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CNK - Q1 2014 Cinemark Holdings, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good morning. My name is Felicia. I will be your conference operator today. At this time, I would like to welcome everyone to the Cinemark's Q1 2014 earnings call.

(Operator Instructions)

I would now like to hand the conference over to Robert Copple. Sir, you may begin.

Robert Copple - *Cinemark Holdings Inc - President, COO, & CFO*

Good morning, everyone. At this time, I would like to welcome you to Cinemark Holdings' first-quarter 2014 earnings release conference call. It's hosted by Tim Warner, our Chief Executive Officer, and myself, Robert Copple, President and Chief Operating Officer and 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 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 and on the Company's website, Investors. Cinemark.com.

I would now like to turn the call over to Tim Warner.



Tim Warner - Cinemark Holdings Inc - CEO

Thank you, Robert. Good morning, everyone. Thank you for joining us for our first-quarter 2014 results call.

Cinemark celebrated a record-setting first quarter with \$602.3 million in total worldwide revenues. We also set records in our domestic segment where we had our highest first-quarter attendance in history and generated a record \$442.1 million in Q1 total revenues.

According to the industry sources, the North American industry box office for the calendar's quarter was up approximately 5.5% from last year, while Cinemark's domestic box office increased an impressive 20.5%. Our international segment generated a 5.7% increase in total revenues on a currency adjusted basis, especially impressive given the cost with the sale of the Mexico assets. Excluding Mexico from the prior-year results, total international revenues were up approximately 16% on a constant currency basis.

Our worldwide adjusted EBITDA was \$128.6 million for the quarter, representing an adjusted EBITDA margin of 21.3%. We compliment our worldwide operation teams for continuing to achieve the highest adjusted EBITDA margins in the industry, while also maintaining our high standards for customer service.

The first-quarter box office was led by a diverse slate that included The Lego Movie, Ride Along, Lone Survivor, Divergent, 300: Rise of the Empire, and the carryover of Frozen. The North American industry began the second quarter with a highly successful Captain America: The Winter Soldier, and Rio 2. The 3D takes on both these movies were approximately 40% and 30%, respectively, demonstrating the continued demand for this premium format.

The summer season officially kicked off this past weekend with The Amazing Spiderman 2. While Spiderman had a strong opening that included a 43% 3D take rate, last year's Iron Man 3 created a difficult comp as it earned the second-highest opening weekend domestic box office of all time. Last year summer box office also included the July release of Despicable Me 2.

Despite last year's record summer box office, we are excited about the diversity and potential of this year's remaining summer releases, including Neighbors with Seth Rogen and Zac Efron; Godzilla; X-men: Days of Future Past; Maleficent; A Million Ways to Die in the West, directed by Seth MacFarlane; How to Train Your Dragon 2; Jersey Boys, directed by Clint Eastwood; Transformers: Age of Extinction; and Dawn of the Planet of the Apes.

To round out the year, the film lineup includes The Judge, starring Robert Downey Jr; Interstellar: An Adventure in Human Space Travel, written and directed by Christopher Nolan; Hunger Games: Mockingjay Part 1; Exodus, directed by Ridley Scott and starring Christian Bale; The Hobbit: The Battle of the Five Armies; and Night at the Museum 3.

We are encouraged by the studios' recognition that audiences enjoy quality films year-round, as seen with The Lego Movie release in the middle of the first quarter, and the releases of Captain America on April 4, Rio 2 in mid-April, and The Guardians of the Galaxy in mid-August. An expansion of the film release calendar, combined with the diverse film slate, can attract a wide variety of audiences throughout the year.

Patrons not only have a range of interest in terms of film genres, but they also enjoyed different amenities at the theater. Cinemark continues to offer a variety of market adapted concepts across our circuit. Our Cinemark Bistro concepts domestically are being very well received in the marketplace, and we are working to identify additional markets in which to expand the concept.

