures and associates**

Cineplex's joint ventures and associates include its 33.3% interest in Scene+ (2022 - 50%) and 50% interest in one IMAX screen in Ontario (2022 - 50%). Cineplex wound up its 78.2% interest in CDCP on December 16, 2022.

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

Share of loss (income) of joint ventures and associates	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Share of loss (income) of CDCP	\$ —	\$ 30	-100.0%	\$ —	\$ (492)	-100.0%
Share of loss of Scene+	816	673	21.2%	2,833	841	236.9%
Share of (income) loss of other joint ventures and associates	(138)	(30)	360.0%	(166)	22	NM
Total loss of joint ventures and associates	\$ 678	\$ 673	0.7%	\$ 2,667	\$ 371	618.9%

### *Third Quarter and Year to Date*

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

Cineplex's loss from its joint ventures and associates consisted primarily of a \$0.8 million loss during the third quarter and \$2.8 million during the year to date period from Scene+, which expects losses through 2023 as it scales to expected operating levels.

### **Interest expense**

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

# Cineplex Inc.

## Management's Discussion and Analysis

Interest expense	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Interest expense on long-term debt	\$ 14,175	\$ 15,382	-7.8%	\$ 44,240	\$ 47,119	-6.1%
Lease interest expense (i)	16,702	15,866	5.3%	49,445	45,032	9.8%
Financing fees	—	542	-100.0%	406	542	-25.1%
Sub-total - cash interest expense	\$ 30,877	\$ 31,790	-2.9%	\$ 94,091	\$ 92,693	1.5%
Deferred financing fee accretion and other non-cash interest, net	110	114	-3.5%	271	460	-41.1%
Accretion expense on Debentures and Notes Payable	5,352	4,622	15.8%	15,947	13,832	15.3%
Interest rate swap - non-cash	1,448	(4,277)	NM	2,035	(21,398)	NM
Sub-total - non-cash interest expense	6,910	459	NM	18,253	(7,106)	NM
Total interest expense	\$ 37,787	\$ 32,249	17.2%	\$ 112,344	\$ 85,587	31.3%
Total cash interest paid	\$ 31,043	\$ 32,777	-5.3%	\$ 95,191	\$ 95,109	0.1%

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

Lease interest expense breakdown	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Cash interest paid - lease obligation	\$ 16,704	\$ 15,682	6.5%	\$ 49,842	\$ 44,475	12.1%
Change in accrued interest - lease obligation	(2)	184	NM	(397)	557	NM
Total lease interest expense	\$ 16,702	\$ 15,866	5.3%	\$ 49,445	\$ 45,032	9.8%

### Third Quarter

Total interest expense increased by \$5.5 million or 17.2% 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 \$5.7 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 6.4, Long-term debt) was \$4.8 million (2022 - \$4.8 million), Debentures (Section 6.4, Long-term debt) was \$4.6 million (2022 - \$4.6 million) and Credit Facility (Section 6.4, Long-term debt) was \$4.8 million (2022 - \$6.0 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of \$0.2 million (2022 - \$0.2 million) and \$5.2 million (2022 - \$4.5 million), respectively.

### Year to Date

Total interest expense increased by \$26.8 million or 31.3% for the year to date period when compared to the prior year, primarily due to changes in the fair value of the interest rate swaps resulting in a \$23.4 million increase in non-cash interest expense. Cash interest expense relating to the Notes Payable (Section 6.4, Long-term debt) was \$14.0 million (2022 - \$14.0 million), Debentures (Section 6.4, Long-term debt) was \$13.6 million (2022 - \$13.6 million) and Credit Facility (Section 6.4, Long-term debt) was \$16.5 million (2022 - \$19.5 million). Cineplex recognized accretion expense relating to the issuance of Notes Payable and Debentures of \$0.9 million (2022 - \$0.8 million) and \$15.0 million (2022 - \$13.0 million), respectively.

### Interest income

Interest income during the quarter and the year to date was as follows (in thousands of dollars):

Interest income	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Interest income	\$ 248	\$ 84	195.2%	\$ 741	\$ 152	387.5%

### Foreign exchange

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

# Cineplex Inc.

## Management's Discussion and Analysis

Foreign exchange	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Foreign exchange gain	\$ (427)	\$ (1,239)	-65.5%	\$ (4)	\$ (1,628)	-99.8%

### *Third Quarter*

The movement in the foreign exchange during the quarter was due to the change in the CAD/USD foreign exchange month end rate from 1.3240 at June 30, 2023 to 1.3520 at September 30, 2023.

### *Year to Date*

For the nine months ended September 30, 2023, the movement in the foreign exchange was due to the change in the CAD/USD foreign exchange month end rate from 1.3544 at December 31, 2022 to 1.3520 at September 30, 2023.

### **Change in fair value of financial instruments**

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

Change in fair value of financial instruments	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Loss on financial instruments recorded at fair value	\$ 580	\$ 1,630	-64.4%	\$ 1,870	\$ 7,230	-74.1%

### *Third Quarter and Year to Date*

For both the three and nine months ended September 30, 2023, the loss on financial instruments recorded at fair value was due to the revaluation of Cineplex's call option relating to the Notes Payable (Section 6.4, Long-term debt).

### **Income taxes**

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

Income taxes	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Current income tax (recovery) expense	\$ (203)	\$ —	NM	\$ 1,681	\$ (724)	NM
Deferred income tax expense (recovery)	11,443	—	NM	(144,690)	—	NM
Provision for income taxes	\$ 11,240	\$ —	NM	\$ (143,009)	\$ (724)	NM

### *Third Quarter and Year to Date*

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 \$158.4 million. The provision for income taxes in the third 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 had \$433.1 million of non-capital losses available based on income tax returns filed up to tax year 2022.

Cineplex's combined statutory income tax rate at September 30, 2023 was 26.3% (2022 - 26.3%).

# Cineplex Inc.

## Management's Discussion and Analysis

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.

### 4.3. NET INCOME (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 nine months ended September 30, 2023 as compared to the prior year (expressed in thousands of dollars, except adjusted EBITDAaL margin):

NET INCOME (LOSS), EBITDA AND ADJUSTED EBITDAaL	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Net income (loss) (i)	\$ 29,746	\$ 30,857	-3.6%	\$ 176,118	\$ (10,055)	NM
Net income (loss) as a percentage of sales	6.4 %	9.1 %	-2.7%	14.3 %	(1.1)%	15.4%
EBITDA	\$ 125,515	\$ 112,378	11.7%	\$ 287,446	\$ 226,304	27.0%
Adjusted EBITDA	\$ 125,869	\$ 63,094	99.5%	\$ 290,826	\$ 177,508	63.8%
Adjusted EBITDAaL	\$ 83,064	\$ 20,430	306.6%	\$ 163,565	\$ 50,475	224.1%
Adjusted EBITDAaL margin	17.9 %	6.0 %	11.9%	13.3 %	5.5 %	7.8%

(i) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.

