

Company Name: Cinemark
Company Ticker: CNK US
Date: 2019-02-22
Event Description: Q4 2018 Earnings Call

Market Cap: 4,473.17
Current PX: 38.29
YTD Change(\$): +2.49
YTD Change(%): +6.955

Bloomberg Estimates - EPS
Current Quarter: 0.395
Current Year: 2.358
Bloomberg Estimates - Sales
Current Quarter: 726.000
Current Year: 3283.364

Q4 2018 Earnings Call

Company Participants

- Chanda Brashears
- Mark Zoradi
- Sean Gamble

Other Participants

- Alexia S. Quadrani
- Eric O. Handler
- David W. Miller
- Chad Beynon
- Robert Fishman
- Benjamin Daniel Swinburne
- James Charles Goss
- Eric Wold
- Drew Borst
- Alan Gould

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Natalia and I will be your conference operator today. At this time, I would like to welcome everyone to the Cinemark's Fourth Quarter and Full-Year 2018 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I will now turn the call over to your host, Chanda Brashears, VP of Investor Relations. You may begin.

Chanda Brashears

Thanks, Natalia, and good morning, everyone. At this time, I would like to welcome you to Cinemark Holding, Inc.'s fourth quarter and full year 2018 earnings release conference call hosted by Mark Zoradi, Chief Executive Officer and Sean Gamble, Chief Financial Officer and Chief Operating Officer.

In accordance with the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995, certain matters that are discussed by members of management during this call may constitute forward-looking statements. Such statements are subject to risks, uncertainties and other factors that may cause Cinemark's actual performance to be materially different from the performance indicated or implied by such statements. Such risk factors are set forth in the company SEC filing.

The company undertakes no obligation to publicly update or revise any forward-looking statements. Today's call and webcast may include non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures can be found in today's press release within the company's annual filing on Form 10-K once filed and on the company's website investors.cinemark.com.

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I would now like to turn the call over to Mark Zoradi.

Mark Zoradi

Thank you, Chanda, and good morning, everyone. We appreciate you joining us to discuss our 2018 fourth quarter and full-year results. I'll focus on the full-year highlights and Sean will address our quarterly results in his prepared remarks. Before diving into the details, I'd like to kick things off by announcing an \$0.08 increase to our annual dividend. This marks the fourth consecutive increase and brings our dividend to \$1.36 per share with a 3.7% yield as of yesterday's trading price. Based on the continued optimism in the stability of the industry, enthusiasm for upcoming film content and in light of Cinemark sustained financial strength, our board of directors determined this was an appropriate opportunity to return additional capital to our shareholders.

The strength of our balance sheet enabled this dividend increase while continuing to invest in strategic initiatives to secure Cinemark's long-term success and maintain our prudent and disciplined approach. Inclusive in this increase, we now have grown Cinemark's dividend by 36% over the past five years and distributed more than \$640 million in cash dividends during that period.

Moving on to our 2018 results. Following our record breaking performance in 2015, 2016 and 2017, we're very pleased to report Cinemark's fourth consecutive year of all-time highs, including records in all of our revenue category that collectively delivered total revenue of more than \$3.2 billion and exceeded \$3 billion for the first time in our company's history and record adjusted EBITDA \$782 million as well as adjusted EBITDA margin of 24.3%. Hats off to the entire Cinemark team for their disciplined execution of our strategic initiatives that combined with outstanding studio content enabled these record results.

When we entered 2018, many industry observers held expectation that the North America box office would struggle to grow versus 2017. Clearly, that was not the case. Impressively, not only the 2018 North America box office result exceed 2017, growing by 6.9%, but they also blew past prior record that was set in 2016 to reach an all-time high of \$11.9 billion. And the box office was bolstered by a sizable year-on-year growth in attendance that benefited from strong blockbuster films as well as high quality mid-tier content. These results demonstrated the resilience of the exhibition industry and what can be achieved when outstanding content is married with an exceptional theatrical movie-going experience. This is evident in Cinemark's results. In 2018, our domestic operation over indexed North America's sizable full-year industry box office growth by 80 basis points, growing 7.7%, and that's on top of our industry outperformance of 90, 100 and 200 basis points from the prior three years.

Moreover, we have now outperformed the industry for 9 of the past 10 years, which demonstrates our consistent long-term performance. While our domestic circuit and North American industry reached remarkable new heights in 2018, much of the content that helped drive those domestic results didn't resonate as well across Latin America. Films like Black Panther, Crazy Rich Asians and A Star Is Born never became the breakout hits in LATAM as they were in the U.S. The same goes for sci-fi titles like Solo that was the 10th largest title in the U.S. in 2018 but 49th across Latin America territories. Collectively, these differences led to a weaker overall content in Latin America compared to 2017 and yielded a year-over-year decline in attendance compared to North America's growth.

All that being said, when we look ahead to 2019, we see a film slate that should translate significantly better to Latin America audiences. With a sizeable volume of relatable family content, appealing action films like Fast & Furious spin-off, Hobbs & Shaw, as well as a sequel to Jumanji and horror titles such as the next installment of Annabelle and IT 2.

And, of course, we expect those same films, along with a myriad of robust and varied content throughout the year will bolster the North America industry box office in 2019 yet again. While the first quarter faces tough comparison to Black Panther, Jumanji, Star Wars: The Last Jedi, and The Greatest Showman that propelled the first quarter of 2018, prospects for the remainder of the year look promising.

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For example, in addition to the titles I just mentioned, there is an amazing lineup of family titles including The Lion King, Toy Story 4, Frozen 2, The Secret Life of Pets 2, Dumbo, Aladdin, POKÉMON Detective Pikachu, and How to Train Your Dragon: The Hidden World that opened in the U.S. last night to strong results.

In the action genre, you've got Avengers: Endgame, Star Wars: Episode IX, Captain Marvel, Spider-Man: Far From Home, Dark Phoenix, Joker, and Godzilla to just name a few. And then there's a new Quentin Tarantino film, Once Upon a Time in Hollywood, A Beautiful Day in the Neighborhood starring Tom Hanks as Mr. Rogers and the uncensored story about the breakout years of Sir Elton John called Rocketman and a horror film, Us, from the team behind 2017's breakout hit, Get Out.

Considering the strong commercial appeal of this year's upcoming slate, we believe 2019 will deliver yet again another outstanding year at the box office. And Cinemark is well-positioned to help drive those results and we continue to deliver an extraordinary and unparalleled guest experience to maximize attendance and box office. To do that, we'll continue to focus on strategic initiatives that, one, [audio gap] (00:08:17) enhance our in-theater service, quality and amenities; two, expand our food and beverage offerings; and three, increase interaction and engagement with our guests.

