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CNK - Q4 2016 Cinemark Holdings Inc Earnings Call

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PRESENTATION

Operator

Good day, my name is Carmen and I will be your conference operator today. At this time, I would like to welcome everyone to the Cinemark fourth quarter earnings conference 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)

I would now like to turn the call over to Chanda Brashears, Vice President of Investor Relations. Please go ahead.

Chanda Brashears - Cinemark Holdings Inc - IR

Thank you, Carmen, and good morning, everyone. At this time, I would like to welcome you to Cinemark Holdings Inc.'s fourth quarter and full-year 2016 earnings release conference call hosted by Mark Zoradi, Chief Executive Officer; and Sean Gamble, Chief Financial Officer.

In accordance to the Safe Harbor provisions 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's SEC filings. 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 financial measures calculated and presented in accordance with GAAP can be found in today's press release, with the Company's annual filing on Form 10-K, and on the Company's website, investors.cinemark.com.



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Additionally, I would like to apologize that the 10-K was not available this morning simultaneously to the earnings release. There was a timing delay with the posting on the SEC website and we are still working to understand the root cause. We have added the 10-K with the segment data and constant currency metrics to our earning call details under the event section on our website at investors.cinemark.com and it is now reflected on the SEC website. Thank you, and I would now like to turn the call over to Mark Zoradi

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Thank you, Chanda, and good morning, everyone. We appreciate you joining us for our 2016 fourth quarter and full-year results call. I will be focusing on the full-year highlights and Sean will address our quarterly results in his prepared remarks.

We are thrilled to report yet another year of all-time highs, especially following Cinemark's record-breaking performance last year. Our diverse footprint with a leading presence across 16 countries, throughout the US and South and Central America yielded worldwide records with attendance of more than 287 million patrons, total revenues of \$2.9 billion, net income of nearly \$257 million, adjusted EBITDA of \$706 million, and an adjusted EBITDA margin of 24.2%.

We say it often but cannot say it enough, the hard work, dedication and persistence of each Cinemark department is key in delivering this kind of top line and bottom line growth. We would like to thank our entire worldwide team for delivering yet another year of record-breaking results. Now let's drill down for moment into the underlying components of our results, starting with the US.

The North American industry generated an all-time box office of \$11.37 billion in 2016 and celebrated its fourth record result in the past five years. Our studio partners deserve significant credit for the widely successful lineup of films they provided in 2016. We also believe that Cinemark along with our exhibitor peers had a significant impact on the box office performance last year, as our investments in upgraded and diverse amenities, such as recliner seats and enhanced food and beverage offering continues to draw people out of their homes and into our theaters.

Cinemark has consistently reinvested in our circuit to provide a high quality experience to our patrons. We were aggressive with the addition of upgraded amenities during this past year and our financial results reflect the success we are realizing with these initiatives. While the North America industry box office increased 2.1% over the prior record set in 2015, Cinemark's domestic operations grew an outsized 3.1% this past year over indexing the industry by 100 basis points.

Furthermore, the North America industry box office CAGR over the past five years is slightly more than 2%, while Cinemark's domestic circuit achieved nearly a 6% growth during this same timeframe driven by our operational excellence and execution of our strategic initiatives that I will elaborate on momentarily. Our international operations also fueled our worldwide results in spite of the economic and political challenges several of our key countries faced during the year.

A few international highlights worth mentioning include Brazil reported its highest attended film of all time in the first quarter with its local production of *The Ten Commandments*. The impact of foreign currency translation improved dramatically during the course of the year. Cinemark achieved an all-time record attendance of nearly 105 million patrons surpassing last year's record by more than 4%. And we opened 75 new screens throughout the region.

Cinemark and the industry's strong performance reinforces the point that exhibition is more closely tied to film content than economic cycles, as we have witnessed repeatedly during the past 20 years operating in this region. It's also noteworthy that locally produced film content was a meaningful driver of our record attendance with a year-over-year increase of 18%. Looking forward, we are enthusiastic regarding the 2017 film slate with a strong lineup of super hero, action and family films which translate particularly well to Latin America.

Just a few examples include *Fate of the Furious*, *Despicable Me 3*, and *Guardians of the Galaxy*. I would now like to shift to an update of our strategic initiatives. There are two primary objectives that helped propel Cinemark to our record 2016 results and will continue to emphasize these during 2017. One is to enhance the guest experience in all areas, and, two, to continue our emphasis on growing attendance.



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Each of our strategic initiatives are concentrated on these overarching objectives and include expanding our luxury lounge recliner seating, enhancing our food and beverage offering, strengthening our XD private label premium large format, building our global loyalty programs, developing alternative content, and targeting organic growth and accretive M&A. Let's start with an update on our luxury lounge efforts.

In 2016, we opened an additional 640 auditoriums featuring recliner seats through new builds and conversions bringing to a cumulative of 1,028 auditoriums that represents 23% of our domestic circuit. Our lounge initiative continues to generate strong results with an average attendance lift in excess of 40% for the theaters that have featured recliners for more than six months.

We also continued to see supplementary benefits associated with reclined theaters such as ticket pricing power, especially during peak moviegoing time periods, online ticket fees associated with the convenience of reserved seating, and concession per cap growth that is approximately two times higher than a traditional theater. Our recliner investments continue to be highly accretive with results that are exceeding our expectation and thresholds. As such, we will continue to be aggressive regarding this initiative during 2017, and we expect end the year with approximately 40% of our domestic auditoriums featuring luxury recliner seats.

Next our focus on sustainable food and beverage initiatives drove concession per patron growth of more than 6% in the US and nearly 12% in constant currency in Latin America. Notably, we have now achieved 40 consecutive quarters of domestic per cap concession growth, the longest trend among our peers. While we have delivered outstanding concession growth over the years, believe we are still in the middle innings of our food and beverage initiatives.

We will actively pursue new and ongoing opportunities throughout 2017 and anticipate ending the year with approximately one-third of our domestic circuit offering beer, wine and frozen cocktails, and nearly 60% featuring expanded food categories. Moving on, we remain committed to our XD brand and continue to rank as the number one private level premium large format in the world. The flexibility and control that our XD screens provide generate highly productive auditoriums which consistently over index as a percentage of box office.