#### Third Quarter and Year to Date

Net income and adjusted EBITDAaL for the third quarter of 2023 was \$29.7 million and \$83.1 million, respectively, compared to net income of \$30.9 million and adjusted EBITDAaL of \$20.4 million, respectively, in the prior year. During the nine months ended September 30, 2023, Cineplex recognized net income of \$176.1 million and adjusted EBITDAaL of \$163.6 million, compared to a net loss of \$10.1 million and adjusted EBITDAaL of \$50.5 million.

The third quarter of 2023 saw significantly improved results across Cineplex's business leading to increases in box office, food service, media and amusement revenues. The third quarter of 2022 reflected a gain on disposal of assets of \$49.9 million and excluded income tax recognition, highlighting the improved business performance largely contributing to the improvement and slight reduction in net income and significantly higher adjusted EBITDAaL compared to the prior year.

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. Cineplex recognized a recovery of approximately \$158.4 million related to deferred income tax assets during the second quarter of 2023, significantly increasing net income for the year to date period.

# Cineplex Inc.

## Management's Discussion and Analysis

### 5. BALANCE SHEETS

The following sets out significant changes to Cineplex's consolidated balance sheets during the nine months ended September 30, 2023 as compared to December 31, 2022 (in thousands of dollars):

	September 30, 2023	December 31, 2022	Change (\$)	Change (%)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 19,032	\$ 34,674	\$ (15,642)	-45.1%
Trade and other receivables	70,540	107,088	(36,548)	-34.1%
Income taxes receivable	2,807	2,033	774	38.1%
Inventories	36,991	36,916	75	0.2%
Prepaid expenses and other current assets	19,342	15,659	3,683	23.5%
Fair value of interest rate swap agreements	6,246	8,993	(2,747)	-30.5%
	154,958	205,363	(50,405)	-24.5%
<b>Non-current assets</b>				
Property, equipment and leaseholds	414,787	449,495	(34,708)	-7.7%
Right-of-use assets	780,326	772,978	7,348	1.0%
Deferred income taxes	147,037	—	147,037	NM
Fair value of interest rate swap agreements	3,827	2,426	1,401	57.7%
Interests in joint ventures	6,750	650	6,100	938.5%
Intangible assets	80,645	80,428	217	0.3%
Goodwill	636,118	636,134	(16)	—%
Derivative financial instrument	1,110	2,980	(1,870)	-62.8%
	\$ 2,225,558	\$ 2,150,454	\$ 75,104	3.5%
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 136,186	\$ 195,296	\$ (59,110)	-30.3%
Income taxes payable	2,240	3,736	(1,496)	-40.0%
Deferred revenue and other	179,212	220,527	(41,315)	-18.7%
Lease obligations	89,390	96,093	(6,703)	-7.0%
	407,028	515,652	(108,624)	-21.1%
<b>Non-current liabilities</b>				
Share-based compensation	4,505	3,752	753	20.1%
Long-term debt	814,836	824,888	(10,052)	-1.2%
Lease obligations	1,014,068	1,004,546	9,522	0.9%
Post-employment benefit obligations	6,509	6,970	(461)	-6.6%
Other liabilities	6,461	6,460	1	—%
Deferred income taxes	2,347	—	2,347	NM
	2,255,754	2,362,268	(106,514)	-4.5%
<b>Shareholders' deficit</b>				
Total shareholders' deficit	(30,196)	(211,814)	181,618	-85.7%
	\$ 2,225,558	\$ 2,150,454	\$ 75,104	3.5%

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

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

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

**Inventories.** Inventories are consistent with prior year and sales levels.

# Cineplex Inc.

## Management's Discussion and Analysis

---

**Prepaid expenses and other current assets.** The increase in prepaid expenses and other current assets is primarily due to 2023 technology service contracts extending into the next period.

**Property, equipment and leaseholds.** The decrease in property, equipment and leaseholds is primarily due to amortization expense (\$67.8 million) and asset dispositions (\$1.3 million) in excess of additions to new build and other capital expenditures (\$25.3 million) and maintenance capital expenditures (\$9.1 million).

**Right-of-use assets.** The increase in right-of-use assets is primarily due to lease extensions and modifications (\$74.9 million) offset by amortization expense of (\$67.4 million).

**Deferred income taxes.** The increase in net deferred income taxes is due to the recognition of net deferred income tax assets of \$158.4 million during the second quarter, net of the provision recognized in the third quarter. 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.

**Interests in joint ventures.** The increase in interest in joint ventures is primarily due to \$8.2 million of capital contributions made to Cineplex's investment in Scene LP, net of \$2.7 million losses in 2023.

**Intangible assets.** The increase in intangible assets is due to the capitalization of software development costs (\$7.8 million), partially offset by amortization expense (\$7.6 million).

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

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

**Share-based compensation.** The increase in share-based compensation is primarily due to the increase in share price, which was \$9.47 per share at September 30, 2023 as compared to \$8.05 at December 31, 2022 (see Section 8, Share activity).

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

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

**Lease obligations.** The increase in lease obligations is primarily due to modifications during the third quarter of 2023 offset by the payment of lease obligations.

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

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

# Cineplex Inc.

## Management's Discussion and Analysis

### 6. LIQUIDITY AND CAPITAL RESOURCES

#### 6.1. OPERATING ACTIVITIES

Cash flow is generated primarily from film entertainment (the sale of admission tickets and food service sales), media sales and services, amusement and leisure (amusement and food service sales) and other revenues. Generally, this provides Cineplex with positive working capital, since certain cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios. The following table highlights the movements in cash from operating activities for the three and nine months ended September 30, 2023 and 2022 (in thousands of dollars):

Cash flows provided by (used in) operating activities	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Net income (loss)	\$ 29,746	\$ 30,857	\$ (1,111)	\$ 176,118	\$ (10,055)	\$ 186,173
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of other assets (i)	24,478	26,079	(1,601)	75,373	79,622	(4,249)
Depreciation of right-of-use assets	22,512	23,277	(765)	67,361	72,026	(4,665)
Unrealized foreign exchange	(325)	(1,028)	703	35	(1,364)	1,399
Interest rate swap agreements - non-cash interest	1,448	(4,277)	5,725	2,035	(21,398)	23,433
Accretion of convertible debentures	5,351	4,622	729	15,947	13,832	2,115
Other non-cash interest (ii)	110	114	(4)	271	460	(189)
(Gain) loss on disposal of assets	—	(49,848)	49,848	970	(54,341)	55,311
Deferred income taxes	11,443	—	11,443	(144,690)	—	(144,690)
Non-cash share-based compensation	1,744	1,419	325	5,447	5,115	332
Change in fair value of financial instrument	580	1,630	(1,050)	1,870	7,230	(5,360)
Net change in interests in joint ventures and associates	449	(1,219)	1,668	2,099	(1,589)	3,688
Changes in operating assets and liabilities	(52,843)	(25,815)	(27,028)	(61,789)	(42,012)	(19,777)
<b>Net cash provided by operating activities</b>	<b>\$ 44,693</b>	<b>\$ 5,811</b>	<b>\$ 38,882</b>	<b>\$ 141,047</b>	<b>\$ 47,526</b>	<b>\$ 93,521</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.						

