



Quick Stats

₩ 221 billion

In 2020 1Q box office sales volume decreased 53% y-o-y

26 million

In 2020 1Q audience volume decreased 53% y-o-y

₩ 86.5 billion

In 2020 1Q transaction volume increased by 127% y-o-y

5.03%

In 2020 1Q cap rate increased by 20bps y-o-y

1,870 seats

In 2020 1Q net supplied seats decreased 55% y-o-y

Box Office Sales and Audience

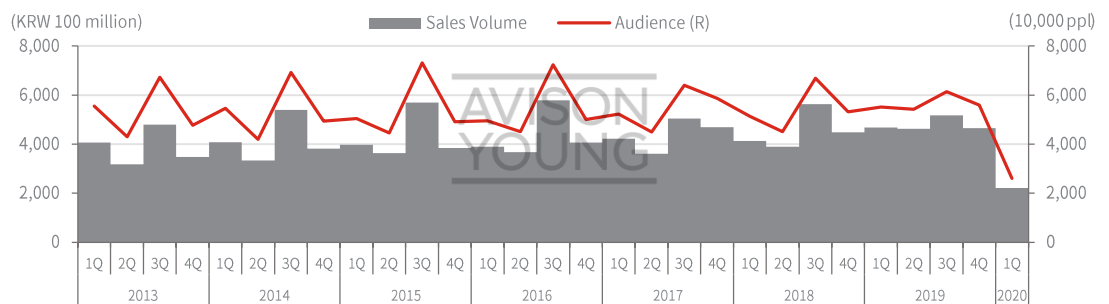
Year 2019 was a record year for Korea's cinematic history as films including the internationally acclaimed Parasite rolled in more than 220 million audiences in Korea. Naturally, box office sales also reached all-time high of KRW 1.91 trillion, up KRW 100 billion y-o-y.

The outperforming box office revenue is proof of resilience of the cinema business amid encroaching growth of the over-the-top streaming service such as Netflix. A closer look at sales indicate that the success could be attributed to increased revenue from high-priced, state-of-the-art 4D movie theaters, and the growing practice of re-watching the same movie.

In the 1Q 2020, the film industry was devastated by the COVID-19 pandemic. Due to social

distancing measures, movie theaters had to cease operations and film producers have delayed the release of films. Korean Film Council predicted that ticket sales volume in 2020 is expected to record KRW 727.3 billion at best, down 62% from last year's KRW 1.91 trillion.

The volume of audience in 1Q decreased by 53% y-o-y, recording 26 million, which is the lowest figure since the 1Q of 2006. Quarterly ticket sales also declined by 53%, recording KRW 221 billion. Up until mid-February, the box office sales were on similar levels to the previous year. However, as COVID-19 infection cases rose and peaked in mid-February, the volume of moviegoers began to drop sharply, resulting in 53% drop y-o-y in 1Q 2020.



▲ Box Office Sales Volume and Audience

Source: Korean Film Council, Avison Young Korea Research Center

Transaction & Investment

In 2019, 14 movie theaters changed hands, recording a transaction volume of KRW 239.8 billion, which is down 24% y-o-y. The transaction volume has in fact been on a downward trajectory since 2017's KRW 400 billion peak.

Since 2014, Richmond Asset Management has begun acquiring movie theaters across the country through individual funds. In 2019, Richmond AMC sold a package of four funds off to JB AMC. In the same vein, Koramco AMC also sold a fund package to Korea Alternative Investment Corporation over the course of 2019 and 2020. This trend of bulk package transaction is likely to continue into 2020 as Heungkuk Asset Management and Hana Alternative Asset Management are preparing similar packagesales.

The cap rate of cinema assets in 2019 recorded 5.03%. The cap rate fell sharply between 2014 and 2016 when investment in movie theater funds boomed. Then the cap rate plateaued at 5% level from 2017.

New Supply

In 2019, 32 movie theaters newly opened and 12 existing theaters shut down or changed brands, providing a net total of 20 movie theaters and approximately 15,000 seats nationwide.

Megabox continued to open new venues aggressively until 2017 to secure market share, but the company slowed down expansion due to increasing debt burden from IPO scheduled in 2021. Lotte Culture Works, which owns Lotte Cinema and Lotte Entertainment has been actively opening cinema venues to improve profitability since its split from Lotte Shopping in 2018.