We're opening two high-end theaters with our Cinemark reserve concept; one in Playa Vista, California, and the other in Towson, Maryland. Each location features expanded food and beverage in an upscale lounge area, premium VIP seating in the balcony sections of many of the auditoriums, and a wide variety of our latest NextGen innovations such as a 60- or 70-foot XD screen, Barco Auro sound, a lobby bar, and wall-to-wall screens. Cinemark also operates a number of VIP auditoriums, with reclining seats and expanded concession menus, including beer, wine, and cocktails. We continue to evaluate on a mark-to-market basis where we can expand this concept to increase the utilization of our theatrical platforms.

We've also added XD premium large-format screens to many of our existing theaters. Most recently we installed an XD screen at our Cinemark 18 in Los Angeles and received the best XXL screen rating from the Studio System News, who recently published the best theaters in LA Newsletter. We commend our theater technology team for their continued commitment to innovation and their attention to details.

We continue to lead the industry in the number of premium large format locations. We offer 103 XD screens domestically and 52 internationally. We have plans to open an additional 39 XD screens worldwide during the remainder of the year.

Continuing our focus on technology, approximately 87% of our domestic circuit is capable of receiving all content via satellite to the DCDC Network. DCDC allows maximum flexibility with our on-screen product offerings and completes the final technological hurdle for alternative content expansion. We expect our entire domestic circuit to be active on the DCDC Network by the end of May.

We also plan to participate in the development of a satellite network in our Latin American markets as well. We are now 100% digital in our international segment, and DCDC will further enhance content and advertising capabilities in those markets.

Cinemark continues to connect with their customer via its smartphone app, CineMode, with almost 4.4 million downloads to date. In addition, approximately 3.5 million customers subscribe to our weekly emails. We continue to use these connections with our customers, along with other social media to drive incremental sales, as evidenced by our 29th consecutive quarter of domestic concession per cap increases.

With respect to alternative content we'd like to welcome John Rubey as the newly appointed CEO of Alternative Content JV, our recently formed Fathom joint adventure. We're excited about the dynamic combination of his extensive background, the satellite technology in our theaters, and a management team focused on growing alternative entertainment options for our patrons. We continue to see solid results for alternative content.

It's an exciting time to be in our industry with the extended film slates, diverse product, technological barriers behind us, and innovative, creative concepts coming to the marketplace to expand and enhance the customer experience.

Yesterday, National CineMedia announced they have entered into a transaction to purchase Screenvision. As a founding member and shareholder of NCMI, Cinemark is supportive of this transaction.

We think it creates an improved cinema advertising network that will be more competitive in a changing media landscape. Since the transaction is subject to the customary antitrust review process, we are limited in responding to questions regarding this transaction.

Robert will now provide more details of the Company's financial performance for the first quarter, an overview of our capital structure, and information on our organic expansion plans.

Robert Cottle - *Cinemark Holdings Inc - President, COO, & CFO*

Good morning, everyone.

We followed up a robust 2013 with another record-setting quarter for Cinemark. We set a first-quarter record for total worldwide revenues at \$602.3 million.

Our worldwide circuit outperformed the North American industry by approximately 350 basis points. Our total worldwide revenues for the first quarter increased 9.9%.

Worldwide admissions revenue were \$380.9 million, an increase of 9%. And worldwide adjusted EBITDA was \$128.6 million for the quarter, resulting in an adjusted EBITDA margin of 21.3%.

Our US segment set records for the first quarter, driven by attendance increases, in addition of the [raised] circuit. Total US revenues for the quarter grew 21.6% to a Q1 record \$442.1 million.



Admissions revenues increased 20.5% to a Q1 record \$282.7 million. Attendance was a first-quarter record, 40.6 million patrons, an increase of 17%.

Average ticket price rose 3% to \$6.96. Concession revenues were \$145.5 million, an increase of 23.3%.

Our domestic concession per patron grew a healthy 5.3% to \$3.58, marking our 29th consecutive quarter of concession per cap increases. We continue to successfully introduce new concession products and design new concession promotions to generate these incremental sales.

Our US segment generated adjusted EBITDA of \$93.5 million with an adjusted EBITDA margin of 21.2%. Our international segment also performed extremely well this quarter, despite currency headwinds of approximately 19% and a comp against 2013 that included our theaters in Mexico.

Total international revenues this quarter were \$160.2 million. Admission revenues were \$98.2 million. Average ticket price was \$4.70. In constant currency, the average ticket price improved 13.3%.

