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PRESENTATION

Operator

Good morning, my name is Felicia and I will be your conference operator today. At this time I would like to welcome everyone to Cinemark's second-quarter earnings call. (Operator Instructions). Thank you. I would now like to hand the conference over to Chanda Brashears. Ma'am, you may begin.

Chanda Brashears - Cinemark Holdings, Inc. - IR

Thank you, Felicia, and good morning, everyone. At this time I would like to welcome you to Cinemark Holdings, Inc.'s second-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 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 may 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 second-quarter results call. While it is widely known that the second quarter's North American industry box office declined 9.3%, I would be remiss if I didn't point out that it was up against the highest grossing quarter of all time.

It is noteworthy that in the second quarter of last year Cinemark outperformed the industry by an impressive 290 basis points. Cinemark was again able to surpass the North America industry box office performance by 120 basis points in the second quarter of 2016.

Our US circuit has now exceeded the North America industry for 27 out of the past 30 quarters. And our outperformance during these periods have been meaningful, an average of more than 400 basis points, demonstrating our consumer facing initiatives that we've been focused on over the years are delivering consistent results.

Our second-quarter 2016 international results were truly outstanding given the very tough prior year comp of 15% attendance growth. Our Q2 attendance was -- of 27.5 million patrons was relatively flat to last year's record-setting results and significantly outperformed the North American industry. This is remarkable given the economic and political dynamics across Latin America and reinforces that our industry is recession resilient.

Argentina was particularly strong this quarter and set an industry record for the month of May which was driven by the local title *El Hilo Rojo*. This is yet another example of the opportunity within Latin America with respect to local films supplementing the Hollywood film content.

As a reminder, non-Hollywood locally produced films can represent between 10% and 20% of the overall international box office, which can be a meaningful contributor to international revenue growth.

Our food and beverage and field operation teams continued to knock it out of the park and generated an all-time high domestic concession per cap of \$4.26, a robust increase of 7%. Our trend of concession per cap growth has now extended to 38 consecutive quarters, upholding the longest growth trend among our peers.

As discussed last quarter, our concession per cap growth has primarily been generated through increased purchase incidents which we have accomplished through our focus on creative floor design such as expanded merchandising displays that allow patrons to conveniently select from a broader assortment of candy, snacks and bottled drinks in a manner in which accelerates the checkout process and encourages impulse purchases.

The food and beverage team is also focused on diversified concession product and package offering such as beer and wine, gourmet coffee and ice cream, burgers, cheese sticks and chicken wings to name just a few. To date 40% of our worldwide theaters feature enhanced concessions and 15% offer alcohol.

As concession revenues contribute a significantly higher gross margin we will continue to focus on initiatives that drive this revenue category.

Another focal point and key initiative for the year is our luxury lounge theater repositioning, which continues to yield strong results. As of June 30 we had 611 auditoriums representing 13% of our US footprint featuring luxury lounge reclining seats.

Our market-based approach continued to deliver exceptional results realizing average attendance increases in excess of 40% for those auditoriums that have featured loungers for more than six months. Based on these outstanding results, we are expediting the lounge conversion of certain theaters scheduled for next year in this year to take full advantage of the promising 2017 line up.

We now anticipate approximately 1,000 auditoriums will feature reclining seats representing more than 20% of our domestic circuit by the end of 2016. Sean will address the CapEx associated with these screens during his prepared remarks.

We maintain our balanced investment approach with regard to all capital expenditures, including luxury loungers. We'll continue to seek opportunities to reposition theaters as long as we are exceeding our stringent investment hurdles for both ROI and adjusted EBITDA margin.

Moving on to another of our initiatives that continue to deliver. Our 216 worldwide XD auditoriums are strong contributors with 3.7% of our global screens generating double that percentage and representing 7.7% of our box office.

With 131 XD auditoriums in the US and 85 internationally, we remain the number one private label premium large-format operator in the world. We continue to prefer the economics, flexibility and control of our XD strategy, which along with 3D drove our premium percentage of worldwide box office to 29.5% this quarter, exceeding the other major US exhibitors.

Shifting to another consumer facing initiatives, Connections, our free app based US loyalty program, went live across the nation just a few short months ago. We are more than two-thirds of the way to our first year projection of 1 million members with more than 725,000 guests having joined in just 17 weeks.

Connection members are earning points for movie ticket and concession purchases, successful use of CineMode and social media sharing. In addition to exclusive content, sweepstakes and contests, members can redeem their points earned for a variety of [both] traditional and experiential rewards including moving merchandise, music and movie downloads, mobile games, free concessions, ticket upgrades, access to early screenings and much, much more.

