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July 26, 2023

BY E-FILE AND HAND DELIVERY

The Honorable Morgan T. Zurn
Court of Chancery of the State of Delaware
Leonard L. Williams Justice Center
500 North King Street, Suite 11400
Wilmington, Delaware 19801

**Re: *In re AMC Entertainment Holdings, Inc. Stockholder Litigation,*
C.A. No. 2023-0215-MTZ**

Dear Vice Chancellor Zurn:

We write on behalf of Defendants AMC Entertainment Holdings, Inc. (“AMC” or the “Company”), Adam M. Aron, Denise Clark, Howard W. Koch, Jr., Kathleen M. Pawlus, Keri Putnam, Anthony J. Saich, Philip Lader, Gary F. Locke, Lee Wittlinger, and Adam J. Sussman (collectively, “Defendants”) in response to the request in Your Honor’s July 24, 2023 letter that the parties submit “[n]otice of business needs on the horizon,” including “any events or circumstances compelling a decision by a certain date.”¹

¹ Dkt. 587 at 5.



Defendants will not presume to tell the Court that AMC requires a ruling by a particular date. What Defendants can say is that the sooner the Company has clarity regarding its go-forward capital structure, the better it can act to protect the best interests of all of its stakeholders, especially its common stockholders. Specifically, if and when the reverse stock split and conversion are consummated, they will create a significant amount of authorized and unissued common stock that AMC can use to raise equity capital -- instead of having to use the significantly discounted and, thus, significantly dilutive APEs.

Given the fundamentals of the industry, AMC's current financial situation, and the general pattern of late-summer capital markets activity, a ruling in the late part of July or early August would create the maximum chance of AMC being able to raise equity capital through a capital markets financing in the near term. The fundamentals of the industry, while having recovered from pandemic lows, remain challenged. The first half of the 2023 box office was 21% behind the same period in 2019. In the first quarter of 2023, the most recent quarter for which AMC has publicly disclosed its financial results: (i) AMC reported Net Cash Used in Operating Activities of \$189.9 million; and (ii) the Company's assets, including \$495.6 million in cash, were dwarfed by the Company's \$11.4 billion in total

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liabilities. For the reasons set forth in this letter, and as AMC has publicly disclosed, its current cash burn rates are simply not sustainable.

While the Company has experienced seasonal improvements in the second quarter of 2023, it continues to require cash. Moreover, AMC remains highly leveraged and has experienced and expects to experience extended periods of negative cash flow. Indeed, AMC reported \$628.5 million of Net Cash Used in Operating Activities in calendar year 2022.

Comparable liquidity issues claimed AMC's similarly-leveraged peer, Cineworld, which filed for bankruptcy in September 2022. The industry faces unpredictable cash receipts, fluctuating net working capital needs, fixed lease payments and, specific to AMC, continued high interest burdens. Importantly, AMC's cash flow is highly dependent on the availability of theatrical content. This makes the current simultaneous actors and writers strikes, which put the supply of theatrical content in both the second half of 2023 and 2024 at risk, a serious threat (attached as Exhibit A is an article from a respected third party, dated yesterday afternoon). If movies are delayed, this would deprive AMC of otherwise expected revenues and associated cash, exacerbating an already significant need to raise additional capital. AMC needs to seize every opportunity possible to seek

incremental capital and avoid any risk of bankruptcy, which would be a disastrous outcome for its common stockholders.

Fortunately, the beginning of August presents a strong opportunity for AMC to consummate an equity financing, with the proceeds used to support its business. As a result, should Your Honor approve the proposed settlement, AMC is prepared to act as expeditiously as possible to take advantage of that opportunity. Conversely, the last two weeks of August are a historically quiet period in the financial markets, and having to wait until an equity financing can commence only increases the risks associated with a typically uncertain box office in August and the ongoing fallout from -- and potential escalation of -- the current strikes. We also note that AMC must provide 10 days' notice to the New York Stock Exchange before effecting the reverse stock split and conversion.

We are mindful of the Court's busy docket and, again, we do not presume to suggest a specific deadline. Rather, we have attempted in good faith to respectfully present the Court with the reasons why a ruling in late July or early August would be in the best interests of AMC and its common stockholders. We are grateful for the Court's continued attention to this matter, and for its consideration of the views set forth herein.