International concession revenue was \$47.5 million. Concession per patron was \$2.27 for the first quarter. In constant currency, the increase was 15.1%, continuing an impressive growth trend.

Our Latin American segment generated adjusted EBITDA of \$35 million, representing a 21.9% adjusted EBITDA margin. Consolidated worldwide film rental and advertising costs increased 120 basis points from the prior-year quarter to 52.7% of admission revenues, primarily due to the strong box office performance of the top films during the quarter.

The increase was also partly due to the sell of our Mexico assets and resulting relatively higher weighting of our domestic segment, which has higher film rental rates. Concession supplies were 15.5% of concession revenues, an improvement at 70 basis points.

Total income before income taxes was \$56.6 million, compared to pretax income of \$43.7 million in Q1 of 2013. Net income attributable to Cinemark Holdings Inc, was approximately \$35.4 million or \$0.31 per diluted share. Our first quarter effective tax rate was 36.9%.

We ended the quarter with a cash balance of \$562.7 million. Our net debt position is approximately \$1.27 billion, representing a net leverage ratio of 2 times adjusted EBITDA.

At quarter end, our US circuit consisted of 333 theaters and 4,459 screens in 40 states and 99 DMAs. During the quarter, we built 1 theater with 12 screens, and closed 2 theaters with 10 screens. We have signed commitments to open seven theaters with 78 screens during the remainder of 2014, and six theaters with 74 screens subsequent to 2014. We expect to spend approximately \$84 million in CapEx for these additional 152 screens.

Our Latin American circuit consisted of 153 theaters and 1,136 screens at March 31. During the quarter, we opened five theaters and 32 screens and closed 2 screens.

As of quarter end, we had signed commitments to open eight new theaters representing 54 screens, during the remainder of 2014, and four theaters representing 33 screens subsequent to 2014. Our estimated CapEx to develop these additional 87 international screens is approximately \$63 million.

We also recently entered into an agreement with a local developer to expand our footprint into certain smaller Brazilian markets. Under this agreement, we have the opportunity to build a theater in up to 14 new mall developments over the next few years.

We still expect our estimated total CapEx for 2014 to be approximately \$275 million and \$300 million. This includes the cost of the digital rollout in Latin America, which was completed in April.

Operator, that concludes our prepared remarks. Please open up the line for questions.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Robert Fishman, MoffettNathanson Research.

Robert Fishman - *MoffettNathanson Research - Analyst*

I've got one for Tim, and one for Robert, if I may. Tim, can you share with us if the volatility in LatAm market presents any interesting M&A opportunities for Cinemark, and also how you characterize the M&A market in the US?

Tim Warner - *Cinemark Holdings Inc - CEO*

Yes. I think, one, I don't necessarily agree with your analysis that it's a volatile market in Latin America. We have a very diverse portfolio in Latin America. We're in most of all of the countries in Central and South America. There's a little turmoil in Argentina which is being driven by politics, as well as an economic issue that could create some M&A activities.

As far as the rest of the market I think that there is M&A activities, and there's some very attractive companies down there that we would like to acquire if they become available. We're constantly searching for good M&A opportunities. We're also looking at new markets. We recently entered Bolivia, our 13-screen complex there opened extremely well and is performing very well, and we recently announced a deal that we're set for next year in Paraguay. We continue to look to expand in those markets both organically and via M&A activity.

In the US, as we discussed before there is some very attractive circuits out there that we would want to purchase, however they're primarily all my family owned groups, and so their motivation for getting out of the business would be entirely different than a financially owned structure. Although they'd be attractive as to when they would come to the market isn't as predictable as some of the financial entities.

Robert Fishman - *MoffettNathanson Research - Analyst*

Okay. Thank you. For Robert, if no bigger M&A this year, can you update us on thoughts on capital returns with growing cash balance? Could you increase the dividend or the possibility of buyback this year?

Robert Cople - *Cinemark Holdings Inc - President, COO, & CFO*

Sure.

I'm surprised by the question, Robert. No. It's one where we did obviously, we increased our dividend towards year-end of last year. As we said early this year and I reiterated, our CapEx spend is estimated to be \$275 million to \$300 million, so we are actually using a lot of our cash flow this year. It's a little bit higher primarily because of the digital rollout in LatAm and some of our XD conversions we are making us some Flix costs that we're incurring to expand Flix.

