

## JUSTICE NEWS

Department of Justice

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### **AMC Required to Divest Movie Theatres, Reduce NCM Ownership and Complete Screen Transfers in Order to Complete Acquisition of Carmike Cinemas**

#### *Proposed Settlement Preserves Movie Theatre Competition in 15 Local Markets and in Preshow Services and Theatre Advertising Markets*

The Department of Justice announced today that it will require AMC Entertainment Holdings Inc. to divest theatres in 15 local markets, sell off most of its holdings and relinquish all of its governance rights in National Cinemedia LLC (NCM), and transfer 24 theatres with a total of 384 screens to the network of Screenvision LLC in order to complete its \$1.2 billion acquisition of Carmike Cinemas Inc.

The Justice Department's Antitrust Division filed a civil antitrust lawsuit today in the U.S. District Court for the District of Columbia to block the proposed acquisition. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the competitive harm alleged in the lawsuit. The department said that without the required divestitures and other relief, the merger would result in higher prices and lower quality theatre amenities for moviegoers and weakened competition in the markets for preshow services and theatre advertising, where Screenvision is NCM's only meaningful rival.

"Moviegoers across the United States have benefitted from head-to-head competition between AMC and Carmike that has kept ticket prices in check and delivered a higher quality movie experience," said Acting Assistant Attorney General Renata Hesse of the Department of Justice's Antitrust Division. "Today's settlement will ensure that movie theatre competition is preserved in 15 local markets where AMC and Carmike currently compete. In addition, by requiring AMC to reduce its equity stake in NCM, terminate its participation in NCM's business, and transfer screens to Screenvision, the settlement will promote continued vigorous competition between the two leading cinema advertising networks – competition that the division fought to protect when it blocked the NCM-Screenvision merger."

According to the department's complaint, AMC and Carmike compete to attract moviegoers in local markets across the United States by providing affordable ticket prices and a superior viewing experience. Because AMC and Carmike are each other's most significant competitor in 15 local markets across the country, the complaint alleges that the proposed acquisition would likely reduce price competition and the quality of the moviegoer's experience in each of these local markets. Under the terms of the proposed settlement, AMC must divest AMC or Carmike movie theatres in all 15 local markets to buyers approved by the United States to eliminate the merger's likely harm in these markets.

The department's complaint further alleges that AMC's acquisition of Carmike would lessen competition in the preshow services and cinema advertising markets, where NCM and Screenvision together serve over 80 percent of U.S. movie screens and compete to win exclusive contracts to provide preshow services to exhibitors. According to the department's complaint, as a major owner of both NCM and Screenvision post-merger, AMC would have an

incentive to reduce the head-to-head competition between NCM and Screenvision, resulting in less aggressive competition to gain exhibitors and advertisers at the expense of the other. In addition, the merger would eliminate Carmike – currently Screenvision’s largest and most important exhibitor – as a source of future Screenvision growth because all future AMC new builds and theatre acquisitions will affiliate with NCM under the terms of AMC’s NCM contract.

Under the terms of the proposed settlement, AMC must divest the majority of its equity interest in NCM such that it owns no more than 4.99 percent of the company, relinquish all of its NCM governance rights, and transfer 24 theatres comprising 384 screens to the Screenvision network. The department said that these measures will ensure that movie exhibitors and advertisers continue to enjoy the benefits of vigorous competition between NCM and Screenvision in the preshow services and theatre advertising markets. The Division filed suit to block the proposed merger of NCM and Screenvision in 2014 and NCM and Screenvision subsequently abandoned their transaction.

The proposed settlement also requires AMC to establish firewalls to ensure that it does not obtain NCM’s, Screenvision’s, or other movie exhibitors’ competitively sensitive information or become a conduit for the flow of such information between NCM and Screenvision.

AMC is a Delaware corporation with its headquarters in Leawood, Kansas. As of Sept. 30, 2016, AMC operated approximately 388 theatres with a total of 5,295 screens located in 33 states and the District of Columbia. Its U.S. box office revenues were approximately \$1.9 billion in 2015.

Carmike is a Delaware corporation with its headquarters in Columbus, Georgia. As of Sept. 30, 2016, Carmike operated 271 movie theaters with a total of 2,917 screens located in 41 states. Its U.S. box office revenues were approximately \$490 million in 2015.

As required by the Tunney Act, the proposed settlement and the department’s competitive impact statement will be published in the *Federal Register*. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to Owen M. Kendler, Acting Chief, Litigation III Section, Antitrust Division, U.S. Department of Justice, 450 5<sup>th</sup> Street, N.W., Suite 4000, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may enter the proposed consent decree upon finding that it serves the public interest.

[AMC-Carmike Complaint](#)

[AMC-Carmike CIS](#)

[AMC-Carmike Explanation](#)

[AMC-Carmike Hold Separate Stipulation and Order](#)

[AMC-Carmike PFJ](#)

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**Topic:**  
Antitrust

Antitrust Division

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