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PRESENTATION

Operator

At this time, I would like to welcome everyone to the Cinemark first quarter earnings conference call.

(Operator Instructions)

Thank you. Ms. Chandra Brashears, you may begin your conference.

Chanda Brashears - *Cinemark Holdings Inc - IR*

Thank you, Brandon, and good morning, everyone. At this time, I would like to welcome you to Cinemark Holding Inc's first quarter 2016 earnings release conference call hosted by Mark Zoradi, Chief Executive Officer, and Sean Gamble, Chief Financial 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 risks factors are set forth in the Company's SEC filings. The Company undertakes no obligation to publicly update or revise any forward-looking statement.

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 and on the Company's website, Investors. Cinemark.com. 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 first quarter results call. We're pleased to announce record Q1 results including a 19.6% increase in adjusted EBITDA to \$184.6 million.

It was also another record-setting first quarter for the North America industry's box office as well as for Cinemark. The holdover of Star Wars and The Revenant proved to be significant contributors and new release titles including Deadpool, Zootopia and Batman V Superman, each demonstrated that high-quality, commercial films can achieve blockbuster level success even when released outside the summer and holiday seasons.

The North America industry's first quarter box office increased 12.5%, while Cinemark's domestic admission revenue grew by 14.1% and surpassed the North America industry by 160 basis points. Cinemark's US circuit has now exceeded the North America industry for 26 out of the past 29 quarters. Furthermore, our worldwide operations set first quarter records in five key performance metrics including attendance, admissions revenue, concession revenue, adjusted EBITDA and adjusted EBITDA margin.

Additionally, our domestic concession per cap accomplished an all-time high of \$4.13. Thanks to our food and beverage and field operations team, we now have 37 consecutive quarters of concession per cap growth, which is the longest trend among our peers.

Our international operations also had a tremendous quarter fueled by robust local film content in addition to successful Hollywood films. A local Brazilian production, The Ten Commandments, had sales of approximately 11 million tickets and was the most attended film throughout the country in the last 15 years, ahead of all Hollywood film content including Avatar.

Furthermore, our international operations celebrated a first quarter record attendance of 28 million patrons, an incremental four million guests, which represents an increase of nearly 17% compared to the first quarter of 2015. This helped drive total international revenue up 26% in constant currency. These results again confirmed that our industry is more closely tied to film content and audience appeal rather than macroeconomics or political environments.

I would now like to provide an update to Cinemark's five key strategic initiatives. First and foremost, we focus on providing an outstanding customer experience, which permeates virtually all of our initiatives. Ensuring our guests have a great experience each time they walk into one of our theaters is pivotal. And every detail matters, the movies as well as the show times offered, the ease of ticket purchase, concession offerings and speed of transaction, amenities offered, visual and sound technology, comfort, cleanliness and of course, the knowledge and courtesy of our employees.

One recent example of the progress on this initiative is the launch of our US loyalty program, Connections, which we announced on our last earnings call. As you may recall, we were in the process of rolling out the program and are pleased to announce that we now are live across the country as of April 6. Connections is a free app spaced loyalty program located within the current Cinemark app. It allows customers to earn points for movie tickets and concession purchases, successful use of CineMode and social media sharing.

Points can be redeemed for a variety of rewards such as exclusive digital downloads, contests and sweepstakes, special behind-the-scenes movie footage, game downloads, movie premieres, savings on concessions and much more. Customer feedback has been very positive and we're encouraged by the initial results and customer acceptance. Over the next few months, we will be analyzing our consumer data and using that information to enhance customer experience, drive loyalty and attendance and increase concession sales. We look forward to providing further updates and details as this program expands and develops.

Our second key strategic initiative is operational excellence. This is one of Cinemark's key differentiators and is driven by our management team's extensive industry experience from real estate development, construction management, field operations and our international teams, Cinemark's dedicated focus on operational excellence is reflected in our consistent number one adjusted EBITDA and number one adjusted EBITDA margin.

Our third strategic initiative is technological and product innovation, which enriches the customer experience. Our projectors have the highest light output in the industry and create a stunning visual. Together with our spectacular sound systems, our patrons are truly immersed in the on-screen action and our 24/7 trilingual support center ensures that we have more than 99.96% global up time for each one of our screens.

Our fourth strategic initiative is worldwide circuit growth through organic new builds as well as accretive acquisitions that meet our disciplined and balanced investment threshold. During the quarter, we built 12 screens in the US and 20 screens in Latin America, to end the quarter with 5,840 screens globally. We continue to target 1% screen growth in the US and 6% screen growth in Latin America in 2016.

Additionally at the end of the quarter, we completed a tuck-in acquisition of three Carolina cinema theaters representing 42 screens. These high quality theaters in Asheville, Charlotte and Raleigh offer reserved seating, luxury recliners, sofa cinemas, gourmet food, craft beer and wine and are great additions in our expanding portfolio of enhanced concept theaters. We remain opportunistic regarding acquisition landscape, both domestically as well as internationally.

Last but certainly not least, is our sustained investment initiative. We believe in consistently investing in our theaters to maintain the high-quality experience our guests are accustomed to. In addition, we're continuing to expand our enhanced concepts with market adaptive approach, which is tailored to meet local consumer demand. As of March 31, we had 450 screens installed with our luxury lounge recliners and as planned, we're on track to finish the year with more than 900 screens featuring this amenity, representing 20% of our domestic circuit.