During 2016, our XDs represented 3.8% of our worldwide screens but generated more than 7.5% of our global box office, reinforcing the success of our XD strategy. During 2017, we will continue to build and promote our XD brand through various programs to further drive traffic and differentiate our premium large format from traditional auditoriums and other brands.

Next up our loyalty programs. We continue to advance our domestic platform connections and are incredibly pleased with the results to date. Throughout our various loyalty programs in the US, Brazil, Argentina, Colombia and Central America we have a direct link to more than 2 million of our patrons worldwide. The data we glean regarding our guests including frequency, movie genre preferences, concession habits enables us to directly market and actively engage our customers to heighten their moviegoing experience.

During 2017, we will continue to drive actions to expand our worldwide loyalty membership, as well as our CRM capabilities for both analytical and promotional purposes. And now shifting to alternative content. While our primary business is and will continue to be the exhibition of Hollywood film content, we view alternative content as incremental and believe it can drive attendance during non-peak times.

We are especially keen on eSports and gaming, both spectator and participatory. Our events through Super League Gaming have been encouraging to date providing optimism for future growth opportunities. Cinemark leads the industry in this front and our theaters were the exclusive location or the initial League of Legends tournament last fall. And for Super League Gaming spring events Cinemark theaters will represent 75% of all hosting locations.

Also tied to alternative content initiative is the continued exploration of various virtual and augmented reality opportunities, either in our auditoriums or in our theater lobbies. We are optimistic regarding the prospect of future revenue streams for these new and developing technologies. The link between the state-of-art hardware with compelling and audience pleasing software content is the critical component for the industry and Cinemark to realize the potential in the coming years.

Last but not least, I would like to discuss organic and M&A growth initiatives. We built 144 screens worldwide during 2016, 69 in the US and 75 in Latin America, including 10 screens in Paraguay, which brings us to 15 countries internationally. Our domestic operation also benefited from the



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tuck-in acquisition of 52 screens from Carolina Cinemas earlier in the year. Altogether we ended the year with 526 theaters and 5,903 screens across 16 countries.

As we look ahead, we will continue to target growth of approximately 1% domestically and approximately 5% internationally. We view South and Central America as long-term growth engines as they have significantly fewer screens per capita relative to the United States or Mexico, as well as Latin's cultural inclination towards moviegoing. We will also continue to seek accretive acquisitions, both domestically or internationally, that meet our balanced and disciplined investment hurdles.

One final note, we remain enthusiastic on the upcoming film slate this year. Just to highlight some of the well-known titles that will be writing up our screens, the new Star Wars picture, Beauty and the Beast, Justice League and Wonder Woman, as well as a few other titles that may not yet be on your radar including Dunkirk, Logan and Coco. The strength and timing of Hollywood content has been tremendous over the past few years and the movies that have already been announced in 2017 and 2018 appear to be highly commercial across broad-based audience groups, reinforcing our optimism for the future of our industry.

In closing, with our success in the execution of our strategies and initiatives, optimism on the upcoming film slate, and our sustainable operating cash flows, our Board of Directors approved a 7.4% increase to our annual dividend. Our annualized dividend is now \$1.16 representing a 2.7% dividend yield at our current stock price. Following last year's 8% increase, our dividend raise further reiterates the strength of our Company and our ability to reinvest in our circuit while returning capital to shareholders, which ultimately drives long-term shareholder value. That concludes my prepared remarks. I'll now turn the call over to Sean to address a more detailed discussion of our financial performance. Sean?

Sean Gamble - Cinemark Holdings Inc - CFO

Thank you, Mark, and good morning, everyone. As a quick reminder, we made a few minor modifications to the presentation of our financials at the beginning of the year to provide a clear presentation of our data and to be more consistent with our peers. These modifications include a change to our adjusted EBITDA to capture all cash distributions from equity investments, a reclassification of certain projection and sound expenses from film rental and advertising to utilities and other costs, and the addition of constant currency metrics into the MD&A section of our public filings.

These changes are reflected in all prior periods in our earnings releases, 10-Qs and 10-Ks and they will continue on a go-forward basis. Now diving into our fourth quarter performance. While we faced a significant challenge considering last year's incredibly strong film slate, we finished the quarter with worldwide revenues of \$700.9 million, which were down only 0.9% year-over-year. Our consolidated adjusted EBITDA for the quarter was \$168.2 million and our adjusted EBITDA margin remains strong at 24%.

Domestically, we outperformed the North American industry box office by 200 basis points, as our admissions revenues declined 1.9% compared to the industry's decline of 3.9%. With this result, our admissions revenue growth has now exceeded industry growth for 28 out of the past 32 quarters. Our US attendance of 44.6 million patrons drove our industry out performance although declined 1.5% compared to 4Q 2015.

This decline stems back to film content and an inability to fully match last year's phenomenon, Star Wars: The Force Awakens. This same film dynamic also impacted our average ticket price which decreased 0.4% to \$7.65, primarily due to 3D and ticket type mix. While this challenging film comparison also played through to concession sales, our concessions per patron still increased 2.9% to \$4.24 driven by the food and beverage initiatives that Mark previously discussed.

Our per cap increase lifted total domestic concession revenues 1.4% to \$189.3 million. Conversely, other revenues declined 17.4% largely due to heightened merchandise income associated with Star Wars last year that did not fully repeat, as well as certain promotional benefits we began realizing in the third quarter of 2015 that had a limited duration. These benefits impacted 3Q 2015 through 1Q 2016 and, therefore, will represent a hurdle for this coming quarter, as well.



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Overall, our US operations delivered total revenues of \$550.6 million and adjusted EBITDA of \$139.4 million. Our resulting adjusted EBITDA margin was a robust 25.3% and continues to lead the industry. Internationally, attendance declined 3.2% due to an increased volume of Hollywood driven sci-fi films compared to the fourth quarter of last year, which historically do not translate as well across Latin America.

An exception for the quarter was Brazil which enjoyed a successful locally produced film called *My Mother Is a Character 2* during the last few weeks of the year that boosted its attendance compared to the rest of the region. For context, this single title generated higher attendance in Brazil than all of our international markets combined for *Rogue One*. International admissions revenues were \$83.1 million which were up 1.7% versus last year as reported, and up to 2.6% in constant currency.