Obviously, our Board didn't make a decision to change the dividend, or, to your point look at stock buybacks, and it's something we discuss at all of our meetings. I don't anticipate any changes, but obviously it could be done. I think it's something that we continue to look at how to best utilize and reinvest our cash in this Company and the opportunities that out there with organic growth, and again to your point, if deals do come up I feel like we're going where we set ourselves last year. Then again, we'll constantly reevaluate with our cash flow position the best use of that money.



Robert Fishman - *MoffettNathanson Research - Analyst*

Thank you.

Operator

Townsend Buckles, JPMorgan.

Townsend Buckles - *JPMorgan - Analyst*

If you could talk about the LatAm attendance trends you've been seeing, it seems like March came on pretty strong, and April data points look even stronger. Have you seen this momentum continue to pick up steam into the second quarter?

Tim Warner - *Cinemark Holdings Inc - CEO*

Obviously, we've been down there for 18 years, and we have a lot of faith and conviction in Latin America. It's continued to perform well. It's always been product related, and it's a combination of how films translate to Latin America. Then also there might be some local films that come into the marketplace from time to time that influence attendance trends.

We think that Latin America continues to be a great story for us. We're obviously strong believers of it, and we have seen continued attendance growth over the years and think as we continue to build and expand the market it will become an even better story.

Townsend Buckles - *JPMorgan - Analyst*

Would you say what you're seeing now is really just the film slate hitting down there?

Tim Warner - *Cinemark Holdings Inc - CEO*

Again, we've always maintained our attendance is product related. It's not related to the economies in the market. It's very similar to what the US went through in 2008 when there was a downturn in the economy. Our business was again more product driven, and it turned out to be a very good year. We held up very good in spite of a downturn in the economy here in the US.

In the US, it's the same kind of a matrix is that we tend to perform well. It could be dependent on the product as it comes to the market as it translates, or else there's some strong local product. I think when you look at the upcoming lineup of film that we outlined, whether it be Godzilla or Transformers, and Planet of the Apes, all those movie should perform very well in Latin America and hopefully we'll have some good local hits.

Townsend Buckles - *JPMorgan - Analyst*

Robert, can you give an update on how you're seeing the new builds this year, specifically for Latin America? You mentioned, I think, 54 screens committed for the remainder of the year on top of the 32 in the first quarter. Do you think you can still get into that general target range you have of being above 100 screens? Then just looking longer-term with the development deals you mentioned, any updated sense of how you're seeing a pipeline for further out in relation to those growth targets?

Robert Copple - *Cinemark Holdings Inc - President, COO, & CFO*

Yes. Townsend, we still do feel like we can hit our 100 plus screen count in LatAm. The numbers we gave are, as you mentioned, are the committed projects, and we still have some in the works. We feel like there's good potential to still reach over 100 this year.

Then when, when we look at the pipeline, I think the big story in the Brazil smaller market opportunity that we've now created, it just helps continue the pipeline. It's not necessarily saying we're going to ramp up the rate of expansion and LatAm, but I know some people have been concerned. Over the last few years when we talked about Brazil, we've had some slight underperformance, and as we've discussed that primarily is where other competitors have built in some in the smaller markets. We were focused on the middle to large markets.

By really getting with this new developer and having a smaller market strategy, it gives us that in-road and really gets us better clarity and comfort in the pipeline going forward. Again, as we've said before 100 to 150 screens in LatAm a year feels very comfortable.

Tim Warner - *Cinemark Holdings Inc - CEO*

Also, a point of clarification on the small market strategy in Brazil that we announced is that their market's in the 250,000 to 300,000 catchment range which would be a fairly large market in the US, but that's the type of markets we're talking about in Brazil.

Robert Copple - *Cinemark Holdings Inc - President, COO, & CFO*

Got it. Thank you.

Operator

David Miller, Topeka Capital Markets.

