

All Shill Narratives Destroyed by Easy Math

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There is a great deal of confusion in the AMC shareholder community. The shill narratives are: The Debt Narrative, The Dilution Narrative, The Save Billy Narrative, and the Short Thesis. Why? Because they consist of fear, uncertainty, and doubt. Now, before going into the DD, I'd like to point out some loosely related statements that are unrelated to the strength of this DD, but are none-the-less very interesting. We trust our CEO, so they must be true statements when Mr. Aron said (in Phoenix):

- 1) "We (AMC) have plenty of money (as it stands right now.)"
- 2) To paraphrase: the ONLY reason Adam wants you to vote yes for RSC is because he, "can use the dilution to raise capital, therefore paying down debt to improve the fundamentals."

Now there are a few other statements he gave (in Phoenix) that reveal key information about AMC from which we can infer an accurate estimation on the real AMC fundamentals. Mr. Aron has said the following, verbatim:

- 1) "the (domestic) box office fell, in from 2019, 11.4 billion,... , to 2 billion."
- 2) "the number of movies that major Hollywood studios released in 2019 it was around 120..."
- 3) "they (Hollywood) released in 2022... ...72"
- 4) He said Q1 + Q2 + Q3, alone, the domestic box office generated 7.4 billion
- 5) He said that 2023 projected a 35% increase in Hollywood releases.
- 6) He also said that 2023 projected 102 new Hollywood releases (these are not the same number.)

Notice that none of these data points account for the distribution of revenue between theater brands. Regal is bankrupt. So it's reasonable to expect that AMC got a larger percentage of domestic box office market share than it has in the past, compared to 2022, and will continue to do so in the future because of The Logical Principle of The Uniformity of Nature (you might think we are not speaking about nature when talking about numbers following from Regal bankruptcy, but we are because computation is natural!) This is important, because we will use this in conjunction with The Transitivity Law from the Order Axioms for Real Numbers to construct valid inferences, shortly (not to worry, the math is just very simple arithmetic.)

Also, notice that 2019 revenue for AMC was approximately \$1.448B. At these levels AMC has an annualized cash burn of just under \$14M, but at 2019 cost of revenue levels (which is nearly doubled compared to 2022 cost of revenue.)

First, take note of a simple mathematical fact so that you can understand how the following inferences are valid and correct applied mathematics. From statistics there is a theorem called The law of Large Numbers. Simply put, it means response variables converge with their average. For example, if you actually flip an equally weighted coin an infinite number of times, the outcomes really will tend to the center (50% heads, 50% tails) by The Law of Large Numbers. This kind of distribution is naturally built into the relationship between movie releases and revenues. That means we can reliably predict revenue from movie releases, provided a significant black swan does not disrupt economic conditions. We are talking about a black swan of enormous impact that is not likely to occur. Thus, it is extremely reasonable to infer revenue projections from release numbers, and such is almost certainly a reliable predictor (provided that a significant black swan disruption does not occur.) Mr. Aron is aware of this; which is why he has been referencing it in his speeches.

First we connect some corresponding datapoints from what Mr. Aron said:

- 1) In 2019 there were approximately 120 Hollywood releases, and the domestic box office generated \$11.4 billion.
- 2) In 2022 there were approximately 72 Hollywood releases, and the domestic box office generated \$7.4 billion (excluding Q4)

(We can estimate Q4 domestic box office and 2022 total domestic box office. $\frac{7.4}{3} \approx 2.47$. $2.47 \cdot 4 \approx 9.88$)

Now we have two ratios with which we can make a comparison. Let's look at 2019. $\frac{\$11.4B}{120} \approx \$11.67M$ of revenue in domestic ticket sales per movie on average. 2022 excluding Q4: $\frac{\$7.4B}{72} \approx \$102.78M$ of revenue in domestic ticket sales per movie on average! This may appear to violate The law of Large Numbers, however consider that Covid was a black swan. Evidently Covid had a positive effect on domestic box office revenues. Per Hollywood release domestic ticket sale revenues increased by more than an order of magnitude! We also left Q4 out. Using the Q4 estimate: $\frac{\$9.88}{72} \approx \$137.22M$ in domestic box office per release ticket sales! Incredible! That means if 120 movies had been released in 2022, the total domestic box office would have been more than \$12.33B using the \$7.4B datapoint; nearly a \$1 billion dollar increase compared to 2019 domestic box office! Applying the same logic using the Q4 estimate that would be \$16.47B in domestic box office!