Our reported average ticket price of \$3.98 translated to a constant currency increase of 6.1%. This increase was primarily driven by inflationary price increases that were partly offset by a reduction in 3D and premium large format sales similar to the US. International concession revenues were \$48 million, which increased 3.9% as reported, and 5.2% in constant currency. Our reported concessions per patron was \$2.30 which translated to an 8.9% increase in constant currency.

Overall, we delivered total international revenues for the fourth quarter of \$150.3 million as reported, with an adjusted EBITDA of \$28.8 million and an adjusted EBITDA margin of 19.1%. While we have experienced significant foreign currency headwinds over the past few years, those headwinds started to ease over the course of 2016. The impact of foreign exchange translation on our fourth quarter revenues was fairly neutral, and if current rates continue to hold we would expect a slight tailwind in 2017.

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. Furthermore, our operations throughout Central and South America are largely self-sustaining with regard to both operational cash requirements and organic needs.

Shifting back to our worldwide consolidated results, fourth quarter film rental and advertising costs, as a percentage of admissions revenues, held flat with 2015 at 54.1%. Concessions costs, as a percentage of total concession revenues, increased by 80 basis points in comparison to the prior year. This increase was primarily due to the impact of expanded food and beverage offerings in our domestic circuit, and while these offerings create a slight drag on our concessions margin rate, they continue to drive sizable growth in overall concession revenues and income.

Salaries and wages were 11.7% of total revenue and increased 60 basis points compared to the fourth quarter of 2015, primarily due to increased year-over-year impact of recliner conversions, the addition and ramp-up timing of new theaters, and the impact of global minimum wage hikes. Facility lease expenses and utility and other costs, as a percentage of total revenue, also increased by 40 basis points and 80 basis points, respectively. These increases were driven largely by the fixed nature of these costs over slightly reduced revenue, the impact of new builds coming online, and the timing of certain expenditures.

On a total year basis, both categories improved 20 and 30 basis points, respectively. G&A for the fourth quarter declined by 80 basis points as a percentage of total revenue. Collectively, fourth quarter pre-tax income was \$75.1 million compared to \$87.9 million in 4Q of the prior year. Our fourth quarter's effective tax rate was negative 2.9% and net income attributable to Cinemark Holdings Incorporated was \$77 million, or \$0.66 per diluted share.

We would like to highlight that year-over-year comparisons on net income and earnings per share for the fourth quarter and total year are impacted by a discrete tax benefit that we realized in 4Q 2016 associated with the restructuring of several international legal entities. The ongoing impact of these changes should result in a more normalized effective tax rate of approximately 37% going forward. With respect to our balance sheet, we ended the quarter with a cash balance of \$561.2 million and a net debt position of \$1.5 billion.

We remain dedicated to prudent capital planning and for the third time this year we took advantage of favorability in the debt markets during the quarter to yet again reprice our senior secured term loan. The consistent strength of our balance sheet enabled us to reduce our loans coupon by 50 basis points to one of the lowest rates among high yield issuers. This improvement will generate approximately \$3.3 million in annual cash interest savings.



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Shifting attention to our US footprint, we operated 339 theaters and 4,559 screens in 41 states and 102 DMAs at quarter end. We built three new theaters with 36 screens, and closed 19 screens during the quarter that were either at or near the end of their lease term. We have signed commitments to open three theaters and 30 screens during 2017, and six theaters representing 71 screen subsequent to 2017. We expect to spend approximately \$61 million in CapEx for these 101 screens. We also anticipate closing around 25 to 35 screens during 2017.

Internationally, our Latin American circuit grew to 187 theaters and 1,344 screens across 15 countries. During the quarter, we expanded by four theaters and 21 screens. As of quarter end, we had signed commitments to open five new theaters and 39 screens during 2017, and one theater representing five screens subsequent to 2017. We anticipate spending approximately \$18 million in CapEx for these 44 screens.

Consistent with our prior comments, we continue to view Latin America as a long-term growth opportunity. Considering the challenging political and economic environments within certain countries in which we operate, as all the complexities of building in these densely populated areas, we may experience a modest near-term impact on our organic growth efforts. Based on the current conditions in Brazil, which has historically represented approximately half of our organic growth, we previously revised our 2017 forecast to an estimated 50 to 75 international screen additions which we continue to anticipate.

That said, we are encouraged by screen growth elsewhere across the region such as development currently taken place in Columbia and Peru. We believe that long-term growth prospects across Latin America remain intact even if they slow slightly in the short term. Regarding overall CapEx, we spent \$96.6 million in the fourth quarter including \$24.2 million on new builds and \$72.4 million on existing theaters. Our full-year 2016 CapEx was \$326.9 million, in line with the guidance we provided throughout the year.

We continue to view luxury loungers and other amenities that enrich the guest experience as a prudent use of capital and we will remain aggressive in 2017 as we pursue these initiatives. As such, we anticipate spending between \$325 million and \$350 million in full-year 2017 CapEx, of which \$70 million is designated for new builds, both domestically and internationally, \$80 million is for core maintenance of existing screens and in line with our historical run rate, approximately \$15 million is associated with the continued renovation of our headquarters building, and the residual \$160 million to \$185 million is for cash flow generating projects that include our luxury lounge theater conversions and varied food and beverage initiatives.

We expect the that impact of these capital expenditures will increase our annual depreciation and amortization to approximately \$230 million to \$240 million in 2017. In closing, we are pleased to share another year of record-setting results for Cinemark in 2016, as well as our key initiatives for 2017. Our consistent performance coupled with the strength of our balance sheet continues to afford us the ability to make strategic investments in our Company while increasing our dividend as we strive to continue building long-term value for our shareholders. Carmen, that concludes our prepared remarks, and we would now like to open up the lines for questions.

QUESTIONS AND ANSWERS

Operator

Certainly.

(Operator Instructions)

Eric Handler with MKM Partners.

Eric Handler - MKM Partners - Analyst

Thanks for taking my question. Sean, just to quickly try to do a comparison on CapEx, so CapEx is going to be flat to up this year, you said you are spending \$75 million on new builds and then \$160 million to \$185 million on the cash flow generating projects, how does that compare to 2016? I imagine new builds down, but cash flow generating projects is up, but I wonder if you could actually give us apples-to-apples comparisons?