Our disciplined investment approach has been yielding exceptional results to date with average attendance increases in excess of 40% for the theaters that have been repositioned at least six months. As we look forward, we will evaluate additional opportunities to reposition theaters with luxury loungers that exceed our stringent investment hurdles.

Our Latin America VIP auditoriums have featured reclined seating for quite some time. However, as the attendance per screen in Latin America is approximately double that of the US, we will continue to add recliners only in our VIP auditoriums to maximize seating capacity across our entire Latin America circuit. Our XD screens remain the number one private label, premium, large format in the world with 212 total XD auditoriums; 129 in the US and 83 internationally.

The flexibility and economics of our XD screens continue to provide lucrative results, nearly 8% of the first quarter's box office was generated from our XD auditoriums, which represent 3.6% of our worldwide circuit. Our XD strategy is a meaningful contributor to our industry-leading margins as we only share revenue with our studio partners.

I would be remiss if I didn't highlight achievements in our food and beverage area. We consistently enhance our concession layout to expedite service. Additionally, we're expanding and diversifying our product categories in an effort to appeal to all of our patrons. In that vein, approximately 75 theaters, or 15%, of our global circuit offer alcoholic beverages and roughly 200 theaters, or 40%, offer a wide variety of expanded food selection ranging from chicken wings and cheese sticks, to burgers, wraps, flatbreads, to premium coffee and ice cream.

We have achieved very strong results in our concession per patron line item with a five-year compounded annual growth rate of 5.4% in the US and 13.1% in Latin America in constant currency. We will explore more opportunities to grow both the enhanced food and beverage category as well as our core concession products. We believe our focus and attention on all of these strategic initiatives will continue to ensure that Cinemark is well-positioned for ongoing success.

Shifting gears, we maintain our enthusiasm for the remainder of this year's film plate, especially after seeing additional footage on several films at CinemaCon such as Rogue One, The Secret Life of Tess, Fantastic Beasts, Finding Dory, Alice Through the Looking Glass, the new Jason Bourne movie, Passengers, Suicide Squad and Billy Lynn's Long Halftime Walk. Equally impressive from CinemaCon was the visibility we already had into 2017 and beyond.

How could you not get excited thinking about the next Star Wars, two more films from Fast and Furious franchise, Despicable Me, Lego Batman, Wonder Woman, Jurassic World II, Avengers, The Incredibles and four new Avatar films. The list goes on and on. The North America industry has experienced record box office in three of the past five years and we remain confident in the future of our industry and especially in Cinemark.

In closing, it was an outstanding first quarter and we are very pleased with our results, both domestically and internationally. I'd like to thank our entire worldwide team for their diligent operational execution and dedicated focus on the strategic initiatives that allowed us to generate such



strong results. That concludes my prepared remarks. I will 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. Before digging into the details, I wanted to address a few slight modifications we made to the presentation of our financials. First, we've updated our computation of adjusted EBITDA as it pertains to equity affiliates including national CineMedia. Previously, cash distributions received from our equity investments that are recorded as a reduction to their respective investment balances for GAAP purposes have not been included in our adjusted EBITDA calculation.

In an effort to more closely align our reported adjusted EBITDA with our operating cash flow and to provide better consistency in our computation with that of our peers, beginning with the first quarter and on a go-forward basis, adjusted EBITDA will include all cash distributions from our equity investments. This change is reflected for all periods presented in the reconciliation of net income to adjusted EBITDA in both our press release and 10-Q.

Second, we have reclassified certain maintenance and monitoring costs associated with our projection and sound equipment from our film, rental and advertising expense line to utilities and other. In reviewing the nature of these expenses, we believe this reclassification results in a cleaner presentation of film rental and advertising costs. The revised presentation is effective for this quarter and all prior periods have been recast to reflect the modification.

Finally, given the significant movement of foreign currencies in recent periods, in addition to our as reported results we have started including constant currency metrics in the MD&A section of our 10-Q that was filed this morning. We hope that this additional information will provide better visibility to the underlying operating performance of our international segment.

One last note, as Mark previously mentioned, we recently completed the acquisition of three theaters and 42 screens from Carolina Cinemas at the end of March. Given the size and late quarter timing of this transaction, it did not meaningfully impact our first quarter results.

With that being said, I would like to reiterate that we are very pleased with our record-setting first quarter performance across our diverse global footprint. Driven by strength in attendance, concessions, premium offerings and pricing, our total worldwide revenues increased 9.2% to a new first quarter record of \$704.9 million. Likewise, our worldwide adjusted EBITDA grew a robust 19.6% to \$184.6 million, resulting in an adjusted EBITDA margin of 26.2%, marking two additional first quarter highs that produced 230 basis points of year-over-year margin expansion.

Domestically, we achieved first quarter records across several key performance metrics. Attendance increased 7.2% to 44.5 million patrons, our average ticket price increased 6.3% to \$7.58 driven by premium content performance and pricing increases, and together, growth in attendance and price drove our domestic admissions revenues up 14.1% to \$337.5 million.

Concession revenues also benefited from this quarter's attendance strength. The combined impact of attendance and our food and beverage initiatives that Mark previously described, drove concession revenues up 15.3% to \$184 million. As a result, our concessions per patron grew 7.3% to \$4.13, achieving an all-time concession per cap high.