So, what percentage of the 2022 domestic box office went to AMC? We construct an estimated percentage market share of domestic box office. In 2019, AMC sold 62.32M tickets domestically at an average ticket price of \$9.47 for a total of \$590.16M! As a percentage of total domestic box office that is a 5% market share. Which accounts for 40.77% of 2019 total revenues for AMC (because it doesn't include revenue from global box office nor from concessions). From here on we will use the 5% market share of domestic box office, and the 40.77% of that domestic box office market share as the proportion of AMC total revenues: each as estimators.

Consider the following hypothetical case where we pretend 120 major Hollywood movies had been released in 2022. This will give us a normalized comparison between 2019 and 2022 AMC real business fundamentals, and real economic conditions, in terms of total revenue. Remember when I said Regal is bankrupt. So it's safe to assume that in 2022 AMC got at least as much market share of the domestic box office since their competitor must have gotten less than their 2019 levels. So AMC got at least 5% of the domestic box office in 2022. We use this estimator such that it biases against the bullish case, then. 5% of \$12.33B is \$616.5M in domestic box office. Let's extrapolate 2022 estimated total revenue using the total revenue estimator constructed in the above paragraph. If \$616.5M is 40.77% of revenue, then total revenue must be $\frac{\$616.5M}{40.77\%} = \frac{\text{total revenue}}{100\%}$, that is over \$1.5B, if 120 movies had been released in 2022. So at these levels AMC would easily be profitable and cash flow positive. How can we know? In 2019 AMC had \$1.448B in revenue with a net loss of \$13.5M. In this hypothetical scenario, AMC would have been net profitable by approximately \$50M at 2019 expense levels! But cost of revenue has been reduced by nearly half since that time! So it must be more than \$50M! Now consider the case in which we include the Q4 estimate to estimate the total 2022 domestic box office: \$9.88B, such that the per release average domestic box office revenue would be \$137.22 per release. At 120 releases that would mean the domestic box office for 2022 would have generated \$16.47B (nearly 50% growth. Amazing!) At 5% market share that would give AMC \$823.32M in domestic ticket sale revenues, and an estimated total revenue of just under \$2.02B dollars! Nearly enough cash flow to service 10% of the debt per year, and again, that is assuming 2019 expense levels. So the profit margin and ability to service the debt would really be much greater than that! This means real AMC fundamentals have never been so strong!

So let's see the actual 2023 projection. We look at projected revenue as the informal derivative of projected new releases. New releases are projected to increase by 35% in 2023 compared to 2022. 35% of 72 releases is 25.2 additional releases for a total of 97.2 releases. We round down to bias against the strength of the conclusion. So 97 releases. (Also note that Mr. Aron said 102 releases in 2023, but since he said 35% and 102, we will first assume 35% to bias projected revenue towards the bearish case.) $97 \cdot \$102.78M \approx \$9.97B$. That's, domestic box office. Again, AMC makes at least 5% of the market share in the domestic box office. So projected revenue increases in domestic box office alone for AMC is $0.05 \cdot \$9.97B \approx \$498.5M$. Again, we extrapolate: 40.77% of total revenue comes from domestic box office. So total extrapolated and projected revenue must be approximately \$1.22B in 2023. 2022 up to and including Q3 financials report \$968.4M in revenue with net loss of \$266.9M. Remember that net loss number. $\$1.22B - \$968.4M = \$253M$. $\$266.9M - \$253M = \$13.9M$ annualized deficit projected in 2023; a \$3.48M quarterly short fall. Mr. Aron wants to dilute shareholders up to 5B shares to make up for that short fall. Remember We never included Q4 domestic box office. Let's include the 2022 Q4 estimate to calculate a more likely 2023 projection. $97 \cdot \$137.22M \approx \13.31 domestic box office for 2023. With a 5% market share: \$665.5M in domestic ticket sale revenues for AMC. Using the total revenue estimator the projected 2023 total revenue for AMC would be \$1.632B. Putting AMC well above profitable levels even with 2019 levels cost of revenue (which is now nearly half of what it was in 2019). Now finally, let's use both 102 projected releases for 2023 (which I expect to be a more truthful claim made by Mr. Aron since it is an exact number, and not an abstraction unlike his 35% claim,) and the upper end per release average revenue (based on including the Q4 estimate) to predict the bullish (and very realistically likely) case: $102 \cdot \$137.22M \approx \$14B$ domestic box office (over 27% growth compared to 2019.) With 5% market share that puts AMC domestic ticket sale revenues at \$700M, using the estimator we get \$1.72B in total projected revenue in the bullish case. Absolutely crushing all shill narratives! That is the Debt narrative, Dilution Narrative, Save Billy Narrative, and the Short Thesis ALL annihilated by simple mathematical analysis! AMC to the moon!