So, let's dig just a little deeper into what we have planned in regards to each of these areas in 2019 starting with in-theatre service, quality and amenities. Recliner seats remain our most sought-after guest amenity and continue to generate ROIs that exceed our 20% threshold through an uptick in attendance, ticket pricing power and increased concession purchases. As such, we've repositioned an additional 496 auditoriums with recliner seats in 2018 and now have 2,565 reclined auditoriums. This represents 56% of our U.S. footprint and the highest recliner penetration among the major exhibitors.

We're also leaders in regards to our premium large format recliner footprint as more than 70% of our domestic and XD auditoriums feature Luxury Loungers. Having aggressively pursued recliners the past several years, our investment in this initiative can decelerate during 2019. That said there's still many opportunities that exceed our 20% ROI threshold that we plan to pursue. We expect to end the year with approximately 60% of our domestic circuit featuring this luxury amenity including 75% of our XD auditoriums.

And speaking of XD, we generated nearly 9% of our global 2018 box office in our XD auditoriums, even though they account for only 4% of our worldwide screens. Our XD premium theater amenity remains the number one exhibitor branded large format in the world with 256 XD screens throughout the U.S. and Latin America. And we recently completed an intense inspection and tuning process to achieve THX certification, which formally validates that our XDs meet or exceed the most rigorous projection and sound quality standards. During the course of 2019, we anticipate growing our global XD footprint by 15 to 20 screens through new builds and the addition of second XD screens in selected locations.

In addition to Luxury Loungers and XDs, we're also boosting the overall guest experience and supplementing box office through R&D and immersive virtual reality with The VOID and SPACES, D-BOX motion seats, IMAX, 3D, movie-related merchandise and revitalizing our traditional game rooms. And while we are evolving our amenities, Cinemark has long excelled at creating a phenomenal entertainment experience for our guests through the foundation of top-notch customer service. We'll continue to do so in 2019 with exceptional guest relations achieved through training and empowering our employees to go above and beyond for each individual guest.

Cinemark also has a long history of consistently investing in our theaters to maintain the highest quality experience. This includes the overall look and feel of the theater as well as many behind-the-scene elements that our guests have come to expect at Cinemark such as our world-class theater technology, which delivers brilliant colors and immersive sound that cannot be replicated at home. We light up our screens with approximately 10 million showtimes on an annual basis, which equates to 27,000 showtimes per day, 365 days per year with near flawless precision and an unparalleled 99.96% uptime for scheduled movies.

Shifting to our expanded food and beverage initiatives in 2018, we increased our U.S. concession revenues by \$102 million, which is the largest annual increase that our company has ever achieved in this line item. That increase

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translates to an all-time high per cap of \$4.82, which was up 6.4% versus 2017 and yielded our 12th consecutive year of domestic per cap growth.

For 2019, through collaboration of our food and beverage and operations and film and marketing teams, we've defined a series of actions to maintain these concession trends. Some examples include; continuing to expand our Pizza Hut installations from 68 current locations to more than 100, further developing our multicultural offerings which vary based upon demographics and preferences for each individual theater and growing alcohol activations from 44% of our domestic circuit to approximately 50% by year end.

It's worth mentioning that while we are pursuing a wide range of new food and beverage offering, our core concessions including fountain drinks, popcorn and candy continue to be the most significant growth category. We continue to find that new products we have been introducing are largely complementary to our core products and are tapping into incremental sales opportunity rather than cannibalizing existing one.

Furthermore, as we survey our customers, they're telling us that these broader and more diverse categories of concession offerings are also enriching their overall movie-going experience. So in addition to driving incremental sales, they're helping to reinforce our overall objective of creating and enhancing an extraordinary entertainment experience for our guests which ultimately leads to more movie-going.

Another key opportunity to stimulate incremental movie-going is expanding our consumer reach and interaction beyond our theaters. As such, we're investing significant energy and resources into enhancing our social and digital marketing sophistication, further development of personalization capabilities to establish deeper relationships with our guests, and leveraging our digital technologies to create seamless consumer experience and strengthening the effectiveness of our media spend.

Additionally, we're highlighting our emphasis on our loyalty programs with an upcoming re-launch of our free loyalty program that will be combined with our proprietary paid membership program, Movie Club under one umbrella which will be called Cinemark Movie Rewards. Our two-tiered loyalty program will establish an even higher level of engagement with members through more compelling benefits and rewards that are key to long-term satisfaction. We're adopting the best-in-class attributes of a dollar-based point system with a variety of rewards that are designed to increase overall loyalty to Cinemark and generate incremental ticket sales.

Please note there are no changes to the structure of our Movie Club membership program. This consolidation of loyalty under one overarching program is intended to simplify our messaging to consumers and improve our ability to create more personalized, engaging and memorable offers and experiences for our guests.

On the topic of Movie Club, the success we realized during our first year far exceeded all of our expectations. Movie Club's growth continues to hold steady and there are now more than 560,000 active members in the program, which grew another 26% since our last call; that equates to more than 1,600 members per theater. And approximately half those members were not previously part of our free loyalty program, which means we're expanding our reach of loyal Cinemark customers as a direct result of Movie Club.

Movie Club was designed to enhance the guests overall experience and interaction with Cinemark. As we continue to survey our members, an overwhelming 96% are reporting that they are satisfied with the program and nearly three quarters reporting they are extremely satisfied. When we were developing Movie Club, we conducted extensive research to determine which program attributes would provide the most value to our customers.

Through that research, we landed on key features and benefits such as an attractive membership price with the ability to roll over and share unused credits, an opportunity to bring a companion, waive fees on advanced ticket reservations and a 20% discount on concessions. All of these benefits are embedded into the program and are what existing members continue to describe as the collective drivers of their high satisfaction with Movie Club.

We've also been successful with Movie Club driving increased movie-going frequency as well as increase loyalty to Cinemark. In fact, Movie Club members are going to the movies 3 times more frequently than our average moviegoer. Furthermore, approximately 75% of members surveyed are telling us they are visiting Cinemark more often than before

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they joined the program. And Cinemark Movie Club members are highly engaged with more than 75% of movie credits they received having already been redeemed.

As a result of this high engagement, we have now sold more than 13 million tickets through Movie Club since inception and Movie Club tickets represent more than 10% of our fourth quarter box office. Additionally, Movie Club members are paying to upgrade to premium formats twice as often as non-members which is serving to boost the program's overall average ticket price.