Overall, our US operations delivered total revenues of \$540.7 million and adjusted EBITDA of \$143.6 million, which resulted in an adjusted EBITDA margin of 26.6%, an increase of 230 basis points versus the first quarter of last year. It is noteworthy that this basis point improvement is consistent with and without the equity affiliate modification that I previously mentioned.

Consistent with our domestic results, internationally, we also enjoyed record industry and Cinemark performance for the first quarter. Despite the political and economic challenges within which some of our Latin American locations our operating, people are still going to the movies and our international attendance grew 16.7% in the first quarter, about triple the attendance growth of the North American industry.



This healthy attendance growth drove our international admissions revenues to \$98.3 million, that were down 6.3% as reported, but up 25.8% in constant currency. Admissions revenue were also boosted by an as reported average ticket price of \$3.51, which translates to a 7.8% increase in constant currency and was primarily driven by inflationary price increases.

International concessions revenues also had a solid quarter with revenues of \$53.8 million, that were down 1.8% as reported, but up 29.7% in constant currency. Our first quarter concessions per patron was \$1.92 as reported, which represented an 11.4% increase in constant currency versus last year.

Total international revenues for the first quarter were \$164.2 million as reported, with an adjusted EBITDA margin of 25%. Please note that our as reported international results were impacted by an approximate 25% foreign currency headwind in the quarter. 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 headwinds are predominantly translation-based and not transaction oriented.

Returning to our worldwide consolidated results. First quarter film rental and advertising costs as a percentage of admissions revenues, increased 160 basis points to 53.4%. This increase was primarily driven by the high concentration of blockbusters in the quarter, with 39% of the North American box office generated by films that grossed more than \$300 million as opposed to only 15% in the first quarter of 2015.

Concession costs as a percentage of total concession revenues, improved by 10 basis points in comparison to the prior year. Salaries and wages as a percentage of overall revenues were consistent with the prior year at 10.7% despite the global impact of minimum wage pressures and the domestic impact of the Affordable Care Act. Facility lease expenses and utility and other costs as a percentage of total revenues, improved by 110 basis points and 140 basis points, respectively. G&A for the first quarter, declined by 50 basis points as a percentage of total revenue.

Collectively, first quarter pretax income was \$92.5 million, compared to \$69.3 million in Q1 of the prior year. Our first quarter's effective tax rate was 36% and net income attributable to Cinemark Holdings Inc grew 38% to \$58.5 million or \$0.50 per diluted share. Included in this quarter's income is a pretax charge of \$13.2 million related to the early retirement of debt associated with the redemption of our senior subordinated notes, which I will describe further in a moment.

With respect to our balance sheet, we ended the year with a cash balance of \$583.9 million and a net deposition of \$1.4 billion. We remain opportunistic regarding our capital structure and during the course of the quarter, we took advantage of favorability in the debt markets to refinance our 7 3/8% senior subordinated notes due in 2021, with a \$225 million add-on to our outstanding 4 7/8% senior notes due in 2023. This transaction will improve our annual interest expense by approximately \$3.4 million going forward and extend maturity by an additional two years relative to the prior notes.

Shifting attention to the status of our US footprint. We operated 338 theaters and 4,551 screens in 41 states and 102 DMAs at quarter-end. We built one new theater with 12 screens, acquired three theaters with 32 screens and closed three theaters with 21 screens during the quarter. We have signed commitments to open four theaters and 45 screens during 2016, and we expect to spend approximately \$21 million in CapEx to do so. We also anticipate closing between 70 screens to 90 screens over the full course of the year.

Internationally, our Latin America circuit grew to 178 theaters and 1,289 screens across 14 countries. During the quarter, we expanded by three theaters and 20 screens, and closed one theater with nine screens. As of quarter-end, we had signed commitments to open seven new theaters and 51 screens during 2016, and we anticipate spending approximately \$31 million in CapEx to do so.

As outlined during our last earnings call, we continue to view Latin America as a long-term growth opportunity, but we are cognizant that the political and economic environments in certain countries, coupled with the complexities of building in these densely populated areas, may have an impact on our short-term organic growth efforts. Conservatively, we're targeting around 6% screen growth in Latin America in the near-term.

Regarding overall CapEx, we spent \$47.7 million in the first quarter, including \$13.5 million on new builds and \$34.2 million on existing theaters, which includes core maintenance, theater repositioning with luxury loungers and other cash flow generating opportunities. As we have stated in

the past, our first priority when it comes to capital allocation is to invest in growing our Company and delivering a high quality experience for our customers all while meeting our strict investment hurdles.

Along these lines, for the full-year of 2016, we uphold our CapEx guidance of \$300 million to \$325 million, primarily to maintain and expand our circuit. \$100 million is associated with new builds, both domestically and internationally, approximate \$80 million will be spent on core maintenance for existing screens in line with our historic run rate, and the residual \$120 million to \$145 million is driven by cash flow generating projects that include our luxury lounge and other reinvestment opportunities that Mark addressed in his prepared remarks.

In closing, we're extremely pleased with the strong first quarter results we were able to deliver as we capitalized on the strength of the quarter's film content, continued to outperform the industry in box office growth and adjusted EBITDA profitability, and further advanced our strategic initiatives that target long-term growth and shareholder returns. Brandon, that concludes our prepared remarks and we would now like to open up the lines for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

David Miller, Topeka.