While we are still in the early days we are seeing fantastic results with active engagement figures increasing approximately 50% from the initial stage. We will continue to adapt Connections to enhance the guest experience, drive loyalty in attendance and increase concession sales.

As we continue to grow our customer database Connections enables customized messaging and stronger studio partnerships through direct marketing campaigns aimed at specific audiences. Again, we are very excited about Connections and the opportunity it presents and look forward to keeping you all apprised as the initiative advances.

Last, but certainly not least, is our focus on our organic growth initiatives. During the quarter we opened 21 screens in the US and 23 screens internationally, including our new theater in Paraguay, bringing our global footprint to 522 theaters with 5,888 screens in 16 countries.

Our diversification throughout Latin America has provided the tools to manage the impacts of inflation, economics and politics while providing long-term growth opportunities.

Our continued focus on each of these key strategic initiatives will ensure Cinemark remains a leader in the industry that has realized stable growth and celebrated record box office in three of the past five years domestically.

Regarding our industry, year-to-date through July the 2016 box office has surpassed last year's all-time record setting results by more than 3%, which is much stronger than anyone anticipated going into the year.

We maintain our enthusiasm for the rest of the year, including the third quarter, on the heels of Suicide Squad's record-breaking performance of \$134 million in its opening weekend, as well as the remaining film lineup including Rogue One, Fantastic Beasts, Passengers, [Mwana], Doctor Strange, Trolls, Sing and Billy Lynn's Long Halftime Walk.

As I touched upon a moment ago, our optimism for 2017 film slate continues to grow considering the following high-profile releases: Star Wars Episode 8, Despicable Me 3, Justice League, Spider-Man: Homecoming, War for Planet of the Apes, Transformers Last Knight, Guardians of the Galaxy 2, Lego Batman and Fast and Furious 8, which translates especially well in our international markets.

We are pleased with our continued over performance of the North American industry and our ability to generate consistent results even with a challenging year-over-year comparison. We commend our entire worldwide team for maintaining our industry leading adjusted EBITDA margin of 22.6% for the quarter and 24.4% year to date.

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 numbers I wanted to remind you about a few slight modifications we've made to the presentation of our financials that commenced in the first quarter of 2016 and will continue on a go forward basis.

First, we have updated our computation of adjusted EBITDA to include all cash distributions from equity investments.

Second, we have reclassified certain maintenance and monitoring expenditures associated with our projection and sound equipment from film rental and advertising costs to utilities and other.

Finally we've started including constant currency metrics in the MD&A section of our 10-Q on top of our as reported financials.

These changes have been made to be more consistent with our peers and provide a clearer presentation of our figures. The changes have been updated for all periods presented in our earnings release and we refer you to our 10-Q for a full breakdown of the details.

Now diving into our second-quarter results. Our total worldwide revenues were \$744.4 million with adjusted EBITDA of \$168.4 million and an adjusted EBITDA margin of 22.6%.

As Mark previously mentioned, through our disciplined investment approach and operational excellence we have managed to continue to exceed 20% adjusted EBITDA margins in both strong as well as challenging box office environments.

In the US, second-quarter attendance was down 7.1% versus prior year to 44.5 million patrons driven by last year's unprecedented strength of film content.

Our average ticket price declined 1% to \$7.59 due primarily to a film mix this quarter that skewed heavily towards family friendly content which carries a lower proportion of full price adult and premium concept tickets. Combined attendance and price drove our domestic admissions revenues down 8.1% to \$345.3 million.

Our domestic concessions revenues were essentially flat year-over-year despite the decline in attendance. Mark already outlined the underlying drivers of our concessions per cap growth and I would like to reiterate the increase of 7% to \$4.26 as well as the achievement of another all-time concession per cap high.

Total US revenues for the quarter were \$556.8 million and adjusted EBITDA was \$127.8 million, which resulted in an industry-leading adjusted EBITDA margin of 23%.

Internationally attendance was relatively flat year-over-year in the face of an incredibly challenging comp given last year's record second-quarter attendance results that were fueled by the popularity of Furious 7 across Latin America.

Our international admissions revenues were \$110.8 billion, which were down 13% versus last year as reported driven by foreign currency headwinds, but up 6% in constant currency. Our reported average ticket price was \$4.03 and translated to a constant currency increase of 6.7% primarily as a result of inflationary price increases.

Second-quarter international concessions revenues were \$59.8 million, which declined 7.4% as reported but grew 11.8% in constant currency. Our reported concessions per patron was \$2.17 which translated to a 12.9% increase in constant currency.