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And then, secondly, your pricing was quite good in the fourth quarter internationally for ticket pricing, as well as per cap concession spending, how much of that was FX driven versus how much of that was any special food and beverage initiatives, or ticket price increases, sort of balance those two out?

Sean Gamble - *Cinemark Holdings Inc - CFO*

Sure. With regard to the first question on CapEx, as you commented, our new build spend is down slightly, we were just south of \$100 million on new builds in 2016, while our cash flow generating was closer to \$145 million. We see a little bit of a shift from one bucket to the next.

Some of that on new builds is more timing, just how those are coming in for next year versus what they look like as we look forward to coming years. On the pricing question internationally, I would say the bulk of the price lift was just inflation driven. We actually had a slight drag international, at least in our ticket prices just based on 3D mix in particular. 3D mix was considerably down in the fourth quarter of this year relative to the fourth quarter of last year. So that created a slight drag. But the short answer is the bulk of the pricing lift was inflation oriented.

Eric Handler - *MKM Partners - Analyst*

So just as a quick follow-up, should that inflationary price lift continue into 2017?

Sean Gamble - *Cinemark Holdings Inc - CFO*

We expect that it will. Our general aim for international is to match inflation, if not slightly exceed it with regard to our pricing actions. So we, obviously, continue to monitor how that may impact attendance and consumption, but we certainly aim to push that along. I would say the markets in-country are fairly accustomed to that in the retail space. A lot of the inflation is kind of mandated by the government and those actions then just flow through into to retail pricing across the board.

Eric Handler - *MKM Partners - Analyst*

Thank you very much.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks, Eric.

Operator

Julia Yue with JPMorgan.

Julia Yue - *JPMorgan - Analyst*

Hi, thank you. Given the 40% domestic [screen] recliner conversion you target this year, can you remind us how long it typically takes to see the higher attendance or box office benefits from converted screens? Do you think that the greater number of temporary closures this year with the conversions could be a slight headwind or could the newly converted screens outweigh this factor?



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Mark Zoradi - *Cinemark Holdings Inc - CEO*

Julia, basically, when we get a theater converted and opened up we, obviously, do a marketing campaign. It starts pretty much right away, but it builds. And it continues to build over the first several months, and we really don't take a full-on snapshot until a couple of months have passed, and then we look at it and after six months.

That's where our calculation is coming in, we're indicating that we're seeing attendance growth of approximately 40% on average and better. But it does take time because people have to come in and sample it. And we always convert seating, as well, and that's a little adaptation, as well. We make a big effort to get customers into sample and then the word-of-mouth spreads, and somewhere between three and six months we see the benefit. And the interesting thing is, too, it doesn't necessarily stop at six months, but we feel like it takes like somewhere in that neighborhood of three to six months to get it up to speed. And could you repeat what your second part of the question was?

Julia Yue - *JPMorgan - Analyst*

Just if you are anticipating any sort of headwind given the greater number of conversions this year?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I don't think so, I actually think it will be a tailwind. We were very, very aggressive last year with over 600 converted screens. And as I noted in the prepared responses, we are going to be equally aggressive this year, maybe even slightly more. So we anticipate a 40% of our domestic circuit -- and every time we have been doing this, it's really, really helpful. So I think we're going to get the benefit of all that we did last year and how aggressive we're being throughout all four quarters this year.

Julia Yue - *JPMorgan - Analyst*

Okay. Great. And then, when you think about the new builds in Latin America this year, I guess, how much visibility do you have into either the upside or the downside? Is there any sort of mix that you can give in terms of where the new builds are expected? Are they mostly in more markets that have more stable economic and political environments or still kind of the 50% in Brazil and 50% in other regions?

Sean Gamble - *Cinemark Holdings Inc - CFO*

I think the challenge always is just based on some of the complexities of building in the markets, do the timelines of the projects slide at all? For now, I think we feel pretty good that we will wind up still in that 50 to 75 range. A higher concentration of our projects in 2017 are actually coming outside of Brazil, so we have fewer Brazil projects this year.

Again, some of that is just based on the environment and some of the mall development that is taking place as a result of that. It doesn't impact the long-term pipeline, but it's more of a temporary timing shift. The short answer is I think we can still -- we still feel comfortable that 50 to 75 is very likely.

Julia Yue - *JPMorgan - Analyst*

Okay. Great. Thank you so much.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks.

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Operator

Robert Fishman with MoffettNathanson.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Thank you, good morning. I have one for Mark and one for Sean, if I can. Mark, given the recent commentary from Warner Bros. and now Fox on PVID windows, just wondering if you can update us on how the conversations on window changing have been going with these and other major Hollywood studios?

And then maybe as a second parter to that, do you expect to find a mutually beneficial solution that can be incremental to your existing business? Or how do you try to protect against cannibalization of the existing record box office results?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Robert, thank you. I think the overriding response to this question is, we are in discussions with very studios, but it is not something that we are prepared to discuss or comment on in a public forum. We're going to continue these negotiations. Clearly, any solution that comes out of this, we will want to see it, and I think the studios will want to see it as incremental.

That's the goal from the studios' standpoint and it would be our goal, as well. Relative to where we are in those discussions, I think I'm going to just pass on that because we will continue those discussions, and when we have something interesting to say, we will certainly report it to you.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Okay. We look forward to hearing it. And, Sean, given the ramp in recliner upgrade this year, and your CapEx guidance, do you think that this should be viewed as peak CapEx levels, or how should we think about that out years after the ramp that happens this year?

Sean Gamble - *Cinemark Holdings Inc - CFO*

I would say kind of at this moment in time it would seem that way. I think -- while it is certainly possible that if the data suggests that the opportunities are there that we could continue at this level of spending in the future, or there could be some new initiative that comes up. I would venture to say we're probably at the peak of our in-year spend on at least the recliner initiative. But I was just caveat that with saying, it would be dependent upon how our forward-looking analysis looks with regard to the opportunities and the returns they can deliver.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Okay, thank you both.

Operator

Ben Mogil with Stifel.