David Miller - Topeka Capital Markets - Analyst

Hello, guys. Fantastic results. Congratulations. Sean, just a couple questions. First of all, what was the free cash flow number in the quarter? I just don't see it in the press release. I apologize if you mentioned it in your prepared remarks.

And then, with regard to what is going on in Latin America, obviously, it's been proven over the last couple of quarters that the near depressionary state of the economy down there isn't really affecting your income statement. People are obviously still going to the movies as they did here in 2009 when we were in the middle of a very tough recession. How is it affecting new builds, acquisitions, terminal values? If you do decide to expand down in Latin America via acquisition, are terminal values the same as they always have been? Any difference down there with regard to acquiring new circuits and new builds? Appreciate it. Thanks.

Sean Gamble - Cinemark Holdings Inc - CFO

Your first question on free cash flow, our free cash flow for the first quarter, was positive \$20 million. With regard to the international landscape and future growth and development, we are watchful of how the economy and political environment may ultimately impact new builds as well as acquisitions. So far, we haven't seen a dramatic impact on that.

As we noted, we are continuing to expand our circuit, building new theaters and picking up screens here and there. Last year again, we managed to achieve our 100 screen internal target that we had missed in prior years, so we looked at that as a good sign despite everything going on.

With regard to acquisitions, I think some of that is to be determined still. A lot of the attractive acquisitions in the region are owned by very wealthy families, so they are not necessarily in a distressed position where they have to sell. I think some of that is just going to continue to be opportunistic similar to some of what we see in the US these days in terms of when and if they look to exit their circuits and how they choose to go about that. I think it is hard to predict what kind of values to expect. Obviously for us, we would look for the same type of investment returns that we look for all of our investments with regards to acquisitions.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

David, I might just also add that we are also continuing to look for opportunities outside of just the major cities. And we are looking in cities with population basis of a quarter million people where we might have the opportunity to go in and be the only exhibitor in that particular town or city. Some of that is -- obviously, most of that is mall development based, but we're continuing to see those opportunities for this year and next.

David Miller - *Topeka Capital Markets - Analyst*

Wonderful. Thank you.

Operator

Eric Wold, B Riley.

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

Thanks, good morning. One, just a quick follow-up on the last one on development in Latin America. I know you talked about at the Investor Day at CinemaCon that you are watching this more longer term, not so much this year or next year, but 2018, 2019. If there is a risk to development, is what's going on there going to impact all development in your opinion, or really just the stuff on the fringes, companies that may not be as well capitalized. I'm just trying to gauge the level of risk on development over past the next two years.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Eric, I think one of the things it's important to remember, and I do think we might have talked about this at CinemaCon as well, is we are very diversified in Latin America. We're operating in 14 countries. The headlines right now are coming out of Argentina and Brazil, and we obviously have a pretty good look at 2016 and 2017.

It gets harder when you are looking out to 2018 and 2019, but we are continuing to be confident in the region because regardless of when Argentina and Brazil turnaround and come back, and they will, it is just a matter of time and that is difficult for anyone, economist or us, to know exactly when that turn's going to happen. We also are operating in 12 other countries which are doing much better than either one of those two right now. When you add all of that together and you look just at what probably is the single most important metric, which is increase in attendance because our business and everything about our business is driven off of that attendance, and when you see the kind of growth that we had last year and in this first quarter, we remain optimistic.

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

That's perfect. Good to hear. Last question, I know you only just launched the updated loyalty program, so the underlying drivers of that may not be completely visible. But you mentioned 40% attendance gains you are seeing with repositioned theaters that have opened or that have been that way for six months. Any sense of how much of that is repeat visitation from attendees that are already view that as their core theater versus taking attendance from local competitors? And then, second question on that, are you seeing competitors in your region moving forward with similar projects? Just trying to get a sense of how sustainable you think these attendance gains are versus possible short term shifts?



Mark Zoradi - *Cinemark Holdings Inc - CEO*

It is interesting, you see both. When you look at a particular market, sometimes it is primarily share shift. Other times it is primarily a growth in the marketplace because you have added such a significant upgrade into the marketplace. That depends on whether or not you were the first in the market or whether or not you were the second or third in the market. So it really is both.

What is encouraging to us is that when we launched the loungers, from literally the very beginning, we start to see that growth. And we try not to make a full on evaluation until we have at least that six months because it takes time to both get the word out and let people experience the loungers. To answer your question specifically, it is in fact both. There is some share shift and there is some actual increasing of the pie.

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

Perfect. Thanks, guys.

Operator

Eric Handler, MKM.

Eric Handler - *MKM Partners - Analyst*

Thanks for taking my question. Mark, wondered if you could talk about some of the competitive dynamics that are going on now in terms of how you are thinking about your recliner initiative versus competitive forces coming in to markets where you have multiple theaters in a market and they are doing luxury recliner receipts and how are you balancing where you want to go versus where competition is going?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Well, we obviously look at the marketplace and say, have other people reclined? How far away are those theaters from us? What is the competitive zone look like? Clearly, it is to our advantage to enter marketplaces with recliners where we are the first in the market. But that doesn't mean we cannot also be very acceptable to our investment hurdles to enter the market if we're the second or third into the market.