Overall our international segment generated total revenues for the second quarter of \$187.6 million as reported with adjusted EBITDA of \$40.6 million and an adjusted EBITDA margin of 21.6%.

Please note that our as reported international results were impacted by an approximate 18% foreign-currency headwind in the quarter. And while this headwind remains significant, it is an improvement from the approximate 25% impact we have experienced over the last four quarters.

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.

Shifting back to our worldwide consolidated results, second-quarter film rental and advertising costs as a percentage of admissions revenues improved 40 basis points to 54.9%. This improvement was driven by a slight reduction in the concentration of admissions that were generated from blockbusters with 47% of the North American box office derived from films that grossed more than \$300 million compared to 49% in the second quarter of 2015.

Concession costs as a percentage of total concession revenues also improved by 30 basis points in comparison to the prior year. Salaries and wages as a percentage of total revenue increased to 11.3% due to the global impact of minimum wage pressures and international payroll tax reserve and reduce fixed cost leverage associated with the domestic attendance decline in the quarter.

Facility lease expenses and utilities and other costs also increased, both growing by 50 basis points worldwide as a percentage of total revenue. These increases were driven by our international segment and were primarily due to new theaters as well as reduced government utility subsidies. And conversely G&A for the second quarter declined by 10 basis points as a percentage of total revenue.

Collectively second-quarter pretax income was \$86 million compared to \$113.7 million in 2Q of the prior year. Our second-quarter's effective tax rate was 36.8% and net income attributable to Cinemark Holdings, Inc. was \$53.9 million or \$0.46 per diluted share.

With respect to our balance sheet, we ended the quarter with a cash balance of \$583.6 million and a net debt position of \$1.2 billion.

We remain prudent with regard to our capital planning and yet again took advantage of favorability in the debt markets this quarter to amend our senior secured credit facility and reduce its interest rate by 25 basis points. This amendment will result in \$1.7 million of annual cash interest savings going forward.

Shifting attention to the status of our US footprint, we operated 341 theaters and 4,576 screens in 41 states and 102 DMAs at quarter end. We built two theaters with 21 screens, acquired one theater with 10 screens and closed six screens during the quarter.

We have signed commitments to open two theaters and 28 screens during 2016 and 8 theaters representing 80 screens subsequent to 2016. We expect to spend approximately \$66 million in CapEx for these 108 screens. We also anticipate closing around 90 screens over the full course of this year.

Internationally our Latin America circuit grew to 181 theaters and 1,312 screens across 15 countries. During the quarter we expanded by 3 theaters and 23 screens. As of quarter end we had signed commitments to open 7 new theaters and 41 screens during 2016 and 4 theaters representing 29 screens subsequent to 2016. We anticipate spending approximately \$39 million in CapEx for these 70 screens.

As outlined in 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. As a result of these factors we are targeting around 6% screen growth in Latin America in the near-term.

Regarding overall CapEx, we spent \$83.8 million in the second quarter including \$25.9 million on new builds and \$57.9 million on existing theaters, which includes core maintenance, theater repositioning with luxury loungers and other cash flow generating opportunities.

Our original 2016 CapEx guidance for the full year was between \$300 million and \$325 million. Given the acceleration of around 100 luxury lounge conversions that Mark discussed in his prepared remarks, we now anticipate full-year CapEx will come in at the high end of that range.

This spend is broken down approximately as follows: \$100 million dedicated for new builds both domestically and internationally; \$80 million on core maintenance for existing screens, in line with our historic run rate; and the residual \$145 million is driven by cash flow generating projects that include our luxury lounge and other reinvestment opportunities such as the concession equipment Mark discussed earlier.

This capital spend is geared toward growing our Company and delivering a high quality experience for our customers, which remains our top priority as it pertains to capital allocation and our focus on building long-term shareholder value.

In closing, we are very pleased with our execution during the quarter and year to date as we continue to outperform the industry and maintain our market leading adjusted EBITDA margins. Furthermore, we are excited about the prospects that film content and our customer facing initiatives bode for the rest of this year as well as 2017 and beyond.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Erik Handler, MKM Partners.

Eric Handler - MKM Partners - Analyst

I actually have two questions for you. First, Mark, in your prepared remarks you said 40% of your worldwide theaters have enhanced concessions and 15% have alcohol. Where do you think that number ultimately turns out? Do expect to have 100% of enhanced concessions and where could alcohol go?

And then Sean, you spoke a little fast. I'm just trying to figure out what your ending screen count can be in both the US and Latin America. It does seem even with closures you are on a path to get to over 100 screens. Is that true?