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Ben Mogil - *Stifel Nicolaus - Analyst*

Thanks for taking my question. So I've got two. The first one, on the sort of retrofit expansion side, your peers have all been relying on landlord capital contributions for the retrofits pretty materially, it looks to be around one-quarter of CapEx, in some cases it's even more on the retrofit side.

Given the challenges which the mall landlords are having, and that they are very aggressive around funding these initiatives, why not use their capital instead of yours -- even though I know there's, obviously, a cost to it -- and sort of would using their capital get you to that 40% target faster, if you will, allow you to go to 50%?

Sean Gamble - *Cinemark Holdings Inc - CFO*

Ben, the issue relative to redoing the screens is we go down the list and say, how many can we physically get done? And we did over 600 last year, we will probably do slightly more than that this year. We are lining them up to get them done as quickly as possible. We are not necessarily capital constrained as it is just the ability to physically get them all done.

And we are willing, for the right situation and on certain situations, to look at landlord contributions. But it all comes down to the financial arrangements of that particular deal. So, yes, we're funding a lot of this on ourselves because we have the ability and the capital to do so, but if there's a landlord that is willing to contribute and it's a deal that is positive to us, then we would consider it.

Ben Mogil - *Stifel Nicolaus - Analyst*

Maybe sort of on that number, what do you guys estimate the cost of landlord capital is, between the lease extension and higher rents? Like roughly speaking, what do you think landlord capital costs -- I know you're getting sort of plus 20% returns on the new retrofits, I'm kind of curious what you think landlord capital costs in general?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Ben, I think that varies by the particular landlord and how anxious they are to get various things done. It could be anywhere in the 8% to 12% range.

Ben Mogil - *Stifel Nicolaus - Analyst*

Okay, that's great. Thank you. And then, sort of second question, Mark, I guess this is for you too, when you guys are looking at the loyalty card members, you have got about 2 million members, I think you said worldwide, can you break down domestic versus international?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Domestic is about 1.3 million of that, and we've got some very aggressive plans to expand that significantly this year. We had an initial goal to get 1 million active and operating members within the first year, we actually achieved that within the first eight months. We have been very happy with Connections and we think that the plans that we've got in place for this current year will see significant increase, as well.

Ben Mogil - *Stifel Nicolaus - Analyst*

And so, by active you mean members that use it, what, sort of once in the last six months, like how do you guys define active?



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Mark Zoradi - *Cinemark Holdings Inc - CEO*

Some form of engagement, either -- because you can earn points from buying tickets to buying concessions, to silencing your phone, to social media sharing, to redeeming. We've got promotion going right now to upgrade, for Connections members, to XD. So we've got a lot of different opportunities for our patrons to be able to utilize their points that they are accumulating on Connections.

Ben Mogil - *Stifel Nicolaus - Analyst*

Okay, and so maybe you can give us your thoughts, AMC, obviously, got a paid and a free version, you have got a free version, your thoughts on paid versus free loyalty programs? And then maybe you can talk a little bit about online ticketing in terms of maybe the number of tickets that you sold online in the quarter? And then any sort of comments on spending habits from the online customer versus the traditional one who is buying at the box office?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Relative to Connections, your second question was on tickets and your first question was on?

Ben Mogil - *Stifel Nicolaus - Analyst*

Just your thoughts on free versus paid (inaudible) loyalty card members.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

It is interesting. We launched Connections as a free program. We certainly will consider in the coming year whether or not we want to put a paid component to that. We are not prepared to come out with anything on that as we speak today. But it is an alternative that we would certainly look at and consider. And relative to the tickets, Sean, I think you have got those numbers handy, don't you?

Sean Gamble - *Cinemark Holdings Inc - CFO*

Sure. We had about 25% of our ticket sales that came online in the fourth quarter. Basically, what we are seeing as we are reclining our auditoriums at the same time we are putting in reserved seating, and reserved seating has really shown an increase in online ticketing.

One, because of the reduced number of seats in those auditoriums, so people want to get in, and then also just the ability to get a specific seat, it has driven quite a big uptick. I would expect that number will continue to grow as we recline more and more of our auditoriums.

Ben Mogil - *Stifel Nicolaus - Analyst*

And I presume that number if 25% is a domestic number?

Sean Gamble - *Cinemark Holdings Inc - CFO*

That's a domestic number, that is correct. International it varies. Actually in some places it can actually go higher than 25% and in some countries it is lower. So it really is kind of dependent on the market.



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Ben Mogil - *Stifel Nicolaus - Analyst*

Do you see a time when the ticketing platform becomes more open, where it's not just on your apps but where you can reserve ticketing on multiple platforms trying to gain broader ubiquity?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

On that front, we currently sell tickets on the Cinemark.com. We're very successful with that. We also sell tickets on Fandango, and we will consider and look at other ticket engines, as well, into the future.

Ben Mogil - *Stifel Nicolaus - Analyst*

Okay, that's great. I will let someone else ask some questions. Thank you very much.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Thanks.

Operator

Ryan Fiftal with Morgan Stanley.

Ryan Fiftal - *Morgan Stanley - Analyst*

Great. Thanks, and good morning. Two, if I may, one for Mark, and one for Sean. Mark, following up on the loyalty program question, but maybe broadening it out to just see our end capabilities in general. It seems like this is enabling you maybe for the first time to really target customers on a one-to-one basis versus a, more blanket looks at your customer base.

That's a pretty fundamental change to me on the marketing side. So I was wondering maybe, broader thoughts on where you see the biggest opportunities for being able to exploit those capabilities? And then I'll ask one for Sean, as well. It looks like there was an income tax benefit in the quarter, I think the press release mentioned a new holding and financing structure, so is that more of a one-time benefit, recurring? Any guidance on cash versus GAAP tax rates would be helpful? Thank you.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Ryan, you hit on a very important topic relative to our marketing group and our data analytics. We have recently opened up a whole department here on data analytics. It's not just Connections, but we are trying to collect data through multiple sources, digital, social, everywhere that we can collect data and get information about our customers, and then have the ability to appropriately market back to them is what we want to do.

And we want to have the ability to help our studio partners market directly back. For example, if a family comes to see an animated movie, we want to get to a point where we can communicate directly back to that family about the next animated movie coming. Or conversely, whether it be a super hero movie, then we want the ability to do that. I would say we are in the early stages of doing that. But in terms of our objective, is to have a very robust CRM program to be able to market effectively directly back to consumers based on their purchasing habits of the past.