It really depends specifically on that market and we will go back and we'll look at the demographics. We'll look at our history. We'll look at the admission growth and we will make a determination on whether or not to enter that marketplace or not. I think Sean has been very diligent in keeping us in line relative to these investment hurdles and we're going to continue to do so. We look and say, what kind of effect will reseating have on our existing theaters in the marketplace and potentially, the marketplace as a whole and then we try to make estimates on what the growth in the marketplace will be. Thus far, we are very happy with the results and we're going to continue to be diligent in looking at that analysis.

Eric Handler - *MKM Partners - Analyst*

As a follow-up for Sean, you said CapEx for the quarter was \$48 million, which is considerably lower than what you did in last year's first quarter. Was there some timing issues associated with that and how should we think about the pacing of CapEx throughout the rest of the year, specifically is third quarter with the Olympics going to impact anything in Brazil or what can you give us there?

Sean Gamble - *Cinemark Holdings Inc - CFO*

One of the biggest drivers for last year was we purchased our headquarters building which was around \$26 million in the quarter for first quarter of last year. That was a big variance. I would say also timing-wise we expect a bit of a ramp up in CapEx over the next couple of quarters. First quarter relative to what we will see the rest of this year, was perhaps a bit low. But the biggest driver is going to be the building purchase of last year.

Eric Handler - *MKM Partners - Analyst*

Okay, thank you.

Operator

Chad Beynon, Macquarie Research.

Chad Beynon - *Macquarie Research Equities - Analyst*

Hello, guys. Good morning. Thanks for taking my questions. Firstly, from a margin standpoint and flow through standpoint, particularly in the US, you were able to manage some of the expense line items I think a lot better than what most of us had expected and what we saw from some of your peers in the quarter, your flow through was pretty impressive. Is there any reason why some of these expense line items could tick up? Was there anything there with timing, anything that we need to be aware from an inflationary standpoint that would start to come through throughout the remainder of 2016?

Sean Gamble - *Cinemark Holdings Inc - CFO*

I don't anticipate any -- let's start with domestic. I do not anticipate any significant changes. We continue like everybody in our space, to be challenged by minimum wage increases and things of that sort and as everyone else I'm sure is doing too, we're looking for ways to offset that, whether it be through price or productivity actions. I expect those types of pressures will continue to be there.

Internationally, similarly, we operate in some high inflationary environments but there we're generally able to increase our prices in line with inflation. So I think a big factor is going to be just box office and how well we are able to gain leverage over our fixed costs based on the continued strength of the box office over the course of the year. The short answer is no, I do not expect any big changes in terms of our core operating costs on a go-forward basis.

Chad Beynon - *Macquarie Research Equities - Analyst*

Okay, thanks. With respect to the tuck-in acquisition that you announced, was this really done just because of the multiple that you were able to pay, the region that you liked, maybe some opportunities to improve operations? Could you help us think about why this was done, how it was done and if there are maybe some more opportunities in the US where you could do the same? Thanks.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

First, it was obviously a price that was attractive to us. But even more important than the price, was the quality of the theaters. We went obviously down and visited theaters a couple of times, took a crew down with us, two of the theaters had already been reclined, they offered a significant amount of enhanced food and a variety of beer and wine and a bar that was already established. The three cinemas were key in their marketplace, good market share, very well thought of. It was a quality of theaters that first and foremost attracted us.

And secondly, it was in a price that we felt like was attractive and positive to us from an accretive standpoint. I think your last question was, are we going to continue? Absolutely. We are literally looking for potential acquisitions all the time. Key is, exactly what I said, the quality of the theater and the associate price along with it.



Chad Beynon - *Macquarie Research Equities - Analyst*

Great, thanks. Congratulations on the record results.

Operator

Robert Fishman, MoffettNathanson.

Robert Fishman - *MoffettNathanson - Analyst*

Good morning. I've got one for Mark and one for Sean if I can. Mark, one of the big focuses at CinemaCon during the state of the industry presentation was on the younger moviegoers. And one of your peers created some press recently by discussing the possibility of allowing texting in the theater, but due to negative feedback ultimately reversed his thinking. I am just wondering, are there initiatives under your control that you plan on focusing to keep the younger moviegoers coming back to your theaters or does it really just come down to the content on the screen?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

There is no question content on the screen is the number one driver. But in terms of initiatives, I would say that our whole Connections loyalty program is probably one of the single biggest initiatives that way because this is completely apps-based. It is not your traditional loyalty program with a card and get free movie and get a free popcorn. A lot of the rewards here, yes they do have those rewards, but they are experiential-based that millennials are going to be interested in. The whole idea behind Connections was to create a loyalty program for the younger skewing demographic.

Secondarily, we're very much on the front edge of e-gaming in our theaters. Super League Gaming we're hosting in dozens of our theaters and we're testing that concept with them and we are very bullish on the idea of that. E-gaming, Super League Gaming basically is a league. It is almost like a sports league, only it happens to be doing video games with one team playing against other teams and those can be not only in one city but they can be playing against leagues in cities across the country. We are very aggressive at relative to doing that and working extremely closely with super league gaming people.

