

Kevin M. Gallagher  
302-651-7692  
Gallagher@rlf.com



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.”<sup>1</sup>

---

<sup>1</sup> 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

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.

The Honorable Morgan T. Zurn  
July 26, 2023  
Page 5

Respectfully,

*/s/ Kevin M. Gallagher*

Kevin M. Gallagher (#5337)

Words: 737

KMG:dlr

cc: Gregory V. Varallo, Esquire (by e-file)  
Daniel E. Meyer, Esquire (by e-file)  
Michael J. Barry, Esquire (by e-file)  
Kelly L. Tucker, Esquire (by e-file)  
Jason M. Avellino, Esquire (by e-file)  
Thomas Curry, Esquire (by e-file)  
Corinne Elise Amato, Esquire (by e-file)