Another positive result we are seeing while the 20% concession discount we offer Movie Club members is helping to drive attendance and box office, it is not diminishing overall concession revenues. While food and beverage prices are slightly reduced, members are buying a larger quantity of items than non-members which is leading to an overall basket size that is on par with non-Movie Club transactions.

Importantly, members report visiting the concession stand more often which contributed to last year's \$102 million growth in food and beverage category that I mentioned previously. To say the least, we're absolutely delighted with Movie Club's first year results. It's achieving its goals of enhancing our guest experience and driving incremental movie-going. Furthermore, its transactional framework is a sustainable model for the long-term.

In conclusion, we're extremely pleased to again demonstrate our ability to deliver consistent quarterly and annual financial results including over indexing the North America industry, food and beverage per cap growth, robust adjusted EBITDA margin in both healthy and challenging box office environments, the fourth consecutive year of record financial results along with the fourth consecutive annual dividend increase.

Most importantly, the Cinemark organization does not rest on their laurels and previous successes, but continuously raises the bar on standards of quality and strives to evolve the overall guest experience with a mindful eye towards strong financial results and growing long-term share value.

That concludes my prepared remarks and I will now turn over the call to Sean to address a more detailed discussion of our fourth quarter financial performance. Sean?

Sean Gamble

Thank you, Mark, and good morning, everyone. Before digging into the details of our fourth quarter results, I'd like to remind you that beginning January 1 of this year, we adopted accounting pronouncement ASC 606, which affects revenue recognition for certain items. Additional information about this transition is available in the footnotes of our 10-Qs and 10-K. While the effects of ASC 606 will be ongoing, this is the last quarter that we'll experience a year-over-year comparison differential as we fully lap its implementation in the first quarter of 2019.

Shifting now to our fourth quarter results, in addition to the records Mark already described for full-year 2018, we also set new fourth quarter records across all revenue line items and adjusted EBITDA. Total worldwide revenues grew 6.5% to \$798.6 million and consolidated adjusted EBITDA increased 5.6% to \$198.1 million. Our adjusted EBITDA margin was 24.8% and included a 30-basis point drag caused by the ASC 606 accounting changes. Excluding the impact of these changes, it also would have established a new fourth quarter record at 25.1%

Domestically, admissions revenues increased 4.6% to \$369.7 million and exceeded North American industry growth by 290 basis points, marking 35 out of the past 40 quarters of outperformance. This quarter's outperformance was largely driven by attendance growth that outpaced the industry and increased 4.7% to 46.4 million patrons.

Our average ticket price of \$7.97 was relatively in-line with 2017 as core year-over-year ticket price growth was offset by the impact of ASC 606 as well as lower 3D mix related to film content. Domestic concessions per patron achieved an all-time record of \$4.98, an increase 6.2% versus 4Q 2017. This growth was largely driven by volume benefits from the varied food and beverage initiatives Mark discussed and was also supported by selective strategic pricing actions. Combined with robust attendance, these per cap results drove an 11.2% increase in total concessions revenues to a new fourth quarter record of \$231.1 million. Furthermore, we have now extended our per cap growth trend to 48

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consecutive quarters.

Domestic other revenues also increased 137.1% to \$50.5 million, driven primarily by the ASC 606 accounting changes. Overall, our U.S. operations set fourth quarter highs in total revenues of \$651.3 million and adjusted EBITDA of \$171.7 million with an adjusted margin of 26.4%.

Internationally, attendance declined 3.2% in the fourth quarter to 21 million patrons which was in-line with our expectations. While films like A Star Is Born, Mary Poppins and The Grinch helped drive North American box office growth, these titles didn't resonate as well with Latin audience where they lacked the nostalgia factor they possess in the U.S.

Furthermore, in-year contributions from the region's top two films, Aquaman and Venom, didn't deliver as much attendance as last year's Justice League and Thor due to release timing and degree of character popularity, respectively. International admissions revenues were \$75.4 million which declined 16.3% versus last year as reported but were up 1% in constant currency.

Our as reported average ticket price of \$3.59 translated to a constant currency increase of 4.3%. This increase was driven by inflationary price growth that was partly offset by lower 3D ticket mix similar to the U.S. International concession revenues were \$46.5 million, which declined 12.8% as reported but increased 3.4% in constant currency.

Our as reported international concessions per patron was \$2.21 which translated to a 6.5% increase in constant currency. International other revenues were \$25.4 million which increased 5.8% as reported and 35.8% in constant currency. This increase was predominately driven by the changes in ASC 606 accounting as well as positive growth in screen advertising.

Overall, total international revenues were \$147.3 million as reported with adjusted EBITDA of \$26.4 million and an adjusted EBITDA margin of 17.9%. As we stated in prior years, the fourth quarter historically yields the lowest margin for our international business as it tends to be the lowest attended. Our studio partners typically shift key Hollywood releases from the end of the year into January in order to take full advantage of summer holidays across the region. That dynamic, along with the effects of revenue recognition accounting and the other content factors I described a moment ago impacted our 4Q 2018 margin rate.

During the quarter, foreign currency pressures remained heightened, delivering an approximate 20% translation headwind which led to an approximate 13% unfavorable impact for the full year. Looking forward, if current rates continue to hold, we would expect a mid to high-single digit percentage drag in 2019 for the first half of the year experiencing the most significant impact. As a reminder, the vast majority of our international operating expenses are transacted in local currency, including film rental and facility lease expenses. So, the impact of currency exchange is predominantly translation-based and not transaction-oriented.

Shifting back to our worldwide consolidated results, fourth quarter film rental and advertising costs as a percentage of admissions revenue was flat year-over-year at 54.3%. Concession costs as a percentage of total concessions revenues increased by 50 basis points in comparison to the prior year. This increase was driven by the impact of expanded food and beverage offerings across our domestic circuit.

As mentioned on prior calls, while these offerings tend to create a slight drag on our concessions margin rate, they continue to drive sizeable growth in overall concessions revenues and income. Salaries and wages were 12.3% of total revenue which was relatively flat compared to the fourth quarter of 2017. Improved leverage over our base level of fixed labor that resulted from this quarter's global attendance growth offset increases in wage rates, benefit costs and staffing at new and recently remodeled theaters.

Facility lease expenses as a percentage of total revenue declined by 60 basis points benefiting from the predominantly fixed nature of these costs relative to revenue growth generated in the quarter. Conversely, utilities and other costs as a percentage of total revenues increased by 270 basis points driven by the impact of recording transaction fees on a gross versus net basis associated with adopting ASC 606 and G&A for the quarter decreased by 20 basis points as a percentage of total revenues.

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Our G&A metric also benefited from improved leverage over fixed costs even though aggregate G&A spend was up slightly year-over-year due to inflation, benefits costs and incremental investments to support our various strategic growth and productivity issues.