Robert Fishman - *MoffettNathanson - Analyst*

Okay, thank you. That's helpful color. Sean, Latin America surprised us and you called in your press release to the strong local content. Can you help us think about if the better local content will be fit even better margin expansion than a comparable similar quarter with the attendance growth coming from Hollywood content? And should we expect any of the local content strength to continue for the rest of the year? Thank you.

Sean Gamble - *Cinemark Holdings Inc - CFO*

It is one of the things we like about Latin America and operating in Latin America, is you can get these local surprises that come without expectation. I think that is certainly the case in the first quarter. I think it is hard to predict what may be a big hit looking forward, but we're certainly hopeful that there could be some additional local surprises.

With regard to just general margin expansion, the film rental rates I would say are generally in line in local content with the Hollywood content. Actually in the case of one of the big local hits in Brazil, The Ten Commandments, it actually has a slight drag on margin rate. The attendance obviously is a big plus, but that particular film didn't have a lot of premium content. It had a lower concessions consumption rate, so that particular film was a lower margin-based film aside from the attendance that it drove. It kind of varies based on what type of film it is, but I would say if anything, it may be a slight drag in terms of the premium aspect, but it can be a help from just the overall leverage on fixed costs. Probably a net comparable gain to Hollywood from a margin point of view net/net.



Robert Fishman - *MoffettNathanson - Analyst*

Okay, thanks again.

Operator

Barton Crockett, FBR.

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

Thanks for taking the question. The new CEO at AMC has been very bullish optimistic about the opportunity for the theater industry around membership loyalty programs arguing that at least in the case of AMC, they are underperforming other industries. You've come from other industries, do think there's an opportunity to drive better penetration and a better return on a better return from your audience engagement potentially. I was wondering do you see that same type of opportunity at Cinemark? Do you see what Adam's talking about or do you see it somewhat differently?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I can't really get into Adam's head, so let me just talk for Cinemark's perspective. We've been working on connections for well over a year. We have had very successful loyalty programs in a number of our Latin America markets. And the idea of setting up Connections over a year ago and pushing it as a modern apps-based young skewing loyalty program was very strategic.

We expect a good steady growth of this. It doesn't happen overnight. We have now been launched for about 33 days, so we look forward in our next call and our call after that to start talking about results and numbers and telling you how we are doing. But this is strategic for us and it has been for a year and we recognize the importance of loyalty programs. And we tried to gear ours towards that millennial mindset of everything is mobile apps-based.

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

Okay, that's helpful. A separate question, we do have the Olympics coming up down there in Brazil and I was wondering if you could give us a sense of what the impact is on the movie release schedule? There are few weeks that are clear away for the Olympics or does it really have no impact?

Sean Gamble - *Cinemark Holdings Inc - CFO*

It's going to have minimal impact. We saw that even last summer with the World Cup. The studios look at it slightly, but we really don't see it making any major impact relative to release schedules or the business during that quarter.

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

Okay, that's great. Thank you.

Operator

Ben Mogil, Stifel.

Ben Mogil - *Stifel Nicolaus - Analyst*

Hello, good morning, and thanks for taking my question. I wanted to ask a broader question. You have got AMC going one way on in-home participation, if you will. Not just on Screening Room but obviously on the Paramount VOD experiments of last summer. You and Regal have gone obviously a different road. Any concern and just we're looking at how the music industry evolves and arguably, even video as well, that technology was moving in one direction and if you didn't -- I don't mean get with it, but somehow participate in the discussions, it was going to go towards some endgame anyhow.

But you have less of a participation role by not being part of it earlier on. Maybe you can talk about how you balance out having watched, as I'm sure Mark more closely than any of us, how soon the other businesses have evolved with technology and how those that didn't participate early on didn't have a seat at the table with obviously wanted to protect your core business.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I can't speak to when AMC or Regal first spoke to Screening Room. I know that we spoke to Screening Room very early in the process. We analyzed it, we looked at it, had multiple conversations both in person and over the phone with these people. As we analyzed it, it didn't seem to be a good economic decision for Cinemark to move forward and to support. That is the way we went. It wasn't a matter of not having a seat at the table. In fact, I think we may have had one of the first seats at the table and did a very thoughtful analysis and chose to not proceed because we didn't think it was in the interest of our shareholders.

Ben Mogil - *Stifel Nicolaus - Analyst*

Is there a compensation price for ticketing that you would get repaid and/or split that works? Is this one of these situations on believe me and then I'll ask you to negotiate in public? But is this one of these situations where there is a path forward, we're just not there yet, or is there no path forward? Is it in home no can do, or in home works under a couple different price points and splits?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Ben, that is a very difficult question to answer in the way that is formatted because we're open to looking at any and all business proposals. There's no categorical no way, but it is detailed, it is complicated, so I really cannot speak to it in a somewhat hypothetical situation like this. Let me just say, we're not categorically opposed to any business proposition and we will look very carefully at any proposition that is put before us.

Sean Gamble - *Cinemark Holdings Inc - CFO*

The only other thing I would add too, is we believe these are conversations best had between ourselves and our content providers. So the concept of a third-party in the middle of that is something that was not favorable to us. But as Mark said, these are conversations we actively have, we believe we'll actively have ongoing with our studio partners.

Ben Mogil - *Stifel Nicolaus - Analyst*

Very fair. Thank you very much, guys.

Operator

Alexia Quadrani, JPMorgan.