David Miller - *Topeka Capital Markets - Analyst*

Hello. One of the things that makes you guys so unique is you double dip nicely in product. You nicely capitalize on American tentpole releases playing in Latin America, but you also capitalize on Brazilian films and Portuguese films that also play in Latin America that we would never hear about in the United States. My question is with the studio system finally figuring it out that you could spread around all these event driven tentpole releases to a 12-month year, everyone can make money, has that affected what the creative community down there has done with Brazilian releases, Portuguese releases? We've noticed in the past that those releases tend to come in at a set interval. Are you seeing any changes there with regard to the composition of product, vis-à-vis what the studio system in the United States is doing right now? Thanks a lot.

Tim Warner - *Cinemark Holdings Inc - CEO*

Thank you for the question. I think as these markets have expanded and have more theatrical platforms between what we're doing and other people are doing in the marketplace, it has really helped with the local production. To the point which I think you're making is that they would tend to book around some of the high-profile international films that would be coming out of the US, and so it is a nice supplement.

Although both our international president and our local groups that attend a lot of the film seminars or conventions in the local marketplaces, it's tough to get the read that you would get in the US, when a franchise is come to the market, or one that's going to work. We try to get a sense of it when we're measuring.

A lot of time we don't have as much insight into the film as to how the product is going to react to the local market. Some of these films, like in Chile and Peru, we had films that from an attendance standpoint outperformed Avatar, so some of them can be very big.

David Miller - *Topeka Capital Markets - Analyst*

Okay. Thank you very much.



Operator

Eric Handler, MKM Partners.

Eric Handler - MKM Partners - Analyst

Yes, thanks for taking my question. Just curious, when you look at Brazil and you have a path for some of the smaller markets, I'm just curious with all the development that's gone on there in the last several years, how under-screened or how much expansion potential do you continue to see in this market over the next three to five years? Are we still in the early innings here? Or is this becoming much more of a mature market? Then similarly, is this the market that you continue to see the most significant opportunity throughout Latin America?

Tim Warner - Cinemark Holdings Inc - CEO

Thank you. To give you some perspective on this, in the US you have roughly 35,000, 36,000 screens for 320 million people, and in Brazil you've got roughly 2,600, 2,700 screens for a market of over 200 million. In Mexico, which would be more of a Latin American market you have over almost 5,500, 6,000 screens for 100 million people. You can see there's tremendous growth opportunities that still exist in Brazil.

The barrier to growth is always been that you pretty much, and this would be the case for all of Latin America, that you need to move along with the mall development, because the projects are included in malls for a lot of reasons. We feel that we can safely say for the next 5 or 10 years, the Latin America has tremendous upside and is if you build it, they will come.

All the theaters we've opened in these various markets have been very successful. An example, like I was talking earlier about Bolivia, we opened up with a great complex. We instantly go to the number one, number two theater in the marketplace, so it's an exciting time.

It's not only a story about Brazil. We're building throughout the markets in Chile, Columbia, Central America. There's still a lot of potential in all these markets, not just Brazil.

Eric Handler - MKM Partners - Analyst

Great. As a quick follow-up, you've got the World Cup starting in another month-and-a-half, running for a month. How is Hollywood or some of the local studios programming around that event? Are you going to be showing any World Cup matches?

Tim Warner - Cinemark Holdings Inc - CEO

Yes. This is our fourth World Cup since we've been down there, so we been through this process before. From the Hollywood studio standpoint, they tend to put family movies more in a head-to-head. An example of that would be How to Train your Dragon is going during the World Cup period, The Fault Is In Our Stars, which is another. It would be that type of film with an appeal more to families or general audiences, and then also to more female-oriented would go directly where the big franchises would move around the World Cup.

It starts in early June, June 10, and then it ends on, I think, July 12. That will be the period. During the period that the World Cup is on, it does impact our attendance numbers. However, when you look at it on a 12-month basis from our past experience, it evens out because of that product shift that you've identified. Yes, and to answer your other question, we're in negotiations to try to bring the World Cup to our screens in Latin America. We think we'll be successful in that, but we don't have anything firm signed up at this time.

Eric Handler - MKM Partners - Analyst

Great. Thank you.

Operator

Barton Crockett, FBR Capital Markets.