#### *Third Quarter and Year to Date*

Cash provided by operating activities during the third quarter of 2023 was \$44.7 million compared to \$5.8 million in the prior year. For the nine months ended September 30, 2023, cash provided by operating activities was \$141.0 million compared to \$47.5 million in the prior year. The movement was primarily due to improved operating results net of settlement of net operating assets and liabilities in the period.



# Cineplex Inc.

## Management's Discussion and Analysis

### 6.2. INVESTING ACTIVITIES

The following table highlights the movements in cash used in investing activities for the three and nine months ended September 30, 2023 and 2022 (in thousands of dollars):

Cash flows used in investing activities	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Proceeds from disposal of assets, including asset related insurance recoveries	\$ 2	\$ 152	\$ (150)	\$ 6	\$ 1,822	\$ (1,816)
Purchases of property, equipment and leaseholds	(9,061)	(14,618)	5,557	(42,119)	(36,758)	(5,361)
Intangible assets additions	(2,781)	(3,638)	857	(8,258)	(8,419)	161
Tenant inducements	3,223	3,581	(358)	7,295	4,186	3,109
Investment in joint ventures and associates	(2,333)	—	(2,333)	(8,199)	—	(8,199)
Net cash received from joint ventures and associates	—	—	—	—	5,318	(5,318)
<b>Net cash used in investing activities</b>	<b>\$ (10,950)</b>	<b>\$ (14,523)</b>	<b>\$ 3,573</b>	<b>\$ (51,275)</b>	<b>\$ (33,851)</b>	<b>\$ (17,424)</b>

#### Third Quarter and Year to Date

Cash used in investing activities during the third quarter of 2023 was \$11.0 million, as compared to \$14.5 million in the prior year. The decrease is primarily due to lower capital asset and intangible asset additions, partially offset by capital contributions to Cineplex's investment in Scene LP in the third quarter of 2023. Cash used in investing activities during the nine months ended September 30, 2023 was \$51.3 million, as compared to \$33.9 million in the prior year. The movement was primarily due to previously committed capital projects and capital contributions to Cineplex's investment in Scene LP and reduction in cash received from CDCP which was divested in December 2022.

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	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Gross capital expenditures	\$ 9,061	\$ 14,618	\$ (5,557)	\$ 42,119	\$ 36,758	\$ 5,361
Less: tenant inducements	(3,223)	(3,581)	358	(7,295)	(4,186)	(3,109)
Net capital expenditures	<b>\$ 5,838</b>	<b>\$ 11,037</b>	<b>\$ (5,199)</b>	<b>\$ 34,824</b>	<b>\$ 32,572</b>	<b>\$ 2,252</b>
Net capital expenditures consists of:						
Growth and acquisition capital expenditures (i)	\$ 1,492	\$ 8,055	\$ (6,563)	\$ 11,257	\$ 16,879	\$ (5,622)
Tenant inducements	(3,223)	(3,581)	358	(7,295)	(4,186)	(3,109)
Media growth capital expenditures	24	2,518	(2,494)	333	3,288	(2,955)
Premium formats (ii)	2,654	1,683	971	5,793	3,314	2,479
Amusement and leisure growth capital expenditures (excluding LBE build expenditures)	667	419	248	2,657	967	1,690
Maintenance capital expenditures	4,258	4,739	(481)	14,408	12,077	2,331
Other (iii)	(34)	(2,796)	2,762	7,671	233	7,438
	<b>\$ 5,838</b>	<b>\$ 11,037</b>	<b>\$ (5,199)</b>	<b>\$ 34,824</b>	<b>\$ 32,572</b>	<b>\$ 2,252</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.						

# Cineplex Inc.

## Management's Discussion and Analysis

### 6.3. FINANCING ACTIVITIES

The following table highlights the movements in cash from financing activities for the three and nine months ended September 30, 2023 and 2022 (in thousands of dollars):

Cash flows (used in) provided by financing activities	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
(Repayments) borrowings under credit facility, net	\$ (29,000)	\$ 38,000	\$ (67,000)	(26,000)	72,000	\$ (98,000)
Repayments of lease obligations - principal	(25,754)	(26,330)	576	(79,190)	(83,025)	3,835
Exercise of cash option	—	—	—	—	113	(113)
Financing fees	—	(542)	542	(406)	(542)	136
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (54,754)</b>	<b>\$ 11,128</b>	<b>\$ (65,882)</b>	<b>\$ (105,596)</b>	<b>\$ (11,454)</b>	<b>\$ (94,142)</b>

#### *Third Quarter and Year to Date*

Cash flows used in financing activities were \$54.8 million during the third quarter of 2023, as compared to cash flows provided by financing activities of \$11.1 million in the prior year. Cash flows used in financing activities during the nine months ended September 30, 2023 were \$105.6 million as compared to \$11.5 million in the prior year. The movement was primarily due to repayments under the Credit Facilities compared to borrowings in the comparative period.

### 6.4. LONG-TERM DEBT

Long-term debt consists of the following as at September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Book Value	Face Value	Book Value	Face Value
Credit Facilities	\$ 301,000	\$ 301,000	\$ 327,000	\$ 327,000
Convertible Debentures (i)	267,125	316,250	252,078	316,250
Notes Payable (i)	246,711	250,000	245,810	250,000
<b>Total</b>	<b>\$ 814,836</b>	<b>\$ 867,250</b>	<b>\$ 824,888</b>	<b>\$ 893,250</b>

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

#### **Credit facilities**

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

At September 30, 2023, the Credit Facilities consisted of the following (in millions of dollars), subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 541.2	\$ 301.0	\$ 8.4	\$ 231.8
Letters of credit outstanding at September 30, 2023 of \$8.4 million are reserved against the Revolving Facility.				