Mark Zoradi - Cinemark Holdings, Inc. - CEO

Okay, Eric, I will take the first one. Regarding theaters in which we are offering some form of alcohol, the majority of that is beer and wine and frozen drinks. But right now we are at about 15% of our circuit as we sit today.

I think by the end of this year that number will probably be closer to 20% and we will continue to grow that in the coming year. I don't have a percentage number for you for 2017, but at least I will give you a projection for the remainder of this year. I think that will grow to 20%.

Regarding enhanced food, we are going to continue to offer enhanced food. We offer everything from full restaurant service down to gourmet coffee, ice cream and hamburgers, etc. We are going to continue to grow that beyond the 40%, but I don't have a figure to give you.

Part of that depends on the size and the ability of particular theaters and the concession area in order to -- just to be able to expand that. But it has been successful for us, it continues to give good results and I see us growing that 40% into 2017.

Sean Gamble - Cinemark Holdings, Inc. - CFO

Thanks again for the question, Eric. As far as our screen counts go, in the US we are running a little bit higher than normal in terms of our screen closures this year. So, when we look at the full year we expect to be somewhere between flat to maybe slightly down in our total number of screen adds -- could be zero to negative 20 to 30.



And internationally, some of that will depend on, per usual, the timing of openings. But we expect it will be somewhere between I would say 75 to 85 for the year based on the way things look now in terms of new openings.

Eric Handler - MKM Partners - Analyst

Thank you.

Operator

Alexia Quadrani, JPMorgan.

Julia Yu - JPMorgan - Analyst

Hi, thank you, this is [Julia Yu] on for Alexia. I have a few questions. The first, we continue to see such (inaudible) domestic average concession per cap growth which I know you talked about a bit. Could you break down for us what you think the biggest drivers of this concession growth will be going forward and what you see for the outlook for the rest of the year?

And then also, some investors think that 2017 could be a big box office year for the industry given so many announced tentpole films, and you are accelerating your luxury lounge target this year to take advantage of that strength.

Would you consider getting a bit more aggressive with your pricing strategy next year given this film slate? Or do you think it is really still more important to draw new audiences and grow attendance longer-term?

Mark Zoradi - Cinemark Holdings, Inc. - CEO

Okay, Julia, your first question was F&B; your third question was on pricing. What was your second one?

Julia Yu - JPMorgan - Analyst

There was only -- I guess the last one is just would you get more aggressive with pricing on the luxury loungers?

Mark Zoradi - Cinemark Holdings, Inc. - CEO

Okay. The food and beverage question, we are -- I mean literally every month we are trying new and adapted food offerings. We are doing it on a regional basis; we are doing it to satisfy local needs. So everything from the way that we offer popcorn to the drinks to the bottled drinks to the candy alignment to hot foods.

So, I see that our core concession is consistent and continuing to grow. And then what we are trying to do is increase the incidence of people actually buying concessions by offering new and adaptive products. By doing that it does two things.

One, you get a higher percentage of people actually coming up to the concession stands when they buy one thing they usually buy a second. And I think the best way to do that is to continue to test new and adaptive items that we are literally doing on a monthly basis.

Relative to pricing, given that we have been very aggressive this year relative to adding significant amount of recliners. And as we mentioned, we will be at approximately 1,000 by the end of this year.



That is going to give us the opportunity to look at pricing for the remainder of this year and into 2017 as those reclined auditoriums come online; people see and understand what a great product it is. So I anticipate us having the ability to look at price in the coming six months to a year.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

And I would just add to your point on 2017, our history philosophy has been to slightly trail inflation in our pricing and make sure we always have affordable pricing.

That said, when we do see the potential of strong film content ahead, similar to what we saw in 2015, we will take the opportunity to go after that and kind of meet demand with some increased pricing. So, as 2017 continues to shape up we will bear that into our thinking as we evaluate our overall pricing strategies for the year.

Julia Yu - *JPMorgan - Analyst*

Perfect, thanks so much.

Operator

Robert Fishman, MoffettNathanson.

Robert Fishman - *MoffettNathanson - Analyst*

Hi, good morning. I've got one for Mark and one for Sean if I can. Mark, so now that you are moving more aggressively on the re-seating initiative plus taking into consideration AMC's higher targets going all the way out to 2018, do you think it is a fair characterization that the returns for these additional screens are going to be lower than the crop of screens you initially targeted?

And then on a related note, do you feel like the overall industry is going to be forced to upgrade more screens to better compete for market share going forward?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Well, Robert, we take the rescreening, as you know, very, very seriously. We have been pretty disciplined in it. So the results that we have had so far have reached and in some cases exceeded that 40% attendance increase we looked at.

