



## MARKET UPDATE

21 October 2020, Vista Group International Ltd., Auckland, New Zealand

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### Confident 3<sup>rd</sup> Quarter for Vista Group

Vista Group International Limited (NZX & ASX:VGL) provides an update on activity in Q3.

Whilst the COVID-19 pandemic continues to affect cinema openings and the release of new films in several countries, including the USA and some countries in Europe, Vista Group companies continue to be engaged supporting their customers across the globe.

Through comprehensive actions commenced in March, Vista Group prepared for a range of scenarios and continues to maintain robust cash balances, is achieving predicted cash burn rates and is working through a solid pipeline of activity across all Group companies.

Kimbal Riley, Vista's Group CEO, said "Whilst it remains hard to predict when the global cinema industry will 'return to normal', the rebound of moviegoing in countries where cinemas have re-opened supports our belief that the industry will bounce back well during 2021. Pleasingly, the New Zealand box office for the month of September was up 50% compared to August; this is a strong result given the reduced level of new films and applicable capacity restrictions. Clearly people are keen to enjoy the big screen experience again".

#### Market Update

At the end of September 2020, between 70% and 75% of cinemas globally were open. At present, Vista Group expects some temporary closure of sites or reduced trading hours by some circuits to continue as the pandemic progresses. As noted in the half year update in August, the key to the cinema industry returning to full strength now is the consistent release of new blockbuster films by the studios. Although new content, which we describe as tent pegs (i.e. mid-range films) continues to be released weekly in most countries, tentpole releases such as 'No Time to Die' are being pushed into an already crowded 2021.

The strong rebound in the China box office produced a National Day holiday box office result which was the 2<sup>nd</sup> highest on record only slightly down on 2019 despite continuing 75% capacity restrictions.

#### Trading Update

As noted at the half year announcement, recurring revenue continues to track back to 2019 levels in Vista Cinema with the re-opening of cinema circuits across the globe.

Our SaaS transformation project for Vista Cinema continues to track extremely well, with key internal phase 1 milestones projected to complete in November this year, slightly ahead of schedule. The Digital focused elements brought forward over recent months are well under way, with a first pilot customer for the SaaS digital platform scheduled to go live in late October. Other Digital elements are scheduled for MVP release during Q1 2021.

Key on-going implementations for Vista Cinema continue. Over 50% of Odeon's 120 sites have now been rolled out in the UK and Ireland, with the full roll out on schedule to be completed in November this year. SM Cinemas (40 sites) the largest cinema circuit in the Philippines and Cinema3D, Vista Cinema's first customer in Poland, are also both now live.

The recent completion of the acquisition of the remaining 50% of Maccs will enable the integration of Numero and Maccs product lines into an enhanced customer offering. Maccs has signed a new TDS customer in Scandinavia – Scanbox – planned to go live in late October, and momentum continues to grow for Maccsbox with studios mandating electronic reporting in a number of territories.

Numero is expanding its geographic coverage with an expansion of territories for Sony in major European countries.

Movio Cinema volumes were strong in September, at about 60% of the same period of 2019. An additional highlight for Movio was the Movio Cinema roll out to the Vue circuit in Poland – with all Vue countries now enthusiastic users of Movio Cinema.

The Movio research team released a very well received collaborative research paper in conjunction with the Geena Davis Institute on Gender in Media, (seejane.org) analysing the impact of on-screen representation in driving box office success.

The first campaign has been run in Australia utilising the new Madex product with a Twitter promotion by Roadshow Entertainment.

## **Cash**

Cash management remains a high priority and Vista Group has seen consistent collections and, as forecast, a solid recovery in recurring revenue. This will help with cashflows later in the year and into 2021 as customer themselves go through their own recovery plans. Vista remains on target for \$3-4m monthly cash burn (excluding one-off expenses relating to restructuring and acquisitions).

Vista Group has locked in cost savings from the previously announced Group restructure and expects these to continue in 2021. As a result of the introduction of the Research and Development Tax Incentive, we expect a reduction in grants of around \$1.5m in 2021, this will be offset by further cost savings, including a \$1m per year saving from the consolidation of the Group's Vista Cinema and Movio Auckland offices into a single new location at the City Works Depot in Auckland's CBD.

## **Summary**

"We remain confident in the future of the film industry and we are pleased to see areas of strong and consistent recovery, whilst acknowledging that there is a way to go. We raised capital in April to see us through scenarios such as the cinema industry is currently experiencing. The current trajectory for Vista Group has seen us perform at levels above our capital raise scenarios and while this remains subject to industry factors it gives us confidence as we move towards 2021 when we anticipate levels of content supply and cinema attendance will begin to return to normal." concluded Riley. "Clearly, we will be much more comfortable once all our customers have a consistent supply of new films – large and small - to show to their expectant audiences. However, I am very pleased to report that, despite the market conditions, we continue to use this challenging period to strengthen our already strong customer relationships and rapidly progress our product development. I see Vista becoming more and more important to their recovery."

Kimbal Riley  
Group Chief Executive  
Vista Group International Ltd  
Contact: +64 9 984 4570

Matt Cawte  
Chief Financial Officer  
Vista Group International Ltd  
Contact: +64 9 984 4570