# Cineplex Inc.

## Management's Discussion and Analysis

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

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

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

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

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

Cineplex's financial covenant ratios were as follows:

Financial Covenant	Q1 2023	Q2 2023	Q3 2023
Total Leverage Ratio	N/A	N/A	N/A
Senior Leverage Ratio	2.86x	2.03x	1.48x
Fixed Charge Coverage Ratio	1.16x	1.30x	1.48x

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

*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.

# Cineplex Inc.

## Management's Discussion and Analysis

The following table outlines Cineplex's current interest rate swap agreements as of September 30, 2023:

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

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

Based on the Credit Agreement in effect at September 30, 2023, Cineplex's effective cost of borrowing on the \$450.0 million hedged borrowings was 6.404% (September 30, 2022 - \$450.0 million hedged borrowings - 6.904%) after considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

### Convertible debentures

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

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

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

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of \$4.6 million (2022 - \$4.6 million) and \$13.6 million (2022 - \$13.6 million), respectively. Cineplex recorded accretion expense during the quarter and year to date period of \$5.2 million (2022 - \$4.5 million) and \$15.0 million (2022 - \$13.0 million), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2023, Cineplex has \$316.3 million principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

# Cineplex Inc.

## Management's Discussion and Analysis

---

### Notes Payable

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

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of \$4.8 million (2022 - \$4.8 million) and \$14.0 million (2022 - \$14.0 million), respectively. Cineplex recorded accretion expense during the quarter and year to date period of \$0.2 million (2022 - \$0.2 million) and \$0.9 million (2022 - \$0.8 million), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2023, Cineplex has \$250.0 million principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$1.1 million as at September 30, 2023 (2022 - \$2.0 million), which is presented on the consolidated balance sheets as a derivative financial instrument.

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

### 6.5. FUTURE OBLIGATIONS

Cineplex has aggregate gross capital commitments of \$45.7 million (\$40.9 million net of tenant inducements) related to the completion of construction of three operating locations including both theatres and location-based entertainment locations.

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

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

# Cineplex Inc.

## Management's Discussion and Analysis

### **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 and nine months ended September 30, 2023 and 2022 and measures relevant to the discussion of adjusted free cash flow per share (expressed in thousands of dollars except shares outstanding):

	Third Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Cash flows provided by operations	\$ 44,693	\$ 5,811	669.1%	\$ 141,047	\$ 47,526	196.8%
Net income (loss) (ii)	\$ 29,746	\$ 30,857	-3.6%	\$ 176,118	\$ (10,055)	NM
Standardized free cash flow (i)	\$ 35,634	\$ (8,655)	NM	\$ 98,934	\$ 12,590	685.8%
Adjusted free cash flow (i)	\$ 66,880	\$ 1,568	NM	\$ 108,090	\$ 1,667	NM
Average number of shares outstanding	63,376,721	63,362,713	—%	63,376,083	63,356,694	—%
Adjusted free cash flow per share (i)	\$ 1.055	\$ 0.025	NM	\$ 1.706	\$ 0.026	NM

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

(ii) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.

Adjusted free cash flow per share for the three and nine months ended September 30, 2023 increased due to significantly improved operating results across Cineplex's theatres and LBE businesses.

#### **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 the contractual restrictions imposed by the terms of its long-term debt agreements permit and liquidity has improved. Cineplex hereby currently designates all dividends paid or deemed to be paid as "eligible dividends" for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise. Cineplex has not paid any dividends after the dividend that was paid on February 28, 2020 and is currently restricted from paying any dividends under the Credit Facilities.

# Cineplex Inc.

## Management's Discussion and Analysis

### 8. SHARE ACTIVITY

Share capital balances at September 30, 2023 and 2022 and transactions during the quarter are as follows: (expressed in thousands of dollars except share amounts):

	Shares	Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2022	63,375,400	\$ 852,697
Issuance of shares on exercise of options	1,321	44
Balance - September 30, 2023	<b>63,376,721</b>	<b>\$ 852,741</b>

	Shares	Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2021	63,344,298	\$ 852,465
Issuance of shares on exercise of options	18,415	196
Balance - September 30, 2022	<b>63,362,713</b>	<b>\$ 852,661</b>

#### Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the "Incentive Plan"). This plan supersedes the former incentive plans (collectively, the "Legacy Plan") that included Options, Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of shares that may be issued under the Incentive Plan is 3,795,933 provided that no more than 1,893,445 shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding shares, which are notionally re-invested as additional base share equivalents. PSU and RSU awards may be settled in shares issued from treasury, cash, or a mix of shares and cash, at Cineplex's option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at September 30, 2023, 686,641 (2022 - 1,100,952) shares are available to be issued under the Incentive Plan.

#### Stock Options

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

Cineplex recognized employee benefits expense of \$0.3 million and \$1.0 million with respect to options during the three and nine months ended September 30, 2023 (2022 - \$0.3 million and \$1.2 million, respectively).

# Cineplex Inc.

## Management's Discussion and Analysis

A summary of option activities for the nine months ended September 30, 2023 and 2022 is as follows:

	2023			2022	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding - January 1	7.00	2,102,818	\$ 18.90	2,198,805	21.48
Granted		461,786	8.71	223,578	13.39
Exercised		(13,877)	8.25	(26,309)	8.25
Forfeited		(187,373)	24.90	(285,371)	35.75
Options outstanding - end of period	6.96	2,363,354	\$ 16.50	2,110,703	\$ 18.86
Options vested and exercisable		1,488,545		1,276,369	

Upon cashless exercises, the options exercised in excess of shares issued are cancelled and returned to the pool available for future grants. At September 30, 2023, 346,881 options (2022 - 602,447) are available for grant.

### RSU and PSU awards

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

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

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

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of \$1.4 million and \$4.4 million for the three and nine months ended September 30, 2023 (2022 - \$1.1 million and \$4.0 million, respectively) under the Incentive Plan relating to RSU and PSU awards. At September 30, 2023, \$nil (2022 - \$0.3 million) was included in share-based compensation liability and \$8.9 million in contributed surplus (2022 - \$6.6 million).

### Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. Cineplex recognized compensation expense of \$0.1 million and \$0.4 million during the three and nine months ended September 30, 2023 (2022 recovery of - \$(0.9) million and \$(1.7) million, respectively) associated with the deferred equity units. At September 30, 2023, \$4.5 million (2022 - \$3.6 million) was included in share-based compensation liability.



