

Chinese company to buy US movie theater chain AMC

May 21 2012, By JOE McDONALD , AP Business Writer



Gerry Lopez, CEO of AMC Entertainment Holdings, left, shakes hands with Zhang Lin, Vice President of Wanda during a signing ceremony for Dalian Wanda Group Co. to acquire AMC Entertainment Holdings in Beijing, China, Monday, May 21, 2012. The Chinese conglomerate announced Monday it will buy major U.S. cinema chain, AMC Entertainment Holdings, for \$2.6 billion to create the world's biggest movie theater operator. (AP Photo/Ng Han Guan)

(AP) -- A Chinese conglomerate announced Monday it will buy a major U.S. cinema chain, AMC Entertainment Holdings, for \$2.6 billion in China's biggest takeover of an American company to date.

Dalian Wanda Group Co.'s purchase reflects the global ambitions of a wave of cash-rich Chinese companies that are using acquisitions to speed their expansion by obtaining foreign skills and brand names.

Wanda said the deal will create the world's biggest movie theater operator. The Beijing-based company said it will invest an additional \$500 million to fund AMC's development. AMC operates 346 cinemas, mostly in the United States and Canada, and says it has 23 of the 50 highest-grossing U.S. outlets.

"We support AMC becoming bigger, not only in the United States but in the global market," said Wanda chairman Wang Jianlin at a signing ceremony for the acquisition.

The deal reflects rising Chinese investment in U.S. corporate assets despite disputes between the two governments over trade and political issues such as this month's diplomatic standoff over a blind Chinese legal activist.

The deal is the third-largest Chinese corporate investment in the United States, according to financial research firm Dealogic. It ranks behind investments by Beijing's sovereign wealth fund, the China Investment Corp., of \$5 billion in Morgan Stanley and \$3 billion in Blackstone Group LP, both for minority stakes in 2007.

Chinese companies had invested \$34.8 billion in the United States by the end of 2011 in industries including auto parts, agriculture and steelmaking, according to data compiled by Derek Scissors, a China analyst at the Heritage Foundation in Washington.

Globally, outbound mergers and acquisitions by Chinese companies total \$16.8 billion so far this year, up 6 percent from the same period last year, according to Dealogic.

Wanda said AMC's American management will remain in place and the headquarters will stay in the Kansas City area. It said staff numbers were not expected to be affected. The company employs some 18,500 people.

Wanda, founded in 1988 and privately owned, operates hotels, department stores, tourism and other businesses and says it had 2011 revenue of \$16.7 billion. The company employs 50,000 people and its assets include 86 theaters in China.

AMC's owners include Apollo Global Management, Bain Capital, the Carlyle Group, CCMP Capital Advisors and Spectrum Equity Investors.

AMC has reported losses for the past three years but its CEO, Gerry Lopez, said it has returned to profit this year due to strong ticket sales.

Wang, the Wanda chairman, said AMC's financial problems were due to the cost of servicing high debt. He said conditions should improve once an injection of Wanda's cash allows it to pay off some of that.

"We are confident that after the merger, AMC will turn positive," he said. "We have absolute confidence in the future of the company."

The acquisition comes as Hollywood is looking to China both for its fast-growing audience and for production partners.

Walt Disney Co. has said its next "Iron Man" movie will be co-produced with a Chinese partner and "Chinese elements" will be added to the story to increase its local appeal. DreamWorks Animation SKG Inc. unveiled a venture in March with three Chinese companies to make animated and live action material.

Wang said Wanda has applied to China's government for a license to import movies, a right held now by two state-owned companies. But he said the AMC acquisition concerned only film exhibition, not production or distribution.

"We have no plans to promote Chinese films in the [United States](#),"

Wang said. "Mr. Lopez will decide what movies will be shown" in AMC theaters.

Wanda's investment will allow AMC to speed up renovation of some cinemas and install more 3-D and IMAX technology, Lopez said.

Wang and Lopez said the two companies plan to share experience in the film business and will have executives from each country visit the other. Lopez said they have not made detailed plans about such things as a possible exchange of staff.

Lopez is to join the board of directors of Wanda's cinema unit, while a Wanda executive will join AMC's board, Wang said.

Wang said Wanda is considering more acquisitions abroad for its entertainment, hotel and retail units. He said it might try to buy into a global hotel brand or a hotel management company but gave no details.

"We want to be a big company, not just in [China](#) but in the world," he said.

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