It is hard to project what future ones are going to do. Clearly you choose the ones in the beginning that you think are going to have the highest potential and the quickest return on it. But in all cases, as we have done and I think we have mentioned to you and others multiple times, we are going to be careful and very diligent in our financial analysis as we look to expend future CapEx for additional screening.

I anticipate that we are going to continue to do this into 2017. Don't have a specific number for you because we take that very disciplined approach and don't just set an overall target for it. But you can be assured that we will not continue down this road if we don't see the returns equaling or exceeding those targets that we've set.



Sean Gamble - *Cinemark Holdings, Inc. - CFO*

And the only other thing I would add is you still continue to have certain capacity barriers when it comes to this strategy when you have highly utilized theaters. So your question on does kind of the whole market tend to shift in this direction -- I think we will continue to see movement. But there are certain limitations when you hit capacity constraints where it can actually hurt you when you are taking out half of your seats.

Robert Fishman - *MoffettNathanson - Analyst*

Okay, that is helpful. And so, Sean, just for the follow-up here, how should we think about CapEx in 2017? I understand we are not going to get a specific target, but do we expect now that the acceleration in recliner initiative for this year will continue into next year keeping CapEx levels elevated?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

It is possible. I would say as we continue to look at what that pipeline is, both for recliners as well as other cash flow generating opportunities, we are just going to have to see what potential is out there and what that ultimately means for our CapEx as we line up our budget for next year.

So, I would say there is the potential for heightened CapEx, but it is early to say. There is also the potential that could come down a little bit.

Robert Fishman - *MoffettNathanson - Analyst*

Okay, thank you both.

Operator

Barton Crockett, FBR Capital Markets.

Barton Crockett - *FBR Capital Markets - Analyst*

I wanted to just ask a couple things about what is happening in Latin America with the movie slate. The first thing is I mean we're right now obviously in the midst of the Olympics. Are you seeing any impact whatsoever in Brazil, or just generally across your circuit globally, from people maybe watching the Olympics?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Barton, the simple answer to that is no. We haven't seen it in Brazil, in Latin America or the US. We had an outstanding box office weekend across all of our 15 countries this last weekend with no denigration of the box office relative to the Olympics.

Barton Crockett - *FBR Capital Markets - Analyst*

Okay. And just to kind of follow up on that, I mean I haven't -- I am not completely on top of the international [release] slate for Suicide Squad, but is that something that you would expect to be opening during the Olympics or has it already opened? And is it something that is working in Latin America, that genre?



Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Yes, it has opened across LATAM; it has been doing exceptionally well except Argentina where it is still remains to be open. So, so far early signs, similar to what we saw with like a Dead Pool, are very strong.

Barton Crockett - *FBR Capital Markets - Analyst*

Okay. And then you called out the strength in Argentina. I was wondering if you could tell us what -- is that local movies that drove that? And when we look at the comps are there any local movie kind of SKUs that you would ask us to think about when we try and model for this?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Argentina set an August box office record and it was driven by a local content. I would say the challenge you get with some of these local films is they are harder to predict what is going to be a big hit. So oftentimes they do come across as more of a pleasant surprise.

So I think -- I don't know if you have the detail. As you look forward I don't think we have an expectation for the rest of this year of a big local title, but that doesn't mean that one couldn't come -- could come out and surprise us again.

Barton Crockett - *FBR Capital Markets - Analyst*

But in terms of like year ago comps that -- things that would be tough to comp against a surprisingly successful movie anything that you would call out?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

I don't think so. I think we won't hit one of those more next year with Brazil when you had the 10 Commandments in the first quarter this year doing an incredible number, it was the biggest film of all time in Brazil. So I think that will present a tough comp for Brazil in the first quarter of next year, but nothing I would say that jumps to mind for the rest of this year as a tough year-over-year comp.

Barton Crockett - *FBR Capital Markets - Analyst*

All right. And then switching gears slightly here, just one other thing. There is some interesting innovation and technology around the theater industry right now. One Company that has gotten some backing is Atom Tickets, and I have noted I don't think you guys are really in that.

And I was wondering if you could talk about how you see that initiative and explain your stance towards it and your view towards kind of social media as a way of driving ticketing generally.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Well, first of all we think that Atom Ticket is a very interesting concept; we have certainly talked to them and are continuing to talk to them. We offer our online tickets through two areas. One, a very significant internal system, Cinemark.com, and we sell a lot of our online tickets that way. And secondly Fandango.

We are adding social media elements to our own ticketing engine and we are in talks with Atom Ticket, but nothing significant to announce at this point.