# Cineplex Inc.

## Management's Discussion and Analysis

---

### **9. SEASONALITY AND QUARTERLY RESULTS**

Historically, Cineplex's revenues have been seasonal, coinciding with the timing of major film releases as the most marketable motion pictures were traditionally released during the summer and holiday seasons in Canada. This caused changes from quarter to quarter in theatre attendance, affecting theatre exhibition and Cinema Media revenues and operating cash flows. The seasonality of theatre attendance has become less pronounced as film studios have trended to releasing content more evenly throughout the year, but the unexpected emergence of a hit film can impact seasonality results. The timing, quantity, and quality of film releases can have a significant impact on Cineplex's results of operations, and the results of one period are not necessarily indicative of future results. Cineplex's diversification into other businesses such as digital media and amusement and leisure, which are not dependent on motion picture content, has contributed to reduce the impact of this seasonality on Cineplex's consolidated results. To meet working capital requirements during lower revenue quarters, Cineplex can draw upon the Revolving Facility, which had \$301.0 million drawn and \$231.8 million available as of September 30, 2023, subject to restrictions under the Credit Facilities including the liquidity covenant described above (Section 6.4, Long-term debt).

# Cineplex Inc.

## Management's Discussion and Analysis

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

	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Revenues</b>								
Box office revenues	\$ 188,233	\$164,491	\$123,338	\$120,248	\$124,700	\$136,372	\$ 79,952	\$125,890
Food service revenues	146,228	131,392	101,076	97,168	105,193	110,637	68,388	87,244
Media revenues	28,957	26,100	22,296	44,553	25,224	26,406	15,545	32,795
Amusement revenues	75,204	76,883	75,763	60,847	69,607	65,723	50,424	45,096
Other revenues	24,964	24,252	18,484	27,308	15,113	10,740	14,414	8,926
	<b>463,586</b>	<b>423,118</b>	<b>340,957</b>	<b>350,124</b>	<b>339,837</b>	<b>349,878</b>	<b>228,723</b>	<b>299,951</b>
<b>Expenses</b>								
Film cost	101,510	90,471	66,074	63,567	66,356	69,958	39,016	61,990
Cost of food service	33,220	30,744	24,237	22,671	24,839	25,335	14,857	21,042
Depreciation - right-of-use assets	22,512	22,650	22,199	23,491	23,277	24,486	24,263	25,041
Depreciation and amortization - other	24,478	24,889	26,006	25,575	26,079	26,651	26,892	27,501
(Gain) loss on disposal of assets	—	226	744	(3,466)	(49,848)	(4,650)	157	1,576
Other costs	202,510	199,329	186,617	187,597	185,048	176,741	138,352	157,970
(Reversal) impairment of long-lived assets	—	—	—	(19,880)	—	—	—	3,717
	<b>384,230</b>	<b>368,309</b>	<b>325,877</b>	<b>299,555</b>	<b>275,751</b>	<b>318,521</b>	<b>243,537</b>	<b>298,837</b>
<b>Subtotal</b>	<b>\$ 79,356</b>	<b>\$ 54,809</b>	<b>\$ 15,080</b>	<b>\$ 50,569</b>	<b>\$ 64,086</b>	<b>\$ 31,357</b>	<b>\$(14,814)</b>	<b>\$ 1,114</b>
<b>Adjusted EBITDA (i)</b>	<b>\$ 125,869</b>	<b>\$102,192</b>	<b>\$ 62,765</b>	<b>\$ 74,186</b>	<b>\$ 63,094</b>	<b>\$ 77,939</b>	<b>\$ 36,475</b>	<b>\$ 58,328</b>
<b>Adjusted EBITDAaL (i)</b>	<b>\$ 83,064</b>	<b>\$ 60,258</b>	<b>\$ 20,243</b>	<b>\$ 31,197</b>	<b>\$ 20,430</b>	<b>\$ 35,764</b>	<b>\$(5,719)</b>	<b>\$ 20,198</b>
<b>Net income (loss) (iii)</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>	<b>\$(42,225)</b>	<b>\$(21,778)</b>
Earnings (loss) per share - basic	\$ 0.47	\$ 2.79	\$ (0.48)	\$ 0.16	\$ 0.49	\$ 0.02	\$ (0.67)	\$ (0.34)
Earnings (loss) per share - diluted	\$ 0.40	\$ 1.99	\$ (0.48)	\$ 0.16	\$ 0.43	\$ 0.02	\$ (0.67)	\$ (0.34)
Cash provided by (used in) operating activities	\$ 44,693	\$ 93,219	\$ 3,135	\$ 59,622	\$ 5,811	\$ 47,152	\$ (5,437)	\$ 27,480
Cash used in investing activities	(10,950)	(21,118)	(19,207)	(21,898)	(14,523)	(8,132)	(11,196)	(3,937)
Cash (used in) provided by financing activities	(54,754)	(51,904)	1,062	(31,893)	11,128	(36,349)	13,767	(25,067)
Effect of exchange rate differences on cash	48	99	35	(11)	(146)	(181)	22	(9)
Net change in cash	\$ (20,963)	\$ 20,296	\$(14,975)	\$ 5,820	\$ 2,270	\$ 2,490	\$ (2,844)	\$ (1,533)
BPP (ii)	\$ 12.00	\$ 12.84	\$ 12.63	\$ 13.06	\$ 11.25	\$ 12.29	\$ 12.00	\$ 12.29
CPP (ii)	\$ 8.44	\$ 9.21	\$ 8.85	\$ 8.93	\$ 8.35	\$ 8.84	\$ 8.82	\$ 7.49
Film cost percentage (ii)	53.9 %	55.0 %	53.6 %	52.9 %	53.2 %	51.3 %	48.8 %	49.2 %
Theatre attendance (in thousands of patrons) (ii)	15,690	12,806	9,767	9,208	11,084	11,092	6,661	10,245
Theatre locations (at period end)	158	158	157	158	158	159	159	160
Theatre screens (at period end)	1,631	1,631	1,625	1,637	1,637	1,640	1,640	1,652

(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) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.