Collectively, fourth quarter pre-tax income was \$55.9 million. Our fourth quarter's effective tax rate was 64.1% and net income attributable to Cinemark Holdings, Inc. was \$19.4 million or \$0.17 per diluted share.

We like to highlight that year-over-year comparisons of net income and earnings per share for the fourth quarter and total year were impacted by new tax legislation that was issued in the fourth quarter of 2017 as well as recently issued guidance that was provided in the fourth quarter of 2018.

Associated with these changes, our 4Q 2018 income tax expense included a \$17 million discrete non-cash charge to increase our valuation allowance based on modifications in the treatment of foreign tax credit utilization.

Conversely, our 4Q 2017 income tax expense realized a \$45 million benefit due to 2017's tax reform.

Going forward, we expect our annual worldwide effective tax rate will be somewhere in the mid-to-high 20 percentage range excluding any future discrete tax items or revisions to global tax laws. With respect to our balance sheet, we ended the quarter with the cash balance of \$426.2 million and a net debt position of \$1.7 billion.

We remain dedicated to prudent capital planning and during the quarter, we opportunistically secured three, four-year interest rate swaps amidst rising interest rates. These swaps will hedge interest rate risk associated with a portion of our outstanding term loan debt and have been designated as cash flow hedges for accounting purposes. Subsequent to executing these swaps, approximately 90% of our long-term debt now maintains a fixed rate.

Turning attention to our worldwide footprint, we have opened 5 new theaters and 36 screens during the fourth quarter which added 14 theaters and 100 screens for the full-year 2018. As a result of these additions, we now exceed 6,000 screens for the first time in our company's history, operating 546 theaters with 6,048 screens across 16 countries at year end.

As we move forward, we continue to target accretive new builds and acquisitions that meet our balance and disciplined investment approach. In particular, we believe Latin America remains a long-term growth opportunity as per capita screen penetration across the region continues to significantly trail the U.S. and Mexico. As such, we anticipate growing our U.S. and Latin American screen count by approximately 1% and 5% per year respectively.

In the States, we already have signed commitments to open 6 new theaters with 70 screens during 2019 and 5 theaters representing 54 screens subsequent to 2019. We expect to spend approximately \$112 million of CapEx on these 124 domestic screens.

In Latin America, we have signed commitments to open 8 new theaters and 59 screens during 2019 and two new theaters and 29 screens subsequent to 2019. We anticipate spending approximately \$52 million in CapEx on these 88 international screens.

Regarding overall CapEx, we spent \$100.1 million in the fourth quarter including \$27.5 million on new builds and \$72.6 million on existing theaters. Our full-year 2018 CapEx was \$346 million and was in-line with the guidance we provided throughout the year. On our last earnings call, we stated that 2019 CapEx would likely step down from 2018 and we reiterate that message today. That said we do expect 2019 capital expenditures to remain at a slightly elevated level as we actively pursue the strategic initiatives that Mark described.

We continue to believe investing in long-term growth through ROI-generating amenities that enrich the guest experience is a prudent use of capital. As such, we anticipate spending between \$300 million to \$325 million during the year of which approximately one-third is designated for new builds, both domestically and internationally; another third is for core maintenance as well as certain expenditures to satisfy varied regulatory requirements; and the remaining third is budgeted for cash flow-generating projects that include additional Luxury Lounger theater conversions and varied food and beverage initiatives that meet our balanced and disciplined investment thresholds.

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Before we shift to Q&A, I would like to briefly comment on the implementation of the new ASC 842 lease accounting change that will go into effect in the first quarter of 2019. As you may already know, the purpose of ASC 842 is to provide a better understanding of the amount, timing and uncertainty of cash flows arising from leases. The biggest impact of the new standard is similar to capital leases, operating leases will now be grossed up on the balance sheet including a rate-of-use asset and a lease liability for theaters, equipment and other contracts deemed to be leases under the guidance.

We estimate the value of these liabilities will range between \$1.4 billion to \$1.6 billion as well the value of the corresponding assets. Even though operating leases will start to be reflected on the balance sheet, rent payments will continue to flow through the facility lease expense line item on the income statement as they currently do.

It's important to emphasize that ASC 842 is purely an accounting presentation change which is largely intended to reflect all lease obligations on the balance sheet. It does not impact cash rent, obligations to landlords or any other underlying business fundamentals. Additional information on this topic will be available in our 10-K disclosures and we will provide further specifics related to the impact of these changes during our 2019 first quarter earnings call.

In closing, a healthy box office environment, coupled with sustained execution of our strategic initiatives and long-term growth investments produced our fourth consecutive year of record setting results. Along with those results, we are pleased to further enhance shareholder value with another dividend increase and to have the wherewithal to do so as we continue investing in the future success of our company while maintaining the strength of our balance sheet.

Natalia, that concludes our prepared remarks and we would now like to open up the lines for questions.

Q&A

Operator

[Operator Instructions] Your first question is from the line of Alexia Quadrani with JPMorgan.

<Q - **Alexia S. Quadrani**>: Thank you very much. Just a few questions if I may. First, you've continued to outperform the industry. What do you think the drivers of this are and in any way can you sort of quantify or give us any color if you think that Movie Club might have had a positive impact on this? Then I have a couple more.

<A - **Mark Zoradi**>: Alexia, I'll take that. Thanks for the question. I think that it's a number of things. I think it comes down to our overall emphasis on the guest experience. And so, yes, Movie Club is clearly a significant part of that. But I think also the initiatives that we've done within our theaters to recline as many theaters as we've done, to redo our lobbies, to add to our food and beverage, all the training that we've done on our staff. So I think it's really a combination of all of these things as opposed to trying to pin it just to Movie Club. Movie Club is one of a number of initiatives that I think we've laid out in the past.

<A - **Sean Gamble**>: Alexia, I would also just – I fully agree with everything Mark said and I'll add for the fourth quarter specifically too. We also faced a comp that was a little bit more challenged last year with Star Wars which worked very well for our circuit, but sci-fi tends to slightly under index for us in the U.S. relative to this year where the content really played to our strengths.

<Q - **Alexia S. Quadrani**>: That's helpful. And then when you look at the slate this year, when you look at these, the films that are coming out, how do you think they'll play in Latin America? I think you had a few films this year that didn't play quite as well and I guess looking at the upcoming slate, how do you feel?