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Sean Gamble - *Cinemark Holdings Inc - CFO*

And with regard to your question about the tax item, I would say in 2016 our foreign operations evolved over many years, and over the course of 2016 we basically evaluated our existing holding structure for opportunities to make it more simplified and efficient. And one of the benefits in doing that was it increased our ability to use certain foreign tax credits that previously had a full valuation allowance against them, which resulted in the reduction of our allowance by approximately \$36 million.

That will be a one-time item. So I would not expect that type of sizable impact going forward. We anticipate that the go-forward effect on our effective tax rate will be to lower from about 38% to about 37%. Maybe it winds up slightly lower than that, but we think that is a safe number to estimate for the time being.

Ryan Fital - *Morgan Stanley - Analyst*

Okay, that is helpful. Thank you.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks.

Operator

David Miller with Loop Capital Markets.

David Miller - *Loop Capital Markets, LLC - Analyst*

Hey, guys, congratulations on the stellar results. Sean, just a question for you about National CineMedia. As you may know, AMC per DOJ decree, has to sell down its stake in NCMI to 15% by December 31 of this year, I believe they have to sell down their position to 5% by June 30, 2018. Are you interested in picking up those credits? Or any of those credits? And any -- if you are interested, do you feel constrained at all just given your commentary earlier in the call about CapEx? I appreciate any particulars you may have. Thanks.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Sure, thanks. We, obviously, have a very close and strong relationship with NCM. We are already a major shareholder, we have about 19% of NCM equity. I would say as it pertains to the holdings that AMC has to unravel, it's probably unlikely that we would pursue that.

We are, as you pointed out, we're very focused on kind of more of our organic growth, I'm not sure that would create a large strategic benefit for us to have a higher share. So probably low probability that we would pursue that.

David Miller - *Loop Capital Markets, LLC - Analyst*

Okay. Excellent, thank you.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks.



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Operator

Barton Crockett with FBR Capital.

Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Okay, thanks for taking the question. I was curious about the commentary around virtual reality and augmented reality.

I think you're aware IMAX has spoken about this opportunity, as well, and it's just interesting given that you guys are underexposed to IMAX relative to AMC and Regal, and I was just wondering at this point as you eyeball the opportunities with virtual reality, augmented reality, is it something where you would expect to similarly do your own private label format kind of like you have done on the theater screens, or could this be an opportunity to maybe get more in the mix with IMAX and work closer with them?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

There are a number of providers that are currently looking in this space. IMAX is one of them and there are several others. We are in the process of evaluating each and every one of them. We think what IMAX has to offer is very interesting but we also know there are several other opportunities out there.

That's the stage that we are in right now. I don't think there's any tremendous urgency to get it up and running immediately because I think we're going to learn a lot. IMAX is going to learn a lot, as is The Void, as is Dreamscape, as is several other announced potential virtual reality providers.

We think we have a great venue with customers coming to our theaters, whether that be, like I said, either in our lobbies or potentially even in an auditorium. So we are in the process of looking at all the alternatives and then we will decide. IMAX is one of the key potential providers.

Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Okay, that is helpful, and I understand it is early days. But continuing down the early days, because you did bring it up, the alternative content. Could you give us any sense of the materiality of that? And when you're doing the eSports, is that entirely Cinemark or is that what is in kind of the old Fathom-like venture that was spun out of NCM? And you have great share right now in eSports, is this something that is longer-term contract, or is it just happenstance this year and we will see what happens next year and beyond?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

The eSports that we have done is not in relation to Fathom. And we have really done it in two different ways, one participatory, and I think I mentioned and also spectator. We are -- we have a minority interest in Super League Gaming, they have probably been the most active in the participatory. And during 2016, we hosted just over 400 events in our theaters.

And from a spectator standpoint, we hosted five different events in 64 of our theaters during the year. And it is early days. Between those two, we generated revenue of somewhere just around \$250,000. But we look at it as a great test tube because we think that it does in success have an ability to scale. At this point, it is not scale, we are testing it.

But we have been very much on the forefront with Super League Gaming as our partner to get this into our theaters, and like I said, in both the participatory way and then also from a spectator standpoint, as well.



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Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Okay, that is very helpful. And then just one final thing if I can squeeze it in here. You guys are talking about going to 40% penetration on reseats domestically, which is great, which basically gets you right in the mix with Regal and AMC. How high do you think this goes for Cinemark over time? What's the upper limit in your view on the percentage of auditoriums that are reseated?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Like I said, we were very aggressive in 2016. We plan on being very aggressive in 2017 and the plans are all in place. But we also are extremely financially disciplined. Throughout the course of this year, we're going to evaluate and look and see, how did all of this CapEx work, and are we getting the returns that we expected relative to our going in pro formas?

I'm sure that we will continue in 2018. I don't -- I hesitate to put a percentage on it because I think that's a little premature, and I want to see what the data looks like and the results. I'm sure it's going to continue, but at this point I think it is just a little premature to put a number out there beyond what we are certain we're going to do for 2017.

Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Okay. That's all very helpful. Thank you, guys.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks, Barton.

Operator

Eric Wold with B Riley.

Eric Wold - *B. Riley & Co. - Analyst*

Thank you. Good morning. First, a follow-up question on a previous question around, or commentary around marketing, capturing data and the loyalty program.

I was at one of your theaters over the weekend, and, obviously, was able to get tracked on the ticket purchase, for the concession purchase, but then when I want to get a glass of wine, that was not able to be tracked in the loyalty program.

Is that a law that is nationwide and how can you get around that as you are trying to build alcohol sales and food and beverage sales to attract that customer base in terms of their purchases and, obviously, market to them differently in the future?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Eric, which state did you buy the wine in?

Eric Wold - *B. Riley & Co. - Analyst*

California.



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Mark Zoradi - *Cinemark Holdings Inc - CEO*

In California.