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Respectfully,

/s/ Kevin M. Gallagher

Kevin M. Gallagher (#5337)

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EXHIBIT A

DEADLINE

PRINT

'Drive-Away Dolls' Eyes September Exit; What's Involved In Possible 'Dune: Part Two' Spring 2024 Move – The Dish



By **Anthony D'Alessandro**

July 25, 2023

3:50pm



'Dune 2' and 'Drive Away Dolls'

Everett Collection

EXCLUSIVE: Despite all the champagne popping at Warner Bros and Universal over the bananas box office success of *Barbie* and *Oppenheimer*, distribution executives continue to sweat over a possible

lengthy SAG-AFTRA strike that is already blowing up the fall release calendar. We told you first last week this was going to happen. Many want their stars to promote these films.

Sources tell me that studio executives are hoping to huddle with the National Association of Theatre Owners in an effort to get the word out to SAG-AFTRA how a lengthy strike could really do damage, not just to the motion picture business but also to exhibition itself after cinemas ate dirt during Covid. The news comes as No. 1 theater chain AMC is running out of cash; cinemas can't go through this again.

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We told you that Oscar-bait adult-demo titles that squarely hinge on actors' promotions are the first titles to move off the calendar, which we saw immediately with MGM's *Challengers*, starring Zendaya and directed by Luca Guadagnino, last week heading from September 15 to the last weekend of April (and out of its Venice opening-night premiere). To date, it's the only major studio movie to be pulled from a festival.

Focus Features' Ethan Coen road comedy *Drive-Away Dolls*, I hear, won't be making its way to the fall film festival troika of Venice, Toronto and Telluride. Festivals have expectations for talent to show up, and in the case of *Drive-Away Dolls*, Coen is a co-writer too and the WGA strike is also ongoing. Focus' *The Holdovers* and Sony's *Dumb Money* can have their directors, Alexander Payne and Craig Gillespie, respectively, do press at TIFF as they aren't billed as writers on their films.

While Searchlight's Emma Stone-Yorgos Lanthimos bender *Poor Things* dodged from September 8 to December 8, even with a starless Venice Film Festival premiere, note the studio has launched big pics at Venice before for awards season and rode that wave to an early December launch, i.e., 2010's *Black Swan*.

Separately, *Drive-Away Dolls* is eyeing a move off its September 22 release date, largely because it's dated against the awards-bait title *Dumb Money*, which will have the gas of TIFF behind it. New date for caper movie starring Margaret Qualley, Geraldine Viswanathan, Matt Damon and Pedro Pascal is TBD; if you glance at the Comscore calendar, Focus has October 6 on hold for an untitled feature.

Now what's up with Legendary/Warner Bros' *Dune: Part Two*? We told you it wouldn't be shocking if the feature moved off its golden November 3 theatrical release date. Denis Villeneuve got stiffed with

WarnerMedia's theatrical day-and-date experiment, which prevented the movie from being the *Star Wars* blockbuster it could have been; the pic still is one of the highest-grossing movies of the 2021 pandemic at \$402 million worldwide and notched several Oscar wins.

As of today, *Dune: Part Two* is not moving, but if Zendaya with her 200 million social media followers can turn *Challengers* into a counterprogramming success, she can certainly help in trumpeting the feature take of the Frank Herbert novel. Of course, it stands to reason that Villeneuve and Legendary are going to wait this sci-fi spectacle out; why would they allow it to become distribution collateral damage again?

I hear Legendary, which is in the pilot's seat here on the pic's fate, is in wait-and-see mode and has until September before *Dune 2*'s next leg of marketing has to go.

If *Dune: Part Two* moves, where does it go? I hear there are three spring options, and you just have to look at the release calendar: March, April or a break in the summer connected to a possible Cannes Film Festival launch. Warners already has the following dates on hold in regards to where *Dune: Part Two* could go: March 15, where Legendary has its next *Godzilla/King Kong* movie; April 19, which they have on reserve for an event title; or June 21, an untitled open slot for the Burbank lot.

But again, if the AMPTP and SAG-AFTRA see eye-to-eye by Labor Day weekend, *Dune: Part Two* could stay exactly where it is on the calendar.

What about *Wonka* (December 15), *Aquaman and the Lost Kingdom* (December 20) and *The Color Purple* (Christmas Day) moving to 2024? Still way too soon to call. but if these tentpoles are vulnerable to changes, so are others.

At this point in time we're hearing there's no truth to Apple Original Movies' *Killers of the Flower Moon* (October 6) and *Napoleon* (November 22) getting qualifying theatrical runs over a wide release. Their theatrical distribution is being handled by Paramount and Sony, respectively.

Legendary and Focus Features provided no comment on today's news.

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