Alexia Quadrani - *JPMorgan - Analyst*

Thank you. Could you give us a sense of how much more room you think you have to grow ticket pricing this year with the potential of difficult comp from a higher share premium format box office from last year, perhaps offset by the higher pricing for your new repositioned theaters?

Sean Gamble - *Cinemark Holdings Inc - CFO*

Pricing is something that we pay particular attention to. Like we did in 2015, we will look for opportunities to increase price where we think we can do so without impacting attendance. And again, we did that last year. When we were approaching this year and looking at the perceived relative strength of the 2016 box office, it is something where we have that on the mind.

We have not so far taken significant price increases in any of our recliner theaters. It is something that we are contemplating as we look at the demand for those theaters. So there is some potential there. We have not yet implemented any type of tax on top concept which some of our other peers have. Is something we are evaluating, so there may be some opportunity there. It is something we'll be very prudent about.

But again, our underlying philosophy domestically has been to ideally slightly trail inflation over the long haul, but look for momentary opportunities really driven by strength of content to boost prices or strength of demand in marketplace. I guess I would say I think there are some pockets of opportunity, but we're just going to be careful as we go forward and do that because we don't want to impact attendance when all is said and done.

Alexia Quadrani - *JPMorgan - Analyst*

Looking at the impressive concessions per cap that you have been showing, any commentary how we should think about that going forward, particularly in the upcoming quarter given the skew of films that may influence it?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

We remain bullish on our ability to continue to drive per caps in food and beverage. We see it with the variety of offerings that we have. We see it in the layout of our concession stands and modernizing those. And we also see it as we continue to rollout recliners, we see increases in food and beverage consumption when the recliners are put in. Part of that I think is reserved seating and it allows the customer to not be under any pressure to get a seat. So all of those things I think are going to continue to help drive our food and beverage in the coming quarters and years.

Alexia Quadrani - *JPMorgan - Analyst*

Thank you.

Operator

Tony Wible, Drexel Hamilton.

Tony Wible - *Drexel Hamilton - Analyst*

Thanks. How much was the reclassification of expense at a film rental into utilities? And did I hear correctly that you said the local concession per cap was up almost 30%?

Sean Gamble - *Cinemark Holdings Inc - CFO*

That is correct on the local concession per cap in constant currency and the amount of the reclass was about \$6 million from film rental and advertising to utilities and other. It is about 2.5% of our overall film rental and advertising expense.

Tony Wible - *Drexel Hamilton - Analyst*

Got it. And was there another factor in the international concession per cap? Because if you have a 25% FX headwind and a 30% local CPC as you just mentioned, I guess I wouldn't expect the number to be down 16% in absolute terms.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Really it is the math of foreign exchange and the profile. Some of it's mix of countries, where the strength is driven. But our overall benefit in -- I'm sorry. You're talking per cap or overall concession?

Tony Wible - *Drexel Hamilton - Analyst*

Yes, per cap. The per cap I think was down 15.9% to \$1.92 and then you mentioned the local is up 30% and the FX is up 25%, unless the FX is maybe a little bit different on the concession per cap and you were speaking total company.

Sean Gamble - *Cinemark Holdings Inc - CFO*

Our per cap in constant currency was up about 11.4%. Our raw concession revenues dollars were up about 30% in constant currency.

Tony Wible - *Drexel Hamilton - Analyst*

Got it. I know it goes under the radar, but the US other revenue was pretty strong. Anything there and would you expect that to continue?

Sean Gamble - *Cinemark Holdings Inc - CFO*

It is really predominately driven by screen add increase associated with attendance. We also had the benefit of some events, promotional events that took place in the quarter connected to Star Wars and some faith-based opportunities. So those were really the key drivers of other revenues.

Tony Wible - *Drexel Hamilton - Analyst*

Perfect, thank you.

Operator

Jim Goss, Barrington Research.

Jim Goss - *Barrington Research - Analyst*

First, I am wondering if you are expecting any competitive difference in the domestic markets past the AMC purchase of Carmike, assuming that takes place?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

What are you referring to? Competitive changes?

Jim Goss - *Barrington Research - Analyst*

Yes, are there any ways you think life will be different -- because I think you do have a number of markets where you probably have some overlap with Carmike.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I don't think there is anything material that is going to change there. Yes, we have some overlap, but it is not that significant. It is just a matter of having a competitor with Carmike and now we have a competitor that AMC has acquired.

Jim Goss - *Barrington Research - Analyst*

Mark, I'm also wondering if you could talk about some of the dynamics or some of the drivers that resulted in greater visibility on the domestic release schedule going out two to three years from your current vantage point relative to how you looked at it when you were with Buena Vista?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

I think what one of the biggest things that has changed in the last several years is the ability from the studios to provide forward-looking tent pole movies into not only the remainder of this year but there was a time when basically release schedules were 12 months out. Now you have studios literally putting tent poles down 24, 36 and sometimes even 48 months out because they want to reserve the real estate for that particular release date.

I think that is probably the biggest change that has taken place as we look forward. Clearly, those tent pole movies have become more and more important and in doing so, studios are spending more both on the production side and the ad pub side. So it is important for them to put the flag in the ground and it is for us it is very advantageous because it allows better planning and we can be more transparent as we look forward of what our earnings potential are going to be.

Jim Goss - *Barrington Research - Analyst*

It does offer potential benefits in terms of deciding how you want to receipt or whatever other strategic changes you want to make?