Eric Wold - *B. Riley & Co. - Analyst*

I'm sorry that was actually Texas. Sorry, Texas.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Relative to the specific state laws, I would have to go back and check on that because I don't know. There may be some peculiarity in that particular state, I am not certain of that. One thing that we do do, is we tend -- we allow on our Connections program points during any one day, a one concession purchase. That might have been what you ran into as opposed to it specifically being wine. Because if you bought two different times, you only get to apply Connections on one concession purchase per day.

Eric Wold - *B. Riley & Co. - Analyst*

Okay. That make sense. And then you made a comment around 3D, having a tough comp and weaker results down in Latin America. I know there has been continued deterioration around 3D demand in recent years, and, obviously, a lot of that data is not as readily available with RealD going private into their quarterly reports.

But in general, what have you seen in that trend here and abroad in terms of the demand from your customer base and how does that impact your desire to allocate more screens, more time slots to 3D versus 2D, keep as many of those theaters and systems in place, and then, obviously, how does that play into renegotiating power when that license comes up?

Sean Gamble - *Cinemark Holdings Inc - CFO*

I will take that and, Mark, please add on if needed. I would say 3D from what we are seeing is fairly stable. Obviously, the type of content will influence that. What we saw in international, really, I would not link that to any drag on 3D.

It was really more just a phenomenon of the profile of the films. 3D, as well as, interestingly, premium formats in general over index in Latin America relative to the US. They tend to perform really well. I think what we are seeing in the fourth quarter was, again, just more of a byproduct of the type of films and how they played relative to what we saw last year.

And the same goes international as does in the US, like I said, it's fairly, I would say, stable at this point. We're not seeing a drop, a declining trend at this point. And it is not necessarily growing either, but it just kind of fluctuates with the films.

Eric Wold - *B. Riley & Co. - Analyst*

Okay. And then final question, if I may, on Latin America, you're comfortable with kind of a 5% screen growth near term in that region. How do you kind of think beyond the next couple years? Did you look at -- as you talk to developers you deal with, as they look onto their development plans past 2017 and 2018 and the forward years, how is their comfort level kind of for those periods versus maybe, if you would step back five years and they were thinking longer-term planning, do you think there is going to be a rebound or is it going to be conservatism lasting beyond 2017 and 2018?



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Mark Zoradi - *Cinemark Holdings Inc - CEO*

The guidance we have given for 50 to 75 screens we feel very comfortable with for 2017. And as we go forward, I don't see any reason that would not continue or potentially even some slight growth. We do believe that both Brazil and Argentina have likely at or hit their bottom and we can continue -- we can see some improvement as we look forward in those two markets. We are comfortable on a go-forward basis with that 5% to 6% growth rate for Latin America.

Sean Gamble - *Cinemark Holdings Inc - CFO*

I would just add, I think when it pertains to visibility in the market, when you look out behind two to three years it just becomes harder to fully pinpoint. But the fundamentals of screen penetration, as Mark mentioned in his prepared remarks, are still there. It's still a heavily under-screened marketplace, so the long-term prospects for screen growth just continue to exist. I think that in and of itself is a good data point to think that we're going to continue to see favorable growth in the region.

Eric Wold - *B. Riley & Co. - Analyst*

Perfect. Thank you, guys.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks.

Operator

Chad Beynon with Macquarie.

Chad Beynon - *Macquarie Research Equities - Analyst*

Hi, thanks for taking my question. First, Mark, at the outset of the call you thanked the studios for a great product in 2016 with, in addition to your enhancements drove the industry to record results. One of the things that sometimes comes into play into the success is the timing of releases.

Could you talk about what you thought about the timing of releases in 2016, and then more importantly, with everything that we have coming down the pipe, how 2017 and 2018 look at this point from a timing standpoint? And then also if you wouldn't mind, does this matter as much as it used to given kind of the change in the product over the past couple years? That would be helpful. Thanks.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Relative to the timing, we have been very happy with what the studios have done. Just look at 2016, where *Dead Pool* was placed and *Suicide Squad* were placed. Those were movies that were big hits, somewhat even surprise hits. And this year when we're looking at *Beauty and the Beast* and it is going right in the heart of the spring, it's not in the summer, it's not at Thanksgiving, it's not at Christmas.

I think Disney has picked a spectacular spot for that and it's just extending the season. Where there used to be dead zones or really quiet zones in August, they are no longer there. And there used to be really quiet zones -- summer used to be in June and summer became May, and now you have actually got movies opening up in April. Really, there's very few weeks of the year where studios are not placing significant product.



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Some of those maybe in that early September when kids are going back to school, but generally they have been very good at spreading the release dates out. And also the thing that has been helpful to us is that they have given us an insight long term into what product looks like. So we've got a real good look at 2017, we've got a really good look at 2018, and we're starting to get a pretty good look at 2019, as well.

So I mentioned some 2017 product, but in 2018 you have got Avatar, you've got the next Jurassic World, you have got another Star Wars coming, you have a got another Secret Life of Pets, Pixar is going to do Incredibles 2. It goes on and on, and it wasn't this way several years ago where you could be looking two and three years out.

Chad Beynon - *Macquarie Research Equities - Analyst*

Great, that's great color. My follow-up is with respect to your comment of accretive acquisitions, or starting to look more at acquisitions. Could you elaborate more if this is pertaining to US or Latin America, is anything opening up in either market versus another? Maybe just frame out where you think the focus will be?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Yes, I would say both. We are interested -- we are, obviously, well penetrated in the US, and especially well penetrated in South America and Central America. So from a strategic standpoint, we would like to go deeper in the markets that we already are in. All the infrastructure is there. We think it's -- it could be very important for us from a synergistic standpoint.

It really comes down to, are there circuits available and willing to be sold? Most of them are family oriented -- excuse me, family owned. There comes a time when they are ready to sell and when they are not. When those circuits go onto market, and we, obviously, monitor them closely.

We will be right there to look at it. I think that we will be aggressive there, but we will also continue to be appropriately disciplined in our approach because we've got a really good business, we are highly profitable, and we are growing the business organically, and we intend to grow it with M&A when the right opportunity comes.

Chad Beynon - *Macquarie Research Equities - Analyst*

Great, thanks. Congrats on the results and the dividend hike, as well.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Thank you.

Operator

Jim Goss with Barrington Research.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

Thanks. You have rightly touted the flexibility you enjoy with XD relative to other options regarding film choices and screen management. I'm wondering in terms of a practical matter, how has the XD film choice fared relative to IMAX -- I know you do own a few of those -- in terms of movie selections, number of changes and other screen management issues?