Barton Crockett - *FBR Capital Markets - Analyst*

Okay, all right, that is great. I will leave it there. Thank you very much.

Operator

Ben Mogil, Stifel.

Ben Mogil - *Stifel Nicolaus - Analyst*

On the recliners you said you were seeing 40% attendance gains for those that are open six months. For those that have been open for more than a year what kind of gains are you seeing?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

We are still in the same -- it is the same -- it has been a consistent result. In other words it is those that have been open six months or greater. So, we are seeing the same kind of attendance growth as they continue, it is holding.

Ben Mogil - *Stifel Nicolaus - Analyst*

Okay, great. And have you put through price increases? When are you generally putting pricing increases through on the recliners? Is it upon opening or are you waiting for sort of some time duration?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Ben, we are doing both. There are some theaters where it makes sense to take a price increase right in the beginning. Traditionally in the very beginning we didn't do that, but as we have gotten more and more down this line we have realized that it makes sense to take price right in the beginning.

Others we have waited three or six months in order to start to begin to take price increases. So there is no set formula on that and it really depends on that particular theater and the competitive nature of that zone.

Ben Mogil - *Stifel Nicolaus - Analyst*

Okay, great, thank you. And then sort of second question and last one. So, [clearances] sort of seem to be rolling off. Are you seeing any -- mean too early to have buildings being built based on clearances going, but are you seeing any increased interest in permitting? Anything you are hearing in terms of supply being increased because of clearances?

And then in general, I mean most of the clearances I think you have are against the other majors, so it sort of ends up becoming kind of -- I am assuming somewhat of a zero-sum game. But in general how to you view clearances if they fully go away on a net positive neutral negative basis?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

To answer your first question, Ben. No, we have not seen any increase in building or zoning based on clearances. And in regards to just looking at box office in particular zones that were in the past cleared zones and now there are three I guess three plus one of the independents that are no longer honoring clearances. We have seen very little or no increase or decrease in the business going on in that particular market.

So, as it is related to our business, it has really truly been very small impact. And I think you probably know that we had a very small -- relatively small number of zones in which clearances were even an issue for us. So, the impact has not been anything of material nature to report.

Ben Mogil - *Stifel Nicolaus - Analyst*

Okay, that is great. Thank you very much.

Operator

Tony Wible, Drexel Hamilton.

Tony Wible - *Drexel Hamilton - Analyst*

One housekeeping question, the other one had to deal with the salaries per screen. First, what was the premium percentage mix in 2Q 2015? And on the salaries per screen, if my math is correct, I think it is up around 11% sequentially while your attendance per screen is let's just call it kind of flattish globally.

I know you mentioned that there were some minimum wage cost pressures in there. But was that something that was just instituted? Because I would have thought that with salaries per screen running at an elevated rate for over a year now that that would have been in before this quarter.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Let me take the salaries per screen first. The minimum wage hikes that we kind of referred to in the Affordable Care Act, some of that has been in. But certain states (technical difficulty) increase that over time. So we have continued to see a little bit of increase on that.

I would say we also have, as we have been rolling out new builds and doing our recliner conversions we have a number of closed screens in terms of the recliners which tend to be a little bit less efficient; plus our new builds oftentimes come in with a slightly higher cost per screen.

So, that can impact things and then there is just some general inflation. So, we will -- we generally aim to offset those cost increases where we can through price as well as finding ways to generate increased productivity elsewhere across the circuit.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

In regards to percent of the box office coming from premium tickets, so that would be things like of course our XD and 3-D, we had approximately 29.5% of that coming from those premium tickets during the second quarter. At the end of last quarter, [end of] the first quarter that number was approximately 20%, 19.7%.

Tony Wible - *Drexel Hamilton - Analyst*

And then 2Q 2015 -- so I'm just kind of looking at the year over year -- what was that number?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

About 33%.



Tony Wible - *Drexel Hamilton - Analyst*

33%. Okay, and then back to the salaries. So, the range that we have been running at I think has been anywhere between 6% to 10% call it on salaries per screen. Is that kind of the new normal now because you are accelerating the build out of some of these premium experiences?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

I would hesitate to give you specific guidance on that at this point. I would say particularly also and the one point I neglected to is as we continue to experiment with some enhanced concessions and offerings like that, that can also impact our labor, albeit it is driving -- helping to drive our per cap increases.

So, I would say I would expect it to be perhaps on the higher end of that in the near-term as we work through some of that. And then over time, as we work through some of these productivity initiatives, I think our aim would be to continue to bring that back down.

Tony Wible - *Drexel Hamilton - Analyst*

Great. Thank you for clearing that up.

Operator

Eric Wold, B. Riley.