Barton Crockett - FBR Capital Markets - Analyst

Hi. Thanks for taking the question. I was curious on the Latin America comparable growth metrics. I think you highlighted a 19% currency impact. There was also the impact of just divesting Mexico where those screens were lower yielding. I was wondering if you can tell us on a comparable screen basis, constant currency, how did the growth rate and box office per screen in Latin America compare to the US?

Robert Cottle - Cinemark Holdings Inc - President, COO, & CFO

If I looked at box office on a constant currency excluding Mexico, it was up ballpark about 12% plus for admissions.

Barton Crockett - FBR Capital Markets - Analyst

Okay. Still nice outperformance.

Robert Cottle - Cinemark Holdings Inc - President, COO, & CFO

Obviously, that includes ticket price as well, but actually did very well. I think as someone announced earlier, what we're seeing, Brazil in particular, Brazil was a bit slow the first two months and really came back on in March. It had to do with their weather and a number of other things. But most all the countries did extremely well this quarter, and Brazil is really kicking into gear now.

Barton Crockett - FBR Capital Markets - Analyst

Okay. That's great. Thank you very much.

Operator

Jim Goss, Barrington Research.

Jim Goss - Barrington Research Associates, Inc. - Analyst

Thanks. Maybe I'll start off with one, I was wondering with the stepped up experimentation you've done with the various types of amenities, should we expect concession revenue growth to accelerate, but margins gradually contract as the higher value of the lower margin product is introduced? I was wondering if you can provide any context or parameters with that event.



Tim Warner - *Cinemark Holdings Inc - CEO*

We continue to as, we outlined in our call, to experiment with them. I would add most all exhibitors are experimenting within some basis and have been experimenting with them, where the food and dining concept has been in the market for some time. The VIP reclining theater concept has been in the market for some time. A lot of that data is already integrated. It's a small percentage of any of our circuits that is being driven by that.

The vast majority of our revenues and our concession results are from what you consider traditional kind of concession operations. We do see the upside of serve a market-by-market adaptive strategy.

Our Cinemark Bistro concept has worked pretty well. We're very optimistic that our Cinemark reserve concept that we're opening up in Playa Vista and Towson this year are going to be very well received by the public. Also adding beer and alcohol, and mixed drinks in some of the markets has been very additive.

I think for the foreseeable future the big driver for us because we've had over 29 quarters of per cap increases in concessions is to focus on bringing value to the customers and speed of service. Our self-service concession concept has been as additive as anything.

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

Okay. One or more of your competitors have also observed that the one product like that will maintain the 85% margin is alcohol, so you can expand that way. Do you have many situations where you have multiple PLFs, either two XDs, or an XD in addition to one of your few IMAXs?

Tim Warner - *Cinemark Holdings Inc - CEO*

Yes, we have I think three or four locations where we've been testing two XDs in the same market. We don't have an example where we're doing both IMAX and XD, but we have been testing. It's been fairly well received, like I said, I think it's three or four theaters that we do have two XDs in the market.

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

Okay. I think that's it for right now. Thanks very much.

Operator

Brian [Fitzeld], Morgan Stanley.

Brian Fitzeld - *Morgan Stanley - Analyst*

Hi, good morning. Two if I may, Robert, as a follow-up on the Mexico impact, I think you mentioned there was some margin benefit in the quarter. Any help quantifying that?

Robert Copple - *Cinemark Holdings Inc - President, COO, & CFO*

Yes. On the margin overall I think for LatAm, taking out Mexico again, when I look at overall what happened in LatAm as we've said, if you take our reported numbers, you've got especially when you get to the bottom line, it was slightly higher than the revenue side. You have probably about a 20% FX headwind that you were against.



Then with respect to Mexico, in general whether it's attendance or revenues, and it definitely has some variance, but if you're comparing, it's ballpark was probably in the 9% to 12% range of what Mexico represented of our numbers last year, and it just varies by category. But that would give you a way to back into what the real performance was without Mexico.

Overall, if I took it on a constant dollar basis, TDCF margin definitely increased significantly. We're in the range of probably 200 to 230 bps, again excluding Mexico. I don't know if that helps answer your question.