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Mark Zoradi - *Cinemark Holdings Inc - CEO*

As you pointed out, one of the advantages to XD is we have the ability to program it exactly as we would choose to. IMAX does a good job at programming their screens, as well. We are happy with the 15 IMAX locations we have. We do good business there.

Years ago, Cinemark made the strategic decision to branch out and do significant CapEx and investment in our own. I think we will continue to do so, and like I said, it just gives us tremendous flexibility to do exactly what we choose to. But that does not denigrate what IMAX has been able to do and perform on their screens, which we have also been happy with.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

I'm wondering, though, do you normally wind up, as a practical matter, running pretty much the same slate that IMAX does, or have you found that you have used that opportunity to vary it a lot and has it worked your advantage?

Because, as you know, if IMAX makes the choice and it turns out they guessed wrong, which anyone can ever do, they are more committed, and you have an ability to change the next day if you want. Have you done that very much?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Generally on the big titles, it's not a mystery, what we are playing in our IMAX screens is consistent with what we're playing in our XD screens. But there are times when we are able to make that adaptation, like you said. And then sometimes we can even play certain titles in an evening performance and other titles in a day performance on certain of our XD screens. It adds a little additional level of flexibility, but on all the really big high profile tent pole titles, you will see our IMAX and XD playing the same title.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

Okay. You also have talked about the reseating potential that is going on right now. Are you finding that's driving any of your M&A options or targets where you might find something at a good value that you can reseat and, therefore, you might be more interested in stepping up, or has that not really played a role?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

It could go either way. If an M&A target has already declined chances are they are doing better. We would have to pay a higher multiple for it. If they haven't declined, then chances are maybe they are not doing as well. We know we're going to have to invest CapEx and we would, therefore, expect to pay a lower multiple.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

But it hasn't really made a big difference in terms of --

Mark Zoradi - *Cinemark Holdings Inc - CEO*

No, it hasn't.

Jim Goss - *Barrington Research Associates, Inc. - Analyst*

Okay, thanks very much.



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Mark Zoradi - *Cinemark Holdings Inc - CEO*

Thanks, Jim.

Operator

Tony Wible with Drexel Hamilton.

Tony Wible - *Drexel Hamilton - Analyst*

Thanks. I was wondering if we can talk a little bit about local ticket pricing. It's moved around a bit over the last four quarters. Do you anticipate that same kind of volatility where we go from high-single-digits to low-double-digits back to kind of high-single to continue, or do you think that will normalize?

And the second question has to do with the new builds and that target that you guys have laid out there. What's the variable that would increase the 50 to 75 our cause that 50 to 75 to kind of come in lighter? What is the kind of key thing that you would look at as the risk or opportunity in those builds?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I will take the first question on ticket pricing, and then I will let Sean take the second one. Relative to ticket pricing, we haven't moved those kinds of prices, that kind of price variation at all. When we look at our price increases over the course of a year, we are much more consistent, and we're not doing a double-digit price increase anywhere.

Maybe the only exception to that would be if we were completely underpriced relative to a theater and then we reclined it and we might take \$0.50 or \$1. But generally we tend to be very conservative in our price increases. And then, of course, it does vary relative to 3D mix or a premium option, whether that be XD or IMAX. But we are not increasing prices anywhere near the double-digit factor like you noted.

Tony Wible - *Drexel Hamilton - Analyst*

Okay, so that 12.7% local price increase you talked about in the third quarter, that was just a function of having more premium in the mix?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Oh, you were talking international. I'm sorry.

Tony Wible - *Drexel Hamilton - Analyst*

Correct.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I didn't fully understand your question. That is inflationary based. We are following inflationary. And it also has to do with the amount of premium mix, whether there's 3D or XD.

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Sean Gamble - *Cinemark Holdings Inc - CFO*

Yes, I would say the big driver of the fluctuation is entirely the mix component of 3D and premium tying back to film content.

Tony Wible - *Drexel Hamilton - Analyst*

Okay. So do you think with the slate and the visibility you have that some of that volatility will die down? In other words, maybe the inflation starts to tame down a little bit and then the mix balances out? Or do you anticipate still seeing that fluctuation that we have been seeing?

Sean Gamble - *Cinemark Holdings Inc - CFO*

I would anticipate you'll continue to have fluctuation. Our underlying base pricing is fairly stable and will grow with inflation which has been somewhat steady over the years. But you will certainly see kind of quarter-to-quarter fluctuations, twofold, based on country-to-country mix, as well as title mix quarter-to-quarter.

Tony Wible - *Drexel Hamilton - Analyst*

Great. Okay, and then on the international new builds?

Sean Gamble - *Cinemark Holdings Inc - CFO*

Sorry, Tony, I missed -- could you repeat that question?

Tony Wible - *Drexel Hamilton - Analyst*

Basically, I'm looking at what is the most important variable that would either take your 50 to 75 new build target higher or lead you to be below that target. I'm trying to figure out what is the most important key swing factor in some of the assumptions on the new builds?

Sean Gamble - *Cinemark Holdings Inc - CFO*

The biggest factor is just the building process, like we've tried to estimate where we think things will come in. But, again, building in these urban areas are very complicated. So I think the biggest swing factor -- favorable or unfavorable, we've tried to be conservative in when we think these projects would get done.

So in some cases they could wind up getting completed earlier, but if they hit a snag with permits, you never know what's going to pop up, it could push some things out. I would say that's the biggest governor on whether things grow or are reduced. I think just the overall pipeline of projects is -- that is a lesser factor. It's more just the complexities of the build.

Tony Wible - *Drexel Hamilton - Analyst*

Understood. Thank you. I appreciate the color.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Thanks a lot. Thanks for the questions.

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Operator

Okay. There are no further questions at this time. Do you have any closing remarks?

Mark Zoradi - Cinemark Holdings Inc - CEO

Thank you very much for joining us all this morning. We look forward to speaking with you again following our first quarter. Bye now.

Chanda Brashears - Cinemark Holdings Inc - IR

Thank you.

Operator

Thank you again for participating in today's conference call. You may now disconnect.

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