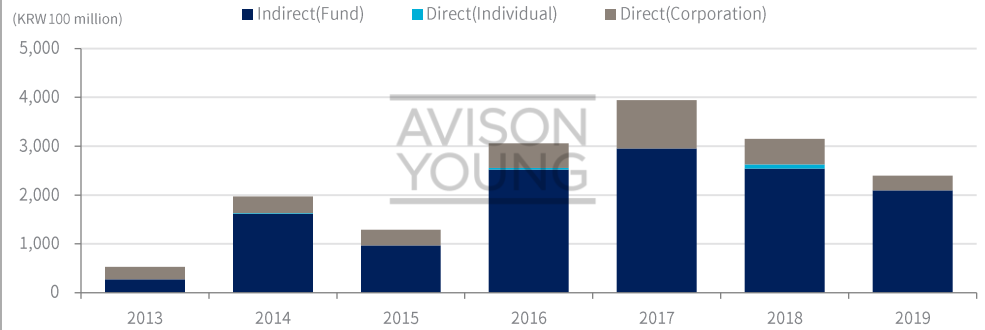
In the 1Q of 2020, eight theaters opened(net supply of 4), which is at similar levels to 1Q 2019. The supply of new seats in 1Q is 1,870, down 55% y-o-y as mainly small and mid-sized theaters were added to the market. Due to the impact of COVID-19, the completions of new movie theaters scheduled this year will be postponed to next year, pointing to significant cut in supply in the foreseeable future.

Major Transaction Cases (2019~2020 1Q)

Property	Market	Address	Seat	Price (100 mill KRW)	Date	Seller	Buyer
Lotte Cinema Gyeongsan branch	Yeongnam Area	Gyeongbuk Gyeongsan-si	1,164	164	2019	Richmond AMC	JB AMC
Lotte Cinema Gwangmyeong Crossroad branch	Greater Seoul Area	Gyeonggi Gwangmyeong-si	1,042	220	2019	Koramco AMC	Korea Alternative Investment Corporation
Lotte Cinema Sangin branch	Yeongnam Area	Daegu Dalseo-gu	1,280	243	2020	Koramco AMC	Korea Alternative Investment Corporation
CGV Daejeon Gao branch	Jungbu Area	Daejeon Dong-gu	1,163	313	2020	Cenit Co., Ltd.	Melon AMC

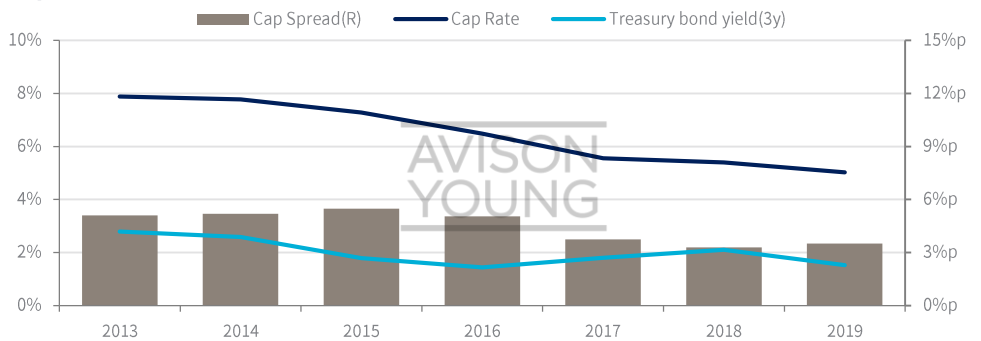
Source: Avison Young Korea Research Center

Transaction volume by buyer type



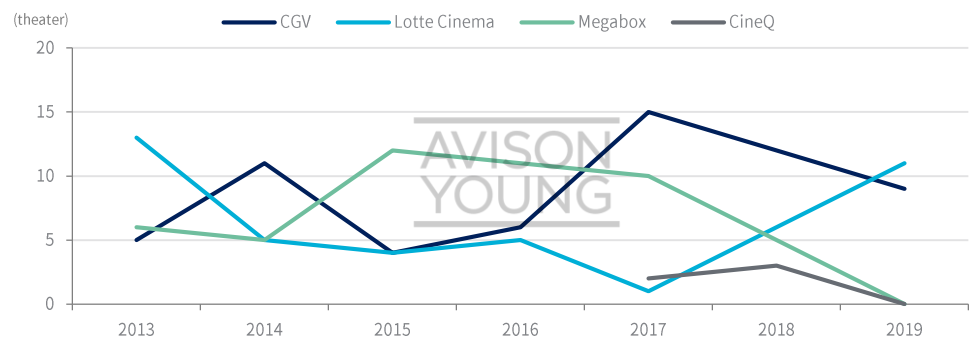
Source: Avison Young Korea Research Center

Capitalization rate



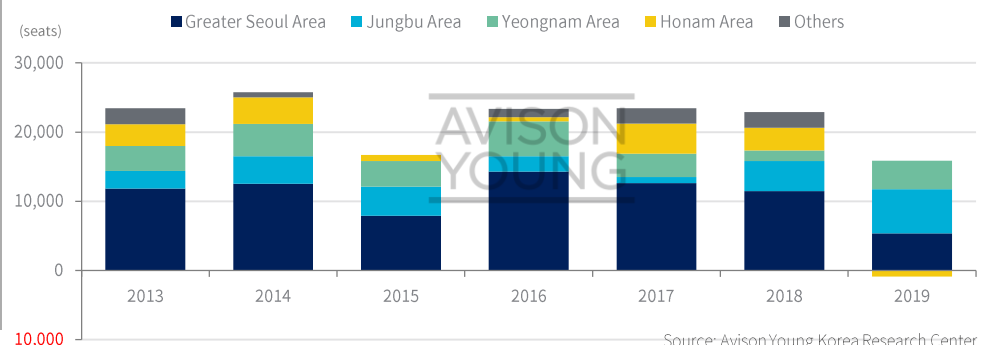
Source: Avison Young Korea Research Center