Mark Zoradi - *Cinemark Holdings Inc - CEO*

Yes, because we have confidence in the product flow for not only 2016 and 2017, but we've got a pretty good look into 2018 and even 2019. James Cameron, Jim Cameron, it was really quite interesting. At Fox's presentation at CinemaCon, Jim Gianopulos pulled the classic oh, and one more thing and out walks Jim Cameron. And Jim says, Avatar with two movies just wasn't enough and I have decided three. Then he goes, and you know what? We laid out the conference room and there is just too much material. We're going to do four and he basically announced the next four Avatars. That is incredibly important to us.



Jim Goss - Barrington Research - Analyst

Finally, you talked about minimum wage before. I was curious what a \$15 minimum wage would do to you and how you would be able to react to something like that?

Sean Gamble - Cinemark Holdings Inc - CFO

These are the types of things that we have experienced over time, both domestically and internationally. I would say we would look to offset that with price over time where we could. We would continue to look for ways to increase our productivity through more efficient operations where possible. Generally, we like to think that overall increases in minimum wage also help us from a patronage point of view, because people have increased disposable income and they will use that to make additional visits to our theater. So hopefully we would recapture some of that that way. But those are the types of things we would aim to do. Like any other cost pressure we might experience, we look to price and productivity as ways to offset it.

Jim Goss - Barrington Research - Analyst

Okay, thank you.

Operator

Leo Kulp, RBC Capital.

Leo Kulp - RBC Capital Markets - Analyst

Good morning. Thanks for taking the questions. I just had two quick ones. First, your concessions per cap growth was very strong. Going back to that for a second, can you provide a little color on the drivers, particularly in Latin America around pricing, versus core volumes and enhanced menus? Secondly, in the past you've mentioned that you would consider international acquisitions outside of Latin America. Do recent changes to tax inversion rules change that view?

Mark Zoradi - Cinemark Holdings Inc - CEO

I will take the second one. The first question was about concessions and can we add some more color to what made up the concession increase. I'll do the second question first and let Sean do the first. Relative to our desire to do acquisitions outside of the United States, our first priority is definitely Latin America because we have got such an established footprint throughout Latin America. So going deeper within our existing territories would be priority number one. That does not preclude us from looking at potential opportunities outside of Latin America, especially as it relates to Europe.

Relative to what has happened with tax inversion, that is really not a major consideration of ours. First and foremost, what we would look at on any potential acquisitions outside of the US, let's just, wherever that might be, would be the quality of the circuit and the potential return on that particular investment. We would not make an investment driven off of tax benefits.

Sean Gamble - Cinemark Holdings Inc - CFO

I apologize. On your first part of your question, was that particular to the drivers of our US concession per cap?

Leo Kulp - RBC Capital Markets - Analyst

More about Latin America.

Sean Gamble - Cinemark Holdings Inc - CFO

More about Latin America. Really the drivers for our Latin America per caps are comparable to the US. I'd say the bulk of the driver is just strength of volume. A lot of that was connected to some promotional activities we had associated with some of the blockbuster releases in the marketplace. Another big piece is inflation. We continue -- in the case of concessions in the case of international, our general approach is to try to slightly exceed inflation. It is a little bit of a different tactic than in the US, but our aim is to slightly exceed inflation. We were able to do that internationally. We've gotten better conversion with our per caps in volume based on the different initiatives we have talked about, whether it be more variety, promotions, strategic floor designs. But then also a big component is inflation. Probably about half of the increase is inflation that you are seeing in our concession per cap growth.

Leo Kulp - RBC Capital Markets - Analyst

Thank you.

Operator

(Operator Instructions)

Anthony Nemoto, Credit Suisse.

Anthony Nemoto - Credit Suisse - Analyst

Great, good morning. Thanks for taking the questions. I had a question on the recliners. Some of your competitors sell increased sellouts starting this past quarter in the recliner theaters due to reduced capacity. I was wondering if there was any evidence of that for Cinemark and if so, any data on shifts, other days or time slots?

Mark Zoradi - Cinemark Holdings Inc - CEO

The answer to that is yes. In particular, when movies open on opening weekend, Friday and Saturday nights, since we have effectively reduced capacity in many of these theaters by as much as 50%, yes, we do see sellouts on a particularly regular basis. And that is why we will be considering and looking at price increases, especially for those high demand time periods once the recliners have been fully established in the marketplace.

Anthony Nemoto - Credit Suisse - Analyst

Great. And then just another quick one on the XD, the positioning of those theaters. I think AMC mentioned that their up-and-coming proprietary PLF would be marketed as a lower tier versus IMAX. It doesn't seem like XD is being positioned in that manner but relative to IMAX, it would be great to get some clarity on the vision of the positioning of XD.

Mark Zoradi - Cinemark Holdings Inc - CEO

We have both. We have some IMAX in our circuit and of course, we have a significant dedication to XD. We position XD as a full premium experience from both the visual perspective, to seating and the sound. It is a full premium experience for us.

Anthony Nemoto - *Credit Suisse - Analyst*

Got it. Great, thanks.

Operator

There are no additional questions in queue.

Mark Zoradi - *Cinemark Holdings Inc - CEO*

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

Operator

This does conclude today's conference call. You may now disconnect.

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