<A - **Mark Zoradi**>: Alexia, I dealt on that a little bit in my comments, let me add a little more color. We're very bullish on the lineup for Latin America. We can see that there is a significantly more family product, which over performs in Latin America. As well as we mentioned that some of the other titles, some of the action-adventure titles, specifically the spin-off in Fast & Furious, specifically some of the horror product. But probably more than anything else is there's such a strong lineup of family product; obviously Disney is leading the charge there. So we think the

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translation this year will be very significant and very positive.

<Q - Alexia S. Quadrani>: Perfect. And then just lastly, anything you can say on the impairment charge for the quarter? What was it for? If this was for Latin America, does it reflect at all any changes in your view in that on the regions for the longer-term?

<A - Sean Gamble>: Sure. The split was about 50/50 U.S. versus international. Really what we do each quarter is we just take a look at the – all of our theaters' estimates of future cash flows. It's based largely on current performance levels, which – those tend to lead to more impairments in a weaker content cycle. And we do that to just determine if those cash flows are sufficient to cover the theatres' asset book value. If they aren't, we take some write-downs. So, what we saw this year and the fourth quarter in particular is a slightly elevated number of situations, where we have theaters that were either impacted by competition or adverse market factors, and we felt it was prudent to take a write-down of those assets, really based on a conservative projection of cash flows.

It's pretty standard practice. It will fluctuate year-to-year based on market conditions, short-term, film content strength and really just the unique characteristics of the theater. So, I don't think it portends anything regarding just the future prospects for international or domestic for that reason. It's just kind of a non-cash byproduct of varied marketplace circumstances.

<Q - Alexia S. Quadrani>: All right. Thank you very much.

<A - Sean Gamble>: Thanks, Alexia.

Operator

Your next question is from the line of Eric Handler MKM Partners.

<Q - Eric O. Handler>: Good morning and thanks for the question. A couple of things for you. First, I'm curious now that we're starting to see a little bit of a recovery in the Brazil economy, what you guys are hearing in terms of any mall development; is anything changing along those lines?

<A - Mark Zoradi>: Eric, we appreciate it. We feel the same way. We think that Brazil is coming to a point where we're really going to be turning the corner there. There is a more pro-business government there. They're looking to do some reforms. I think that what that's going to do is improve the overall economy. We're starting to see some opportunities come forward into the future. So, the answer is a qualified, positive yes. I mean, we're not through all the force but we can see light at the end of the tunnel relative to Brazil. And so, we think that there's going to be some additional opportunities there for both malls and new theaters.

<Q - Eric O. Handler>: Great. And then for Sean, just curious as CapEx comes down and this is great. And obviously you still have some generating projects that you're working on. Where do you feel is your normalized, if there is such a thing, CapEx spending level and when do you think you get there?

And then secondly, you gave us the gross number of theaters that you expected to open this year. I'm just curious of what the net number would be after closings?

<A - Sean Gamble>: Thanks for the questions, Eric. As we kind of look across our overall CapEx spend, we've generally felt that a more normalized level would be somewhere in the \$250 million to \$280 million range. And as you kind of noted yourself that would be a normalized level, but that will be impacted by incremental investment opportunities that are growth generating and have to reach our ROI thresholds.

And then as far as our net screen openings for 2019, hold on, I'm just digging up that information on the expected closures. We expect in the year we'll probably have about one theater with 15 screens that may close, which would offset those new screens that I was referencing.

<Q - Eric O. Handler>: Thank you very much.

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<A - Sean Gamble>: Thanks. Appreciate it.

Operator

Your next question is from the line of David Miller with Imperial Capital.

<Q - David W. Miller>: Yeah. Hey, guys. Congratulations on the stellar results. Mark, you spoke about your expectations for Latin America for the year. It sounds like the slate is a lot friendlier with regard to audience taste down there. Are there any Brazilian-based films or any Brazilian or Latin American produced movies or even Portuguese films or films produced in Portugal that will hit the area that you think will make a difference in any one quarter? And then I have a follow-up. Thanks.

<A - Mark Zoradi>: David, as you know, we don't have quite the transparency to that, but there is a movie of note that's likely to come out in the third quarter. It's the sequel to [ph] Nada (00:43:08) and so if in fact that hits the third quarter that would be a good thing.

<Q - David W. Miller>: Okay. Wonderful. Thank you very much.

<A - Mark Zoradi>: Thanks, David.

Operator

Your next question is from the line of Chad Beynon with Macquarie.

<Q - Chad Beynon>: Hi. Thanks for taking my questions. I wanted to continue to focus on Latin America. So in 2018, your constant currency ATP and CPP appear to be kind of in-line maybe even below GDP and you kind of noted in the fourth quarter that this was mitigated by lower 3D. Is there anything else that's going on with the ability to raise pricing with inflation or with GDP as you have in the past? And as we think about 2019 and 2020, should we assume that that kind of improves back to levels we've seen in prior years? Thanks.

<A - Sean Gamble>: I'll take the question, Chad. Yeah. I think both for the fourth quarter total year had a similar dynamic to the fourth quarter. Part of the drag like we saw in the fourth quarter was also from 3D mix. 3D was down almost 500 basis points as a percentage of total box office for the year in LATAM relative to 2017, just as a byproduct of the mix of content.

That said, we are also seeing certain competitive situations in certain countries like Chile, Colombia and Peru that are limiting our – to get pricing growth to a certain degree in those countries. So that has been a bit of a challenge and has been a piece of the cause of why we've kind of trailed inflation a bit. All that being said, it is a big focal point we have as we look to this year and beyond of what other things we can do to offset that and try to get back up to an inflationary level which is generally our target.

<Q - Chad Beynon>: Okay. Great.

<A - Sean Gamble>: ... [indiscernible] (00:45:07) inflation.

<Q - Chad Beynon>: Perfect. Thanks, Sean. And then switching gears to your comment about reaching beyond theaters and improve kind of social and digitization to get out to your consumers. Have you considered partnering with other consumer brands outside of the industry that are big consumer-facing companies to drive awareness? I know some of your competitors in other markets have done that. Just wondering if that's a strategy that would make sense from a low CapEx kind of JV partnership standpoint? Thank you.

<A - Sean Gamble>: Well, Chad, from an overall partnership standpoint, we have done a number of significant promotions and partnerships with some key clients, including AT&T, including Coca-Cola, including Amazon, including Costco. Now, those were more promotional in base but we've established relationships there. And so as we

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look to 2019, we're going to continue and hope to grow those relationships into things that could go from one-off promotions into multiple promotions or into some strategic partnerships as well.

<Q - **Chad Beynon**>: Great. Thank you very much. Appreciate it.

<A - **Mark Zoradi**>: Thanks, Chad.

Operator

Your next question is from the line of Robert Fishman with MoffettNathanson.