# Cineplex Inc.

## Management's Discussion and Analysis

### Summary of adjusted free cash flow by quarter

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

	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash provided by (used in) operating activities	\$ 44,693	\$ 93,219	\$ 3,135	\$ 59,622	\$ 5,811	\$ 47,152	\$ (5,437)	\$ 27,480
Less: Total capital expenditures net of proceeds on sale of assets	(9,059)	(16,569)	(16,485)	(27,538)	(14,466)	(10,885)	(9,585)	(4,985)
Standardized free cash flow	35,634	76,650	(13,350)	32,084	(8,655)	36,267	(15,022)	22,495
Add/(Less):								
Changes in operating assets and liabilities	52,843	(20,052)	28,998	(15,907)	25,815	1,120	15,077	1,405
Changes in operating assets and liabilities of joint ventures	229	(415)	754	(746)	1,892	775	(707)	307
Principal component of lease obligations	(25,754)	(25,904)	(27,532)	(26,141)	(26,330)	(27,428)	(29,267)	(25,525)
Principal portion of cash rent paid not pertaining to current period	(397)	(398)	1,201	(381)	(381)	(381)	1,143	(737)
Growth capital expenditures and other	4,801	10,085	12,819	14,804	9,727	6,078	7,054	(350)
Share of income of joint ventures, net of non-cash depreciation	(476)	(382)	(1,264)	(2,103)	(500)	95	(23)	(622)
Net cash received from CDCP	—	—	—	62	—	5,318	—	1,995
Adjusted free cash flow (i)	\$ 66,880	\$ 39,584	\$ 1,626	\$ 1,672	\$ 1,568	\$ 21,844	\$ (21,745)	\$ (1,032)
Average number of shares outstanding	63,376,721	63,376,043	63,375,471	63,366,796	63,362,713	63,360,746	63,346,444	63,343,223
Adjusted free cash flow per share (ii)	\$ 1.055	\$ 0.625	\$ 0.026	\$ 0.026	\$ 0.025	\$ 0.345	\$ (0.343)	\$ (0.016)
(i) Represents a non-GAAP financial measure. See Section 16, Non-GAAP and other financial measures.								
(ii) Represents a non-GAAP ratio. See Section 16, Non-GAAP and other financial measures.								

### 10. RELATED PARTY TRANSACTIONS

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

### 11. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

*Goodwill and long lived assets - recoverable amount*

# Cineplex Inc.

## Management's Discussion and Analysis

---

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

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

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

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

### *Revenue recognition - gift cards and prepaid certificates*

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

### *Revenue recognition - Scene+*

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

### *Income taxes*

The timing of reversal of timing differences and the expected income allocation to various tax jurisdictions within Canada affect the effective income tax rate used to compute the deferred income tax asset. 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 \$158.4 million. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

### *Share-based compensation*

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

# Cineplex Inc.

## Management's Discussion and Analysis

---

### *Lease terms*

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

## **12. ACCOUNTING POLICIES**

### **Basis of preparation and measurement**

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

### **Accounting standards issued**

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

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

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

#### IAS 8, Definition of accounting estimates

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

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

In December 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

# Cineplex Inc.

## Management's Discussion and Analysis

---

Cineplex has not applied the accounting pronouncement issued and is evaluating its impact on the 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 their review and then reviewed with the whole of the Board. In addition, Cineplex monitors risks and changing economic conditions on an ongoing basis and adapts its operating strategies as required.

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

#### *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 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* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

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 parties are in the process of conducting the various preliminary steps necessary for this matter to be heard by the Competition Tribunal. Cineplex requested an early determination of this matter, and expects that this matter will be heard by the Competition Tribunal during the first quarter of 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 \$33.8 million in online booking fee revenues through September 30, 2023.

#### *Wallace and Carey Inc. Files for Credit Protection*

On June 22, 2023 Wallace & Carey Inc. ("W&C"), a leading distribution and logistics company, filed for creditor protection under the Companies' Creditors Arrangement Act (Canada) along with its parent company due to challenges related to the COVID-19 pandemic, labour shortages, unpredictable inventory demands, inflation and rising interest rates. During the third quarter, Cineplex ended its relationship with W&C and entered into a new distribution arrangement with Core-Mark, one of the largest and leading distribution companies in North America. Cineplex had minimal disruption to its supply of product and no risk of inventory loss related to the change to its supply chain.

# Cineplex Inc.

## Management's Discussion and Analysis

---

### *Writers Guild of America and SAG-AFTRA Strikes*

On May 2, 2023, the Writers Guild of America announced that more than 11,000 members representing television and movie writers went on strike for the first time since 2007. The Writers Guild of America membership ratified an agreement on October 9, 2023, officially ending the strike.

On July 14, 2023, the Screen Actors Guild-American Federation of Television and Radio Artists (“SAG-AFTRA”) went on strike. SAG-AFTRA represents more than 160,000 actors, announcers, broadcast journalist, dancers, DJs, news writers, news editors, program hosts, puppeteers, recording artists and other media professionals.

Motion picture production is highly dependent on labour that is subject to various collective bargaining agreements. If not resolved in a timely manner, the SAG-AFTRA strike could further impact the production of content and delay the release of previously scheduled movies.

## **14. CONTROLS AND PROCEDURES**

### **14.1. DISCLOSURE CONTROLS AND PROCEDURES**

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

### **14.2. INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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

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

# Cineplex Inc.

## Management's Discussion and Analysis

---

### 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*

The third quarter of 2023 was Cineplex's strongest third quarter ever, resulting in third quarter record box office revenues of \$188.2 million. Studios continue to recognize the promotional and financial value of a theatrical release window as evidenced by record setting box office results from films including *Barbie* and *Oppenheimer* which were both released during the third quarter of 2023. *Barbie* became the highest domestic opening of the year to date generating \$162.0 million during its opening weekend, surpassing *The Super Mario Bros.*' \$146.4 million. *Barbie* is also the largest grossing day of the year to date, generating \$70.5 million on opening day, and \$1.4 billion globally since its release. Christopher Nolan's third highest grossing opening weekend ever was achieved by the highly anticipated release of *Oppenheimer*, generating \$82.5 million during its opening weekend, and \$926.5 million globally since its release. *The Super Mario Bros. Movie*, released on April 5, 2023, generated \$204.6 million at the domestic box office over its 5-day opening weekend, setting a record for an animated title in its opening weekend and generating over \$1.3 billion globally since its release. Cineplex believes that compelling content will continue to strengthen consumer enthusiasm for the theatrical movie-going experience and will bring people to Cineplex theatres during 2023 and beyond. Cineplex also remains encouraged by the commitments from non-traditional studios which further validate the importance of the cinematic experience and the role theatrical exhibition plays in elevating content to its full potential. Upcoming film releases for the year include the following: *The Exorcist: Believer*, *TAYLOR SWIFT | THE ERAS TOUR*, *Killers of the Flower Moon*, *The Marvels*, *The Hunger Games: The Ballad of Songbirds and Snakes*, *Trolls Band Together*, *Wish*, *Napoleon*, *Wonka*, *Aquaman and the Lost Kingdom* and *The Color Purple*.

As noted in section 13, Risks and Uncertainties, the SAG-AFTRA strike may potentially impact the future release schedule, and Cineplex continues to assess available options in that event.

