

CHAIRMAN’S STATEMENT - FOR THE 12 MONTH PERIOD ENDED SEPTEMBER 30, 2020

Overview

The outbreak of the COVID-19 pandemic in Fiscal 2020 has catalysed unprecedented challenges in the international economy. The Government of Trinidad and Tobago’s successive Coronavirus Public Health Orders commenced on March 17, 2020 and mandated the total cessation of CinemaONE’s business in the interest of public safety for a period of approximately 7 months in 2020 with IMAX and 4DX being affected for an extended closure period of 9 months.

At the onset of the pandemic, CinemaONE swiftly responded to the Coronavirus / Covid-19 induced financial challenges. The Company implemented temporary, but extended, personnel and salary reductions and negotiated modified timing and/or abatement of contractual payments with landlords, key financial partners and other major suppliers. The Company also adopted a phased approach to new theatre construction projects.

During the protracted closure period, CinemaONE worked closely with Government both in the facilitation of salary and other relief programs for CinemaONE’s employees and in the collaborative formulation of public health guidelines for the local movie exhibition industry’s re-opening. Such guidelines now include social distancing measures, a 50% auditorium capacity limitation, the use of face masks, increased sanitization, staggered showtimes and a 10PM operational limitation. CinemaONE has also voluntarily adopted the CinemaSafe protocols (www.cinemasafe.org) which comprise a set of global cinema industry health and safety protocols based on the Centers for Disease Control (“CDC”) and the World Health Organisation (“WHO”) guidelines in consultation with leading epidemiologists in the United States.

Financial Performance

In this context and despite a good initial start to Fiscal 2020, CinemaONE experienced significant declines in its operating results for the fiscal year ended September 30, 2020 as a direct consequence of the Covid-19 mandated closure requirements. It should be noted that the second half of any fiscal year has historically been the Company’s strongest half year, accounting for approximately 60% of revenue, due to the traditionally seasonal releases of major Hollywood blockbuster films.

A summary of the Company’s Covid-19 impacted financial performance for the year ended September 30, 2020 is as follows: Gross Revenue decreased by -67% to TT \$6.3M (2019 TT\$19.0M) Gross Profit declined by -65% to TT \$3.8M (2019 TT \$10.8M) and for the first time the Company experienced a fiscal year Operating Loss of TT -\$4.5M (2019 TT \$2.4M) and a Net Loss of TT -\$4.9M (2019 TT \$9M). Through cost containment, the Company managed positive EBITDA of TT \$.3M (2019 TT \$5.2M).

With the adoption of IFRS16 in Fiscal 2020 and the resulting capitalization of right of use lease assets along with the consummation of debt financing from Guardian Group Trust Limited (GGTL) to aid in theatre construction expansion in October 2019, CinemaONE's assets increased by 37.7% to TT \$82.1M (2019 TT \$59.6M).

The 15 Year TT \$40M GGTL loan facility strengthened the Company's capacity to endure what became an unprecedented and extended COVID-19 global public health crisis and GGTL's collaborative, long term approach to key covenant waivers and loan deferments has aided the Company's liquidity and positioned CinemaONE for a sustained and progressive return to normalcy. As a result, the Company's working capital calculation of current assets less current liabilities increased to TT \$4.9M (2019 TT -\$1M).

Future Outlook

While the social and economic effects of Covid-19 are widespread, and the situation continues to evolve, CinemaONE has been encouraged by the recent vaccine announcements and the significant movie box office rebound already occurring in certain Asian markets such as China and Japan. The December 16th release of *Wonder Woman 1984* as the first major blockbuster movie in TnT since the onset of the pandemic in March is also very encouraging. CinemaONE remains confident that TnT's cinema exhibition market will recover as restrictions are relaxed and movie supply chains continue to expand with marketable new movie titles.

Since the dawn of time, humans have deeply needed communal storytelling experiences. Cinema on the big screen is more than a business, it is an art form that brings people together, celebrating humanity and enhancing our empathy for one another. It is an artistic, in-person collective experience that forms a unique part of our cultural expression.

In reflecting on the historical record of pandemic impacts, we are reassured by the fact that when the Spanish Flu shuttered tens of thousands of worldwide cinema exhibitors 100 years ago for a period of 2 years, that pandemic did not similarly annihilate the entire 20th century of movie exhibition business nor economic activity in general. In fact, a robust economic recovery known as the "roaring twenties" ensued. The Directors of CinemaONE continue to adhere to a pragmatic approach so as to ensure that CinemaONE is well positioned for such a recovery.

Brian Jahra



Chairman

CinemaONE Limited

December 23, 2020