Brian Fitzeld - *Morgan Stanley - Analyst*

Yes. That helps. Thank you. For either Tim or Robert, I'm curious from the conversations that you'd had what your sense is of how the major studios are thinking about investing in content over the next medium-term, three to five years? It seems like we're done with the period of the majors scaling back their slates, and we're seeing more competition for release dates going out now a couple of years. I'm curious if you think we're starting to see renewed appetite by the majors to invest in film content.

Tim Warner - *Cinemark Holdings Inc - CEO*

I think they have been investing, and they continue to invest. Usually we don't have a lot of insight into 2015 and 2016, but because the studios are trying to lock down dates to the point that you're making, the competition for play dates is very fierce among the major studios. Like in 2015, they've already announced Divergent has been announced, same with Madagascar, Fast and Furious 7, The Avengers, Tomorrowland, Jurassic World, Inside Out, Inside Out, Ted 2, Minions, [Mans On], 24, Hunger Games Mockingjay, Star Wars, Mission Impossible, and so a lot of big franchises, they've already set their dates.

Then to be even more additive to your question is in 2016, they've already announced firm dates on Captain America, Superman versus Batman, Alice in Wonderland, X-Men, another Spiderman, Finding Dory, Independence Day, so they're going further and further out. I think also Avatar is coming into the market in 2016, which is great for exhibition and also great for the studios. The other point we were making earlier in our call, because of the competition for dates you're seeing, the year's being spread out, which is good for the patrons. It's good for exhibition, and also good for the studios that they aren't trying to force everything into the summer play dates.

Brian Fitzeld - *Morgan Stanley - Analyst*

Okay. Thank you.

Operator

Tony Wible, Janney.

Tony Wible - *Janney Montgomery Scott - Analyst*

Two things, first is, can you give us some an indication on how Latin America is currently pacing up for attendance per screen, now that you've netted out of Mexico? Then also on the concessions improvement, is there a way of breaking down how much of that was volume versus pricing versus new product?

Robert Copple - *Cinemark Holdings Inc - President, COO, & CFO*

I'd say overall with concession, it performed as we mentioned both well domestically and internationally. We are getting a benefit of both sides with the introduction of some of our new products. As Tim mentioned, we're introducing alcohol into some markets.

We're seeing both the volume increase overall per patron, buying increase, as well as we do have some pricing increases. Prices hasn't been our primary driver, but it simply been something we've looked at. We've tried to be more conservative on the pricing versus introduction of product. Really, through other programs we have, such as putting combos together and things like that, we're also getting the benefit of more purchases per patron. When you look at the 29 quarters that we've accomplished, that's been a lot of the driver.

On attendance per screen, we haven't necessarily given that out of what it was with and without Mexico. Again, if you look at our overall numbers that we reported, and I gave some ballpark of what FX did and what we saw with respect to generally what Mexico represented, we did get a nice boost overall in total admissions per screen. Attendance per screen probably was reasonably in line with US, maybe a little bit behind it. Again Brazil started off soft in January and February, and it's a big piece of our number, made up all the ground in March, and April is doing extremely well.

A little bit of what hit January and February, and I don't want to over-dwell on it, and I'm not big on making excuses of weather, but you actually had one of the hottest summers because during our winter is their summer, one of the hottest summers on record in Brazil. Actually, a lot of people were just getting out of the major cities.

It's how a number of our patrons unfortunately not only being gone, but more so use their disposable income because we were questioning what was happening because a number of other countries were very solid. Then sure enough, once the summer season ended, and everybody was back home, also the numbers started really moving quickly. When we look at overall, as Tim had said, we expect international to perform in line with US. We think it generally did and will continue to do so this year.

Tony Wible - *Janney Montgomery Scott - Analyst*

Great. Thank you.

Robert Copple - *Cinemark Holdings Inc - President, COO, & CFO*

Sure.

Operator

Matthew Harrigan, Wunderlich Securities.

Matthew Harrigan - *Wunderlich Securities - Analyst*

Now we can stop worrying about windows and start worrying about global warming, I guess. I was curious. Jeff Bewkes did a pretty good job comically shooting down Katzenberg's remarks at the Milken Conference, but they were so extreme. It seems like everybody's adjusted to the barbell notion international growth in theatrical, and then digital streaming. Is there still some advocacy out there for a view that changes very sharply, maybe more up in Silicon Valley than rather at the studios? It seemed like his remarks were so out there that I'd be curious to get your comments.