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 expanded its longstanding partnership with state-of-the-art IMAX systems in key theatre locations across Canada. Cineplex believes that these premium formats provide an enhanced guest experience and will continue to charge a ticket price premium for films and events presented in these formats. Cineplex will continue to expand those offerings throughout its circuit in 2023 and beyond. 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 is also focused on maintaining and improving guest experience, including recliner seating, and will continue to expand those offerings throughout its circuit in 2023 and beyond. VIP Cinemas and other premium viewing options are a key component to Cineplex's theatre exhibition strategy, and continue to be valued by audiences.

Cineplex opened its first-ever *Junxion* location at *Cineplex Junxion Kildonan* in Winnipeg, Manitoba in December 2022 and opened its second location at *Cineplex Junxion Erin Mills* in Mississauga, Ontario on May 17, 2023. *Cineplex Junxion* is a new entertainment concept which features a cinema with reclining seats, an open lobby and stage for events and performances, amusement gaming, and expanded food offerings.

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



# Cineplex Inc.

## Management's Discussion and Analysis

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

Month	2019 Box office (i)	2023 Box office (i)	2023 as a percentage of 2019
January	\$52,034	\$45,744	88%
February	\$41,892	\$36,950	88%
March	\$62,570	\$40,644	65%
April	\$63,759	\$61,278	96%
May	\$68,698	\$47,514	69%
June	\$56,914	\$55,699	98%
July	\$76,935	\$86,388	112%
August	\$56,537	\$67,592	120%
September	\$44,393	\$34,253	77%
October	\$54,528	\$37,354	69%

(i) Amounts are in thousands of dollars.

### *Theatre Food Service*

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

### *Alternative Programming & Distribution*

Cineplex Pictures focuses on the acquisition of feature film rights for both theatrical release and in home release in Canada. Upcoming films that will be distributed as part of the distribution partnership with Lionsgate for the year include the following: *The Hunger Games: The Ballad of Songbirds and Snakes* and *White Bird: A Wonder Story*.

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, including TAYLOR SWIFT | THE ERAS TOUR, which opened during the third quarter of 2023, becoming Cineplex's third highest pre-sales of all time, with over 240,000 tickets sold up to September 30, 2023. Similarly, Cineplex will be bringing the theatrical concert experience, *RENAISSANCE: A FILM BY BEYONCÉ* to theatres during the fourth quarter of 2023. Cineplex continues to look for compelling content to offer as alternative content to attract a wider audience to its locations, in addition to adding dedicated event screens.

### *Digital Commerce*

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

# Cineplex Inc.

## Management's Discussion and Analysis

---

### MEDIA

#### *Cinema Media*

Research has shown that cinema media advertising reaches the most sought-after demographics, as well as Canada's high-income households and educated populations. In addition to its successful show-time and pre-show advertising opportunities, Cineplex believes its cinema media business will continue to grow through its innovative media opportunities within Cineplex's theatres. Cineplex Media also sells media for Cineplex Digital Media 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.

#### *Digital Place-Based Media*

Cineplex's digital place-based media business will continue to roll out its world-class solutions in quick service restaurants, financial services and retail sectors as well as immersive DOOH media networks. Cineplex will continue to explore opportunities 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. However, advertising revenues have lagged the return of mall traffic but continue to grow as mall traffic grows and is expected to continue its upward trajectory into the second half of 2023 and exceed pre-pandemic levels by 2024.

### AMUSEMENT SOLUTIONS AND LBE

#### *Amusement Solutions*

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

Cineplex's amusement business revenues, adjusted EBITDAaL and adjusted EBITDAaL margins have exceeded pre-pandemic levels, reflecting strong consumer demand for out-of-home entertainment and operational efficiencies.

#### *Location Based Entertainment*

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

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

# Cineplex Inc.

## Management's Discussion and Analysis

---

### LOYALTY

Membership in the Scene+ loyalty program increased to over 14 million members as at September 30, 2023. During 2021, Cineplex and Scotiabank launched Scene+ to bring together the full benefits of SCENE with Scotia Rewards, Scotiabank's former flexible customer loyalty program. Cineplex welcomed Empire Company Limited as a co-owner of Scene+ during the third quarter of 2022, providing members with increased opportunities to earn and redeem points through Empire's family of brands in Atlantic Canada, Western Canada, Ontario in 2022, and Quebec in March 2023. Home Hardware Stores Limited joined Scene+ as a national program partner in the summer of 2023, providing members with additional opportunities to earn and redeem points. The growth in the Scene+ loyalty program provides Cineplex with opportunities to grow its customer base across all of its businesses.

### FINANCIAL OUTLOOK

Cineplex remains confident in the long-term fundamentals of theatrical exhibition and all the other businesses in which it operates. The strength of the third quarter film lineup, supplemented with the strong results of the Company's diversified businesses, translated into Cineplex achieving a record adjusted EBITDAaL of \$83.1 million. As Cineplex navigates through a challenging economic environment, historical data shows that movie theatre attendance has not been negatively affected by economic downturns over the past 25 years.

Management remains focused on de-leveraging and optimizing its capital structure. Cineplex was able to repay its Credit Facility down by a combined \$55.0 million during the second and third quarter of 2023. The Company will continue to evaluate value-creating liquidity events which could include asset sales.

With the de-leveraging discussed above and the record operating results, the Company is well on the path towards its target leverage ratio of 2.5x to 3.0x. Although the effects of global inflation and rising interest rates could significantly impact the ability to raise capital and increase the cost of borrowing, the Company is focused on de-leveraging and bringing the total amount of borrowings down. The Company will explore alternatives to optimize its capital structure, including extending maturities and removing restrictions in the near-term and once leverage targets are met will consider reintroducing a dividend.

