Motion picture theatres, 2020

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Despite new business practices during the COVID-19 pandemic, the motion picture and video exhibition industry had a difficult year in 2020. Because of the industry's cost structure and a large decrease in sales, the pandemic hastily turned the industry's operating profit margin negative, from a positive average of 14.6% since 2014, to a negative 42.3% in 2020.

The motion picture and video exhibition industry consists of establishments that are primarily engaged in exhibiting motion pictures, including cinemas, drive-in theatres and film festivals.

With theatres being shut down during the pandemic because of periodic lockdowns across the country, operating revenue for the motion picture and video exhibition industry sharply dropped by almost three-quarters (-70.6%) in 2020 when compared with 2018, reaching a total of $552.9 million. The declines in operating revenue were significant in all provinces. Given the restrictions imposed on non-essential services, provincial and territorial governments required movie theatres to shut down at various times throughout the first year of the pandemic, including part of the typical summer blockbuster season and the Christmas holiday season. Likewise, the theatrical releases of several blockbusters originally scheduled for 2020 were delayed to 2021 or later. The share of total sales from e-commerce fell to 15.8% in 2020, compared with 18.0% in 2018.

The contraction in operating expenses from 2018 to 2020 was not as steep (-50.0%), falling to $786.8 million, owing in part to fixed costs such as rental and leasing, repair and maintenance, and amortization and depreciation. As for salaries, wages, commissions and benefits, they totalled $144.6 million in 2020, representing a 46.0% decrease compared with 2018. A number of government pandemic wage subsidies and support programs helped cover part of employee payrolls in 2020.

Royalties, franchise fees and memberships would typically constitute the largest proportion of total operating expenses, and they accounted for 30.6% in 2018. However, with fewer theatrical releases, the share fell to 10.6% in 2020. In contrast, rental and leasing expenses made up 23.5% of total operating expenses in 2020, up from 15.0% in 2018. Despite salaries, wages, commissions and benefits decreasing by $123.3 million between 2018 and 2020, the share changed marginally from 17.0% to 18.4% of total operating expenses over the same period.

Looking ahead: how fast will box office revenues bounce back?

A number of delayed high-profile blockbuster movies are scheduled for release in 2021 amid the loosening restrictions on public gatherings in most provinces. However, the pace of recovery will be influenced by some of the same challenges faced by the motion picture and video exhibition industry before the pandemic: rising competition from home entertainment options in recent years and attendance that has not increased since 2014. Furthermore, it is still unclear how much consumer habits and activities will change following the pandemic and how audiences will embrace the return of movies on the big screen.

On the supply side, more and more movie titles intended for theatres are being made available only through streaming services. While the challenges are numerous, on the positive side, movie theatre attendance did nevertheless rebound in other key international markets once restrictions were lifted. The industry will also continue to leverage pre-pandemic specialized movie experience trends that helped operating revenues grow in Canada. For example, before the pandemic, several theatres were offering a larger variety of available concessions, including full meals, alcoholic beverages, and enhanced seating and viewing options.

Note to readers

Data for 2016 and 2018 have been revised.

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