Net supply of movie theater by multiplex chains

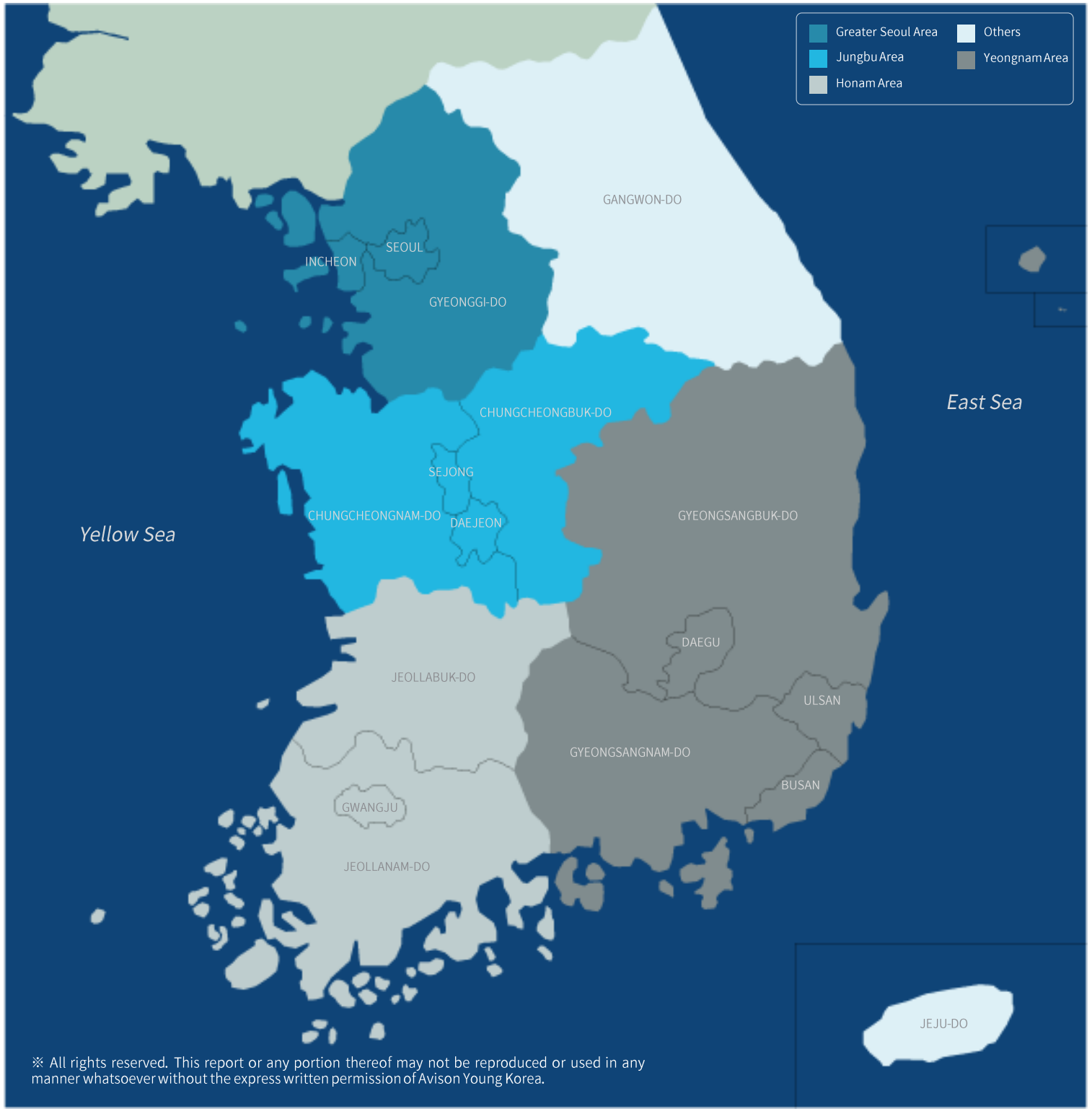


Source: Avison Young Korea Research Center

Net supply of seats by market



Source: Avison Young Korea Research Center



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Publisher	Managing Director, Injoon Choi	Chief Editor	Head of Research, Hyounggoo Lee
Address	16, Euji-ro 5-gil, Junggu, Seoul, Republic of Korea	Registration Number	서울중, 바00224
Registration date	2020.05.13	Date of publication	2020.06.19

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