<Q - **Robert Fishman**>: Good morning. I have one for Mark and one for Sean. Mark, given Amazon's recent comments on becoming seemingly more flexible with their theatrical windowing strategy, maybe making decisions on a film-by-film basis, can you discuss either specifically regarding Amazon or more broadly the existing and yet to be launched streaming services? Do you plan to keep to a strict policy of not playing any movies that don't adhere to the full exclusive theatrical run or do you think there are areas of compromise that you can explore going forward?

<A - **Mark Zoradi**>: Robert, thanks for the question. Let me start with the Amazon part of it. Amazon has been a great partner for Cinemark and exhibition in general since they came out with their prime video offerings and they continue to be – whether they would choose to have a movie or two that they would have a different distribution pattern on, clearly they could choose to do that and that would be obviously within their rights to do so. But the indications we have is that the vast majority of their titles, they have fully appreciated the theatrical exhibition as really setting up the value of that particular movie to be more valuable in downstream markets and to have more value to their prime members because it did get a theatrical release.

One thing that that we're seeing in research is that consumers who see more movies actually watch more streaming at home and vice-versa. I mean this was a third-party research that we didn't initiate but it's clearly come out that way.

As it relates to windows, we don't have any thoughts right at this point of changing anything relative to what we're doing. I mean our major studio partners beginning with Disney and right on down the line continue to adhere by which is basically a 74 day to EST and an 88 or 90 day to DVD and VOD, and that's what we anticipate continuing in the future with.

<Q - **Robert Fishman**>: Okay. Thank you. And for, Sean, so playing up on the International theme a little bit more, there's understandably a lot of focus on Brazil and Argentina when discussing your LATAM assets. But given the continued expansion that we saw this year in Colombia and other countries, can you share for us where you think the greatest growth is going to come from in the whole region over the next three to five years?

<A - **Sean Gamble**>: Well, if you kind of look over time, it's been a bit of a mixed bag. I think that's one of the benefits of having a diversified portfolio across the region. It's typically – it ebbs and flows, so yes, we've had kind of Colombia recently. Central America was kind of a big piece of new theaters opening both last year as well as this year. We've got a lot of prospects in Peru where we think there could be opportunity there that could kind of come. And then like Mark mentioned earlier, I think at some point, Brazil has been somewhat on hold as market conditions continue to improve there, we think we're going to start to see an uptick there as well as perhaps Argentina. So, our two biggest kind of countries have been a little bit idling for a while. So, over the next three to five years, I like to think that they're going to kind of tick back up again and we'll see a shift back to those countries over indexing relative to the rest of the region.

<Q - **Robert Fishman**>: Okay. Thank you both.

<A - **Mark Zoradi**>: Thanks, Robert.

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Your next question is from the line of Ben Swinburne with the Morgan Stanley.

<Q - Benjamin Daniel Swinburne>: Hey, good morning, guys. I wanted to come back to a couple of topics. One is on streaming, I think last year and certainly fourth quarter were probably the biggest film output quarters for Netflix. And as you guys have pointed out, there was a very strong box office year-end quarter for the industry and particularly Cinemark. What do you take away from that in terms of the sort of popular narrative that streaming films directly to the home, day-and-day or first window is a competitive threat to go into the theaters because it would seem at least not to extrapolate one data point but 2018 suggests they can coexist quite nicely and then I had a follow up on Movie Club.

<A - Mark Zoradi>: Ben, I think you made the point right there. I had said it just a little bit beforehand too. Consumers who stream more actually go to the movies more and consumers that go to the movies more actually stream more. There's a high consumption of movie product. So, we don't think streaming and the theatrical business can't mutually succeed together in very significant ways. And we saw it certainly in 2018 and I think we're going to continue to see it in 2019 when the meat of the 2019 lineup really starts to hit at the end of this quarter and into the second and third quarter.

So, that's the research that we're seeing as we look at industry researches out there and it's also what we see consumers doing. The theatrical experience is one that people have been doing for 100 years. And going back to whether it was DVD or even back to VHS or cable and now streaming, we've continued to see a strength in box office and continue to see 1.2 billion to 1.3 billion and maybe even slightly more billion people continuing to want to get out of their house and have a social experience at a movie theater.

And I really think it's a combination of the great product that the studios have been putting forward. And the way that exhibition and in particular Cinemark has been revitalizing the guest experience with all the amenities that we've aforementioned.

<Q - Benjamin Daniel Swinburne>: Got it. Make sense. And just on the Movie Club, another area of focus over the years has been the millennial behavior around movie-going. I'm wondering what the Movie Club member looks like from an age perspective, if you can have that data versus the broader audience. If that's bringing in a younger audience, I would assume, yes, but love to hear any color you have.

And then it's not hard to see this becoming maybe as much 20%-plus of your box by the end of – by this time next year. Just going back to your financials, you mentioned a drag on concession spending per patron. But what about average ticket price and film rentals; is there anything else we should be just to be aware of as we move through the year and Movie Club keeps growing in proportion, where – [indiscernible] (00:53:22) show up in the reported financials?

<A - Mark Zoradi>: All right, Ben, I'm glad you brought that up because, no, we have not seen any drag on our concession still. In fact, the opposite is true. We had in 2018 the largest increase in concessions, \$102 million that we had ever seen and this was the year that Movie Club really grew dramatically. So our concession business has actually increased during 2018.

And as we look at Movie Club, basically it's the same basket size for a Movie Club member or non-Movie Club member even taking into account the 20% discount they get. And then Movie Club members are reporting to us that they're actually going to the concession stand more often. So, it's been very, very positive to us on the food and beverage side.

As it relates to demographics for Movie Club, it's actually very broad. I mean the only limiting factor is you need to have a credit card. So, it tends to be young 20s, all the way up through 49, 50 years old. It's brought across men and women. Interestingly, it's slightly stronger among women than men but not dramatically and crosses all demographics. And also is geographically very diverse across the various 41 states that we're in. It's not just concentrated in California, for example but goes across the country.

<Q - Benjamin Daniel Swinburne>: Thank you.

<A - Mark Zoradi>: Thanks, Ben.

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Operator

Your next question is from the line of Jim Goss with Barrington Research.

<Q - James Charles Goss>: Thanks. Okay. Kind of couple of small questions first. One, regarding leasehold accounting change, is it fair to presume that the credit rating agencies always factored in capitalization of leases so this was already brought into whatever rating they were assigning so this has no impact on ratings?

<A - Sean Gamble>: Yes, Jim. Our understanding of kind of the – based on our discussions with the rating agencies and our understanding of their calculations, they already had their own methodology for adjusting for operating versus capital leases and really they were looking at the overall cash flow. So, short answer is it shouldn't have any effect on their ratings. That's our understanding from speaking with them.