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

A couple questions. Down in Latin America, I know a previous question touched on Suicide Squad opening. I guess besides Dory coming out the last day of Q2 in Brazil, so minimally impacting that quarter, any others slate shift issues you should think about for Q3 relative to the domestic market? And then any early looks in that same question into Q4?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

No shifts of material that come to mind on that. And Q4, most of Latin America is going to be -- try and be consistent. There might be an exception. I don't have every one of the 15 countries release schedules in front of me. But generally you are going to see Rogue One and Beasts as well and that is going to help drive the fourth quarter.

I would have to go back and look at each of the smaller territories. But in the large territories they are going in the fourth quarter.

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

Okay. And then you noted a target of 6% screen growth in the near-term. I guess one, how would you define near-term? And then any thoughts on impacts that you are seeing on development schedules beyond the near-term?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

We are continuing to look at that 6% for the balance of this year and into next. I think that what we have been talking about is somewhere in the 70 to 80 screens increase in Latin America and I think that is what we are going to be targeting again.

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

Okay, then final question. Assuming no changes to FX rates from where they are now, when do you start leveling off on that impact?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

In terms of FX? I think -- if things were to hold right now for the rest of the year I think we could see FX impact reduce to low-single-digits and potentially even flip around in the fourth quarter, particularly if Brazil held at the level it is at.

I think most economists still think that those local currencies will weaken again, but they have been wrong so far for the year. So, hopefully they will continue to be.

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

Perfect. Thank you, guys.

Operator

Jim Goss, Barrington Research.

Jim Goss - *Barrington Research - Analyst*

I have got a couple of them. First, in terms of connections, you are talking about growing the database. Are you looking at that as a vehicle for alternative programming and making that a bigger component?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

The key thing in growing the database for us on connections is the ability to have the easy wherewithal to communicate back to those customers on initiatives specifically to Cinemark and also initiatives in concert with our studio partners. The value of knowing exactly who those customers are and to communicate back to them marketing messages is the key element that we are looking for there.

Jim Goss - *Barrington Research - Analyst*

Okay. And what exactly are you trying to do then for them?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Excuse me, let me finish -- and certainly relative to alternative content, if we believe that customer base is a good target for it, then absolutely we will be marketing alternative content to them as well.

Jim Goss - *Barrington Research - Analyst*

Okay. I also was looking at that schedule you had about -- with the theaters and screens in the South America markets. It looks -- well, Colombia has now overtaken Argentina in terms of numbers of theaters. But Argentina -- more theaters or screens per theater at I think 9 versus 5.



I am wondering how you are looking at the investment in both of those markets. And it seems like it is a currency risk in Argentina versus political risk in Colombia. Is that how you sort of look at it and how do you evaluate those markets?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

We like both those markets. It is interesting. In Argentina we have a greater emphasis in downtown urban areas, especially Buenos Aires. And in Colombia we certainly have theaters in Bogota, but we have a greater emphasis of our theaters in the outlying areas.

And I don't think there is any outlying large political risk in Colombia. In fact, I was in Colombia less than a month ago. And the country is relatively much more stable than what it has been in the past. And we have a very good, strong business there. And in Argentina we are far and away the market leader.

Jim Goss - *Barrington Research - Analyst*

Okay and one last question. On lease renewals, are screen closings now less likely due to your reseating options?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

I think that depends on the situation, what is going on in the marketplace as well as what is going on with the negotiation. So, I'd say that I am not sure it would be less likely. It gives us one more option to look at, but we are generally not waiting to the very end of the lease to pursue that type of effort.

It would be whenever it makes sense to do that. So, I guess the short answer would be, no, it is not less likely, it is just going to depend on the circumstances of the marketplace and the negotiation.

Jim Goss - *Barrington Research - Analyst*

All right, thanks.

Operator

Leo Kulp, RBC Capital Markets.

Leo Kulp - *RBC Capital Markets - Analyst*

My question was really around the domestic concessions per cap which came in pretty strong. Can you provide some color around the drivers of the \$0.28 increase in terms of volume, enhanced menu and pricing? And can you also comment around your thoughts on tax on top and what you think you can do there?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Thanks for the question, Leo. I will take the first part; I will let Mark answer the second. As far as the \$0.28 per cap increase, we saw about a third of that coming from just strength of volume, about a third of it came from price increases we put in over the course of the quarter.

And then the rest was a combination of some of our new builds that had carried a slightly higher pricing, as well as the floor design efforts we have had to just accelerate speed to purchase.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Leo, in regards to tax on top, we are in the process of rolling that initiative out across the country where appropriate. So, you will start to see that roll out.