### 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.

# Cineplex Inc.

## Management's Discussion and Analysis

---

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

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

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

#### P1AG Adjusted EBITDAaL

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

#### P1AG Adjusted EBITDAaL Margin

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

#### Adjusted Store Level EBITDAaL Metrics

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

#### Adjusted Store Level EBITDAaL Margin

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

# Cineplex Inc.

## Management's Discussion and Analysis

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

Reconciliation of reported net income (loss) to adjusted EBITDAaL	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) (iv)	\$ 29,746	\$ 30,857	\$ 176,118	\$ (10,055)
Depreciation and amortization - other	24,478	26,079	75,373	79,622
Depreciation - right-of-use assets	22,512	23,277	67,361	72,026
Interest expense - lease obligations	16,771	15,946	49,592	45,389
Interest expense - other	21,016	16,303	62,752	40,198
Interest income	(248)	(84)	(741)	(152)
Current income tax (recovery) expense	(203)	—	1,681	(724)
Deferred income tax expense	11,443	—	(144,690)	—
<b>EBITDA</b>	<b>\$ 125,515</b>	<b>\$ 112,378</b>	<b>\$ 287,446</b>	<b>\$ 226,304</b>
(Gain) loss on disposal of assets	—	(49,848)	970	(54,341)
Loss on financial instruments recorded at fair value	580	1,630	1,870	7,230
CDCP equity loss (income) (i)	—	30	—	(492)
Foreign exchange gain	(427)	(1,239)	(4)	(1,628)
Depreciation and amortization - joint ventures and associates (ii)	201	130	530	394
Taxes and interest of joint ventures and associates (ii)	—	13	14	41
<b>Adjusted EBITDA</b>	<b>\$ 125,869</b>	<b>\$ 63,094</b>	<b>\$ 290,826</b>	<b>\$ 177,508</b>
Cash rent paid/payable related to lease obligations	(42,408)	(42,275)	(127,667)	(127,419)
Cash rent paid not pertaining to current period	(397)	(389)	406	386
<b>Adjusted EBITDAaL (iii)</b>	<b>\$ 83,064</b>	<b>\$ 20,430</b>	<b>\$ 163,565</b>	<b>\$ 50,475</b>

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

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

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

(iv) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.

## 16.2. ADJUSTED FREE CASH FLOW

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

Cineplex presents standardized free cash flow and adjusted free cash flow per share because they are key measures used by investors to value and assess Cineplex. Cineplex's management defines adjusted free cash flow as standardized free cash flow adjusted for certain items, and considers adjusted free cash flow the amount available for distribution to shareholders. Standardized free cash flow is defined by the CICA as cash from operating activities as

# Cineplex Inc.

## Management's Discussion and Analysis

reported in the GAAP financial statements, less total capital expenditures minus proceeds from the disposition of capital assets, 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 operating activities to adjusted free cash flow per share	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Cash provided by operating activities</b>	\$ 44,693	\$ 5,811	\$ 141,047	\$ 47,526
Less: Total capital expenditures net of proceeds on sale of assets	(9,059)	(14,466)	(42,113)	(34,936)
Standardized free cash flow	<b>35,634</b>	<b>(8,655)</b>	<b>98,934</b>	<b>12,590</b>
Add/(Less):				
Changes in operating assets and liabilities (i)	52,843	25,815	61,789	42,012
Changes in operating assets and liabilities of joint ventures and associates (i)	229	1,892	568	1,960
Repayments of lease obligations - principal	(25,754)	(26,330)	(79,190)	(83,025)
Principal portion of cash rent paid not pertaining to current period	(397)	(381)	406	381
Growth capital expenditures and other (ii)	4,801	9,727	27,705	22,859
Share of income of joint ventures and associates, net of non-cash depreciation	(476)	(500)	(2,122)	(428)
Net cash received from CDCP (iii)	—	—	—	5,318
<b>Adjusted free cash flow</b>	<b>\$ 66,880</b>	<b>\$ 1,568</b>	<b>\$ 108,090</b>	<b>\$ 1,667</b>
Average number of shares outstanding	63,376,721	63,362,713	63,376,083	63,356,694
<b>Adjusted free cash flow per share</b>	<b>\$ 1.055</b>	<b>\$ 0.025</b>	<b>\$ 1.706</b>	<b>\$ 0.026</b>
<p>(i) Changes in operating assets and liabilities are not considered a source or use of adjusted free cash flow. Refer to Note 25 of Cineplex's 2022 Annual Consolidated Financial Statements for further details.</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) Excludes the share of income or loss of CDCP, as CDCP was a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as distributions received from CDCP, were considered to be uses and sources of adjusted free cash flow. CDCP was wound up in 2022.</p>				

# Cineplex Inc.

## Management's Discussion and Analysis

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

Reconciliation of reported net income (loss) to adjusted free cash flow	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) (iii)	\$ 29,746	\$ 30,857	\$ 176,118	\$ (10,055)
Adjust for:				
Depreciation and amortization - other	24,478	26,079	75,373	79,622
Depreciation - right-of-use assets	22,512	23,277	67,361	72,026
Change in fair value of financial instrument	580	1,630	1,870	7,230
(Gain) loss on disposal of assets	—	(49,848)	970	(54,341)
Non-cash interest (i)	6,909	459	18,253	(7,106)
Non-cash foreign exchange	(325)	(1,028)	35	(1,364)
Share of loss (income) of CDCP (ii)	—	30	—	(492)
Non-cash depreciation of joint ventures and associates	201	130	530	394
Deferred income tax expense	11,443	—	(144,690)	—
Taxes and interest of joint ventures and associates	—	13	14	41
Maintenance capital expenditures	(4,258)	(4,739)	(14,408)	(12,077)
Repayments of lease obligations - principal	(25,754)	(26,330)	(79,190)	(83,025)
Principal portion of cash rent paid not pertaining to current period	(397)	(381)	406	381
Net cash received from CDCP (ii)	—	—	—	5,318
Non-cash items:				
Non-cash share-based compensation	1,744	1,419	5,447	5,115
<b>Adjusted free cash flow</b>	<b>\$ 66,879</b>	<b>\$ 1,568</b>	<b>\$ 108,089</b>	<b>\$ 1,667</b>

(i) Non-cash interest includes amortization of deferred financing costs on the long-term debt, accretion expense on the convertible debentures, notes payable, and other non-cash interest expense items.

(ii) Excludes the share of income or loss of CDCP, as CDCP is a limited-life financing vehicle funded by virtual print fees collected from distributors. Cash invested into CDCP, as well as cash distributions received from CDCP, are considered to be uses and sources of adjusted free cash flow. On December 16, 2022, Cineplex divested its investment in CDCP.

(iii) 2023 includes recovery of approximately \$158.4 million related to the recognition of deferred income tax assets recognized during the second quarter and expenses related to the Cineworld transaction and other transactions or litigation outside the normal course of business in the amount of \$1.8 million (2022 - \$1.2 million) for the third quarter and \$2.8 million (2022 - \$2.7 million) for the year to date.

### 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.

# Cineplex Inc.

## Management's Discussion and Analysis

---

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

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

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

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

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

### Same Theatre Analysis

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

Same theatre metrics are calculated by removing the results for all theatres that have been opened, acquired, closed or otherwise disposed of subsequent to the start of the prior year comparative period. For the three months ended September 30, 2023 the impact of two locations that have been opened or acquired and three locations that have been closed or otherwise disposed of have been excluded, resulting in 153 theatres being included in the same theatre metrics. For the nine months ended September 30, 2023 the impact of two locations that have been opened or acquired and four locations that have been closed or otherwise disposed of have been excluded, resulting in 152 theatres being included in the same theatre metrics.

### 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.