<Q - James Charles Goss>: All right. And you talked about...

<A - Sean Gamble>: One of other comment I will make is our debt to – our covenants and everything within our debt it's all based on GAAP that was in place at the time that we did those instruments so it shouldn't have any effect on the specific elements of our debt instruments as well.

<Q - James Charles Goss>: Okay. Thanks. And in terms of – you always talked about translation of foreign results not generally involving operations. I'm just wondering though with Argentina I mean many countries have swings in their translation; none are quite so breathtaking as Argentina over time. And I'm wondering if that starts to have some impact on the – anything within the country not just how you translate it outside the country?

<A - Sean Gamble>: Well, what we've done not just in Argentina but elsewhere too while the effect on our financials are largely translation, what we have been doing in many circumstances is actually converting local currency into U.S. dollars. So, we've been moving for instance in Argentina now that you can cash, you can kind of move slowly in and out of the country. We've been moving it into U.S. dollar accounts just to preserve the balance, the value from a dollar basis and then pushing it back as we need it, converting it back as we need it.

Another thing we've been doing too to a certain degree, more of the flip side is the inflation side. With the high inflation in the country, oftentimes, we will, where it makes sense, buy things in advance in anticipation that if we wait costs will go up. So, we'll kind of do that as well.

So, those are some of the actions we've just taken to kind of preserve the value. Beyond that in terms of how it impacts the country, I mean I'm not sure it does. We haven't seen it necessarily impact the country locally in terms of consumer behavior or practices or anything of that sense. It just becomes more of an accounting representation in our books.

<Q - James Charles Goss>: Okay. Yeah, I was thinking of consumer behavior, but thank you for that. So then, my other question is on a more broad basis. Corporate strategic priorities, you touched them at the very beginning of the call, but as you near a slowdown in recliner conversions just percentage-wise, does the pace of ticket price adjustments aside from premium mix slow or increase?

And do you look for M&A more aggressively at this sort of stage or do you look at acceleration of return of capital? And then aside from that, what are the next [ph] act (00:58:38) options for Cinemark and the industry as a whole?

<A - Mark Zoradi>: That's a long one. That's a long one, Jim, but I'll try and not be too wordy. Relative to ticket prices, we tend to be relatively conservative on ticket prices. We don't think that we want to be the market leader in terms of ticket price because we think we can drive attendance and overall box office more effectively by having them remain slightly more affordable. So I don't think you're going to see any dramatic changes in how we approach ticket prices.

Relative to M&A, I don't think you're going to see any dramatic change there. We are very open and we look at every potential deal that is out there, and we just happen to be very disciplined buyers. And so, when a deal comes our way, whether it's a small one or a large one, we did a couple of modest ones in Latin America last year, we did not do one in the United States. We did like – it was a single theater. But when we can buy a theater chain, either small or mid-sized

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at a multiple that is accretive to us then we will be aggressive in pursuing that. But if the price is at our multiple or above then we're going to be a little bit more hesitant. So I don't think it changes our approach to M&A.

And from just a strategic standpoint, we think there's still great opportunity in the food and beverage area and we're going to continue to look at that both with enhanced food and then we're also going to look at merchandising in our theaters, and we're going to look at virtual reality in our theaters, and we're going to continue to recline auditoriums as noted, just not at the same pace. And we're going to continue to do new builds. And so I think we've got some very good uses for our capital and anytime we're spending that capital, we're looking, as you know at a 20% hurdle rate for it. And where possible, we'll do what we did this year. We increased the dividend and continue to return a significant amount of our resources back to shareholders.

<Q - James Charles Goss>: Okay. Well, thanks very much. Appreciate it.

<A - Mark Zoradi>: Thanks, Jim. Likewise, thank you.

Operator

Your next question is from the line of Eric Wold with B. Riley.

<Q - Eric Wold>: Thanks guys, good morning. Two questions on kind of follow-up topics that have been kind of addressed. I guess one on Movie Club, obviously everything kind of working well in terms of the membership demand, increased visitation, concession baskets. Anything that you found that is not working as you project or things that you may want to kind of tweak – how much flexibility do you want to have in terms of tweaking in terms of the model et cetera or you think everything is fine as it is?

<A - Mark Zoradi>: Eric, that's an interesting question because we ask ourselves that each and every month then we survey our members on a regular basis. The satisfaction rate has been so high that we haven't wanted to change any of the basics because people are very satisfied with it. However, we have looked at putting forward a gifting option because members were asking about that.

So, we just initiated that. We think it's a great initiative for whatever the holiday might be – whether it's Valentine's Day or when Christmas comes or birthdays and the initial entry on it has been very successful with people giving memberships as long as 6 months and 12 months. So we're going to continue to push that as we go forward.

And then as we look forward, we'll obviously look at pricing of Movie Club and at some point, we'll say when does it make sense to raise the price for it. That's under evaluation now.

<Q - Eric Wold>: Just on that price point, obviously, the fixed price for the consumer but the level of ticket that [indiscernible] (01:02:34) can vary based on location, [ph] data week (01:02:38), et cetera. Have you seen any kind of trends of when it's being used? Does it tend to be used at a point that's advantageous for the consumer or is it been – people are going to use it whenever they want to even it may not be as advantageous to use them?

<A - Sean Gamble>: We find that customers use their Movie Club credit each month. And then sometimes they have to buy an extra ticket because they've used them so much. So – and if a member has got two or three credits, we find them coming with a basket – I mean with two or three friends and using their Movie Club credits there. And so, the amazing part is, to us, is how – what a high percentage of the credits are being used on a consistent basis which means people are using it a lot.

And then also there, because they've got that 20% discount on concessions, they tend to go to the concession stand more often than when they didn't have that 20%. And that's why net-net, this is a positive on both the ticket side and driving admissions and box office, and it's also a positive on the food and beverage side.

<Q - Eric Wold>: Perfect. And then just final question, continuing in Latin America, assuming we start seeing some positive momentum in Brazil and maybe Argentina kind of after election there this year, I guess, one, any sense of kind of what's in the queue around construction that could essentially restart if builders feel more confident?

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And then coming out of any potential political economic changes in the region, would you expect any shifts in kind of the typical prototype of the mall down there or maybe kind of the [indiscernible] (01:04:23) theaters you look to build in the region in terms of number of screens, seat, VIP, mix, et cetera?