Leo Kulp - *RBC Capital Markets - Analyst*

Got it. Thank you both. And one other one if I could. Have you done any work around the reseats and where you are seeing the outperformance coming from? Is that really more around taking share or is it organically growing the market?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Leo, that really depends on the market. There are examples where it has been primarily share shift and there is other examples where the market has truly grown. And the fact of putting these seats and has made a tremendous difference in the overall film zone. So, it really is both and you can't make a categorical statement either way.

Leo Kulp - *RBC Capital Markets - Analyst*

Thank you.

Operator

Matthew Harrigan, Wunderlich Securities.

Matthew Harrigan - *Analyst*

You commented on how the local production tends to gyrate around and is really unpredictable in the short-term. But when you just look endemically at the resources that are being devoted to local production by media companies in the context of -- I guess we just had some pretty good local sales numbers in Brazil, but still the economy there doesn't feel very good.

How do you see that trend shaping long-term? And can you remind us how much of the program -- of your receipts are local? Films, I thought it was about 15% to 18%, but I guess it moves around quite a bit.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

Matthew, it really depends on the year and it is more like 10% to 20%. I know that is a large range, but that is the film business and it really depends on what has been put in process.

The thing that is encouraging to us is it is not just local producers that are making these movies, but also some of the Hollywood-based studios are now putting or have been -- in fact even going back to my Disney days -- putting local content people on the ground so that you have both local producers and foreign producers creating the local content.

The difficult part is they don't have as much lead-time associated with the production; they tend not to be the big action adventure movie. Many times it can be more of a locally produced story. And so, those are harder to call in terms of what the potential is going to be in the marketplace. And sometimes they just take off and run.



And I know we have talked about 10 Commandments in Brazil, but that was very much sponsored by the church in Brazil. And it became a phenomenon there because of that sponsorship. And no one saw that amount of marketing power that was put behind it.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

And I would just say we haven't seen any slowdown in local production based on what is happening in either political or economic environment including Brazil.

Matthew Harrigan - *Analyst*

Thank you.

Operator

(Operator Instructions). David Miller, Loop Capital Markets.

David Miller - *Loop Capital Markets - Analyst*

Mark, I don't recall a year or even a summer where there were so many or there have been so many sequels of really established valuable franchises that have just radically underperformed: Alice Through the Looking Glass; Ice Age 5; Mutant Ninja Turtles; Now You See Me 2, although that has done very well in China obviously; Ghostbusters, Star Trek -- even Jason Bourne has not really done the business that you would expect.

And I am just wondering what is going on here? Are these just bad movies in your opinion or are audiences craving something different? What have you seen at the box office in terms of just parsing out your data that might suggest that audiences are looking for something different? Or any color you can give in terms of why this is happening in your view. Thanks.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

It really comes down -- this is an age-old issue it goes back for as long as we had movies -- it goes back to the content of the movies. You rattled off a bunch of disappointments relative to sequels. I might not put Jason Bourne into that category. You didn't mention Dory, which obviously is Nemo.

So, I am not here to promote sequels, but I am here to look at the experience base and the experience base is it comes down to the movie. And so, it is not -- it is very difficult to take those and say this is a trend. Because the moment you turn around and then we see what has happened with other films and we have had great success.

And we are sitting right now at a box office up 3% after the first two quarters and everybody predicting going into this year box office was going to be down significantly. So, we are actually very pleased with where the business is, sometimes it comes from sequels, sometimes it doesn't.

Dory was a giant hit and of course Suicide Squad was one that was a very big hit and Deal Pool in the first quarter. So the great thing about the movie business is it is somewhat unpredictable from the creative standpoint. So, I would be hesitant to categorize that sequels will no longer be successful going into the future. To me --.



David Miller - *Loop Capital Markets - Analyst*

Yes, I'm not -- just to be clear, I am not making any kind of blanket statement on sequels. I just want to confirm with you that this is product driven, correct? In your opinion these are just bad -- in your opinion these are just bad films in your view?

Because obviously there is plenty of examples of sequels that have done well this year, it is just these are really established franchises and they have really fallen flat. I am just wondering if there is anything you are parsing out in the data at the box office?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

I am not going to categorize them as bad films. I will categorize them as that they weren't commercially successful. And so, I think that the first statement you made is in fact what I really believe and that is that it is content driven. So, I think that is probably the best way to leave it.

David Miller - *Loop Capital Markets - Analyst*

Okay, fair enough. Thank you.

Operator

At this time there are no additional questions.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO*

We thank you all very much for the call and appreciate your time. Thank you.

Operator

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

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