Tim Warner - *Cinemark Holdings Inc - CEO*

We have a lot of respect for Jeffrey as a filmmaker and as a section head, but obviously would tend to agree with Jeff Shell on his vision of it as a growth industry. I just pulled some revenue figures on a worldwide basis, and I just went back to 2009. The worldwide box office was \$29.4 billion and in 2013 it was \$35.9 billion. Jeff Shell has the numbers to also back him up that the growth of the international markets has been very substantial.



The US, as Jim had pointed out has been a mature market. Cinemark's been fortunate that we've been able to grow in a mature market domestically and have achieved a lot of success. Those numbers would be reflective of Cinemark's growth, and one of the obvious reasons why we decide to focus both on the US. We think we have one of the leading performing US Companies, but we also have got one of the leading performing international Companies.

In the same period, if you went back to 2009 you'd see that there's been a great growth in Latin America. We think it's a great story, and when just you look at like a movie like Spiderman that comes out, and it's -- it did \$92 million in the US, but then its total international take is \$277 million, \$278 million in its initial openings. And it's just opened in a limited number of international markets. We think it's an exciting time for our industry.

Frozen, which is up to like \$1.2 billion on a global basis, it had a great run of the US, but when you look at it on international basis. No, I think the studios see the theatrical window as the primary window. I think they see great promise also in the electronic sell-through, and that windows battle has really shifted between the electronic sell-through window and the DVD and the aftermarket. We think the entire industry is in a great place right now.

Matthew Harrigan - *Wunderlich Securities - Analyst*

I assume that there's some activity under the surface in terms of using your database to help the studios on the streaming side, as you're still just really early?

Tim Warner - *Cinemark Holdings Inc - CEO*

I think that's early. What we've done a lot of work with the studios on is to how we can work together to try to help them solve their in-home problem.

The theatrical window has never been a problem. It's always -- when really this whole issue came up, what was driving it was the loss of in-home revenues, not the theatrical revenues. Yes, we have worked.

You've seen some where they try, like on Spiderman, they're trying to tie in the theatrical release, that if you will sign up for a digital, or electronic sell-through purchase, you can buy at an earlier time when that becomes available, which is usually at the [90] plus range. There is an effort in the industry to really work together to try to solve that in-home problem.

Matthew Harrigan - *Wunderlich Securities - Analyst*

Thank you.

Operator

Ben Mogil, Stifel Nicolaus.

Ben Mogil - *Stifel Nicolaus - Analyst*

Hi, thanks for taking my question. I'll try to be quick given time. Two quickies, first question is on the liquor and Latin America. Can you serve and sell liquor in Latin America, regarding the World Cup in particular? Then, on the domestic front when you look at what's going on with AMC, do you seeing any impact in terms of its renovations? Are you seeing any impact at all in some of the zones where you overlap?



Tim Warner - *Cinemark Holdings Inc - CEO*

First off, in Latin America we've operated theaters with reclining seats and alcohol sales for the last seven or eight, nine years. Again, I don't want to give the impression that we're selling alcohol everywhere. It's market by market. Also, on a reclining seat basis it's market by market in Latin America, just like it is in the US.

We don't compete a lot directly head-on with AMC. They're in the Dallas market, and we're in the Dallas market. The only place I think we compete head-to-head is in the San Francisco zone, where we have the San Francisco Center, and they have the Metreon. Just like when we would build a new theater, or when they would do something different, there might be some impact in general in the marketplace. But there's not what I would call a significant change in the marketplace going on in any of our markets.

Ben Mogil - *Stifel Nicolaus - Analyst*

That's great. Thanks, Tim. Thanks, Robert. I appreciate it.

Tim Warner - *Cinemark Holdings Inc - CEO*

Thank you, Ben.

Robert Cople - *Cinemark Holdings Inc - President, COO, & CFO*

Operator, was that our last question?

Tim Warner - *Cinemark Holdings Inc - CEO*

Thank you for joining us, and we look forward for you joining us on a second quarter call. Thank you.

Operator

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

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