<A - **Mark Zoradi**>: I'll take that one. I think – I guess the short answer on the second part is, no. I don't necessarily see a change in the profile of the malls that are being built. We don't really have any indicators of that. Other than mall developers just continue to look for ways to make them better, like they would anywhere else with the types of stuff that they're packing into them.

And in terms of the pipeline, I mean I think it kind of gets back to kind of what we have talked about earlier. I think we see a sustainable pipeline of about 5% or so screen growth a year, roughly 50-plus big screens a year, so – and that's going to be varied. In the near-term, it's going to come from Central America and places like Central America and Peru. We think, over time, that's going to shift back more to Brazil and Argentina as I mentioned earlier. So, I think hopefully that kind of addresses what you're asking.

<Q - **Eric Wold**>: It does. Thanks, guys.

<A - **Mark Zoradi**>: All right. Thanks, Eric. Appreciate it.

Operator

[Operator Instructions] Your next question is from the line of Drew Borst with the Goldman Sachs.

<Q - **Drew Borst**>: Hi. Thanks. I wanted to ask about the competitive environment in the U.S. and I don't know if you have this number, but I'm wondering what percentage of your screen footprint in the U.S. overlaps with AMC and Regal even if it's just sort of a general sort of sense, but do you have that figure?

<A - **Mark Zoradi**>: Drew, I don't have that exact figure on the tip of my tongue, but yes, there – that we were in various markets we compete with them significantly. Again, I'll just give you a couple of examples. In Dallas, the two main exhibitors in Dallas are Cinemark and AMC. And if you go into the Bay Area which is our largest market, we compete with both circuits, AMC and Regal.

If you go over to Sacramento and we compete more with Regal there than AMC. If you get out to Los Angeles and we compete again with AMC and Regal. So, in nearly all of our major markets, we're competing with one or both of them and if not one of them and certainly with an important local exhibitor.

<Q - **Drew Borst**>: Thank you. Do you think that, that had a meaningful impact on the 4Q results? I mean you guys appeared to have taken share of at least based on a national basis in the quarter while we haven't seen AMC's numbers yet if there, of course, any indication they too have also been taking share and the benefit of stubs.

On the other hand and correct me if I'm wrong, I think Regal they don't have any subscription plan in place at this point and they may be even holding back as they do more renovations under new ownership. Do you think that, that dynamic to extent you agree with it on the margin was helpful to your numbers and contributed to why you gained a little bit of share because maybe you compete more with Regal and a little less so with AMC?

<A - **Mark Zoradi**>: That would be really hard to say that because we compete with both of them in a number of markets. And both of them are honestly very, very good competitors. So, it's difficult for me to say that because we have Movie Club that we've taken a share, I think what we've tried to do with Movie Club is to increase overall attendance as well as solidify loyalty to Cinemark. But I don't have any data in front of me which would lead to support what you were indicating there.

<Q - **Drew Borst**>: Okay.

<A - **Sean Gamble**>: The only other thing I would say to that is what we have looked at kind of quarter to quarter, there tend to be fluctuations quarter to quarter just based on the profile mix of the content and the demographics of our

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different markets. So, like I mentioned earlier one of the things that helped us in the fourth quarter in addition to everything we're doing just to create a great experience was the fact that the profile, the content lended itself more to our audiences where again fourth quarter of last year was so heavily driven by Star Wars which works well for us but sci-fi films tend to under index [indiscernible] (01:09:03). So we had a slightly easier comp, but when we looked over the past quarters over the course of this year, we've seen scenarios where Regal's growth has kind of over indexed us in certain markets and vice versa. So it's hard to draw parallels to any one particular thing, be that Movie Club or something else, because it does fluctuate a bit quarter-to-quarter from what we've seen, and market-to-market.

<Q - Drew Borst>: That's great. That's helpful. And thanks for sharing that. I know that question may be a little annoying, but thank you.

<A - Sean Gamble>: No. Appreciate it.

<A - Mark Zoradi>: No. it's not annoying.

Operator

Your final question is from the line of Alan Gould with the Loop Capital.

<Q - Alan Gould>: Thank you for taking the question. I've got one for Mark, and one for Sean. Sean, just curious, why do you choose to keep so much cash on the balance sheet \$400 million to \$500 million given the positive flow of your industry?

And for Mark, I was wondering if you have then any estimate of the impact that MoviePass have on Cinemark in 2018?

<A - Mark Zoradi>: Go ahead, Sean.

<A - Sean Gamble>: Well first, welcome. Welcome, Alan, I appreciate having you...

<Q - Alan Gould>: Thank you.

<A - Sean Gamble>: ...on the call and be with us. I'd say we have historically looked at the strength of our balance sheet as an asset for us which we continue to do. I mean, I think we've been pretty active in making investments into the company to set ourselves up for future growth and at the same time, dispersing capital to shareholders. But what we like about the strength of our balance sheet is, number one, it affords us the ability to be very opportunistic when opportunities come our way, such as what we did with recliners last year, where we really hit the gas seeing the potential opportunity and we didn't have capital as a limitation to do that.

And then secondly, in down periods, it gives us an opportunity to be on defense. It helps us to kind of navigate through any challenged period. So, we just like having that dry powder on the balance sheet to be very flexible.

And again, we don't think – we think this balanced approach of prioritizing investments in growth, while distributing capital to shareholders at a meaningful way, which we're doing through our dividends and maintaining a strong balance sheet is a good profile to have and is a good way to operate. Mark?

<A - Mark Zoradi>: Yeah. Alan, welcome to the call. I think your question was regarding the MoviePass and its effect on our business during 2018. Correct?

<Q - Alan Gould>: Yes. That's it. Thank you.

<A - Mark Zoradi>: Okay. We saw movie passes important to our box office, significantly declined each and every quarter. I mean it was in the low-single-digits in the first quarter and in the fourth quarter, it was less than 1%. So, it's significantly reduced. I don't know how many members they have left, but relative to the amount of effect that they're having in our business, it's very minimal.

<Q - Alan Gould>: Okay. Thank you very much, gentlemen.

Company Name: Cinemark
Company Ticker: CNK US
Date: 2019-02-22
Event Description: Q4 2018 Earnings Call

Market Cap: 4,473.17
Current PX: 38.29
YTD Change(\$): +2.49
YTD Change(%): +6.955

Bloomberg Estimates - EPS
Current Quarter: 0.395
Current Year: 2.358
Bloomberg Estimates - Sales
Current Quarter: 726.000
Current Year: 3283.364

<A - Mark Zoradi>: Okay. Thanks again, Alan.

Mark Zoradi

So, thank you all very much for joining us this morning. We look forward to speaking with you again, following our first quarter. Thanks again.

Operator

This concludes today's earnings call. You may now disconnect.

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