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<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Great. Thank you for joining us. Robert Fishman here. We are very excited to have Cinemark back at our conference. Mark, we appreciate you coming back and Sean welcome. We're excited to have both of you guys. I'd like to focus most of the time today on looking forward to the future of movie going and the role that exhibitors will play. But first, I think, it's important to frame where we are today. Obviously, COVID-19 has had a material impact on your industry and we're still seeing that impact playout.

I'm wondering if you can share what accomplishments you are most proud of for the Cinemark team over this pretty tumultuous period?

<<Mark Zoradi, Chief Executive Officer>>

Thank you, Robert. Mark here. Sean and I are going to kind of tag team a little bit today. So, you are welcome to direct questions or we'll decide which way to go, but we're going to kind of tag team we're really glad to be here.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Great.

<<Mark Zoradi, Chief Executive Officer>>

And actually, we appreciate the convenience of being able to do this as well. So, thanks. It's been a good conference for us so far.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Great.

<<Mark Zoradi, Chief Executive Officer>>

So, what are we the most happy and proud about? There is a number of things. I'm going to start with the one that obviously was the most material in the middle of a worldwide pandemic with all of our theaters closed, and zero cash coming in the door, and all kinds of financial commitments that we still had to pay.

So, I think the first is just rotating in around our cash position, our liquidity position, and the way that our finance team and our treasury team was able to keep a strong balance sheet throughout. And we went in with a strong balance sheet, obviously that helped. We didn't have an excess of borrowing. We were able to go out and get the necessary funds that we needed to do. And then we did all kinds of cash preservation aspects along the way, in order to always be able to assure the marketplace that we were going to be here for the long-term. And that continues to be the – continues to be the situation. We just announced a very strong cash position on our most recent earnings, we talked about some of the very substantial tax benefit refunds that we've gotten as we've gone. So those are, those are really two things.

I'd say number three was that we just put together a very methodical approach from the very beginning with nine different working groups of how we were going to: number one, close our theaters, and be prepared for the reopening, and then more importantly, when we got them open. And so, we held onto our general managers across the board, we held onto our key people, we had the layoff many, many of our hourly people, but we are able to flex state by state, city by city in order to bring our circuit back to life and to do so in a way, in which we were generating a positive, variable cashflow, meaning that we're better off open than we were closed. So, we got much more efficient along the lines to be able to stay open along the way.

And then, of course, everything we did from a, what we call the Cinemark standard, which is our health and safety protocols, I think, we tried to lead the industry there in terms of being very aggressive, very early in order to welcome back and make people feel comfortable.

And one of the innovations, there's a great saying, never lose a good crisis because there's opportunities. Well, for us, one of the key things is we really discovered how to make it very simple and easy for the consumer to come, to what we call, private watch parties. And we sold over 235,000 private watch parties bringing back three million people to the cinema who at that time were a little hesitant to come back, they could come back in their trusted group, and that helped us with the positive cashflow as well.

And then finally, I would say all of this added up to a significant increase in our market share. Robert as you know, traditionally Cinemark has been somewhere in the 12% to 13% market share in North America. Well, through most of the pandemic, we were north of 20% market share, and that was gained through things like private watch parties, very strong marketing efforts along the way, and a real attention to the consumer.

And people ask, are you going to be able to hold on to that market share? Well, I think, two things are true. One is we are no longer going to be a 12% to 13% market share company. And we're likely to – we're obviously going to come down from 20% as everybody opens up. So where are we going to fall out? Well, we're probably going to fall out somewhere in the mid-teens. And again, I see that as a very significant accomplishment along the way, too, in the midst of a very difficult situation to actually, significantly increase our market share.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

That's a great setup. Thank you. So, you guys have talked about 2021 as a transition year as things start to reopen and we are seeing early signs of going back to the box office with some titles that we've seen over the past little while.

Maybe Sean, for you wondering if you can talk about some of your internal survey work, given that you do talk to these movie going customers on a frequent basis and how the appetite is to returning, and maybe even if you can break it down by age cohort, that would be interesting. Thank you.

<<Mark Zoradi, Chief Executive Officer>>

Sure. Well, let, let me start by, I'll get to our internal stuff in a second, but let me start by speaking to some of the data that we've talked about publicly before, which is the, the NRG survey data. This is a company that's been evaluating consumer sentiment since the onset of pandemic. And what we've seen is the comfort in returning to theaters has consistently grown since the beginning of this year, as the vaccines have been rolling out. At present when the question is asked about 65% of the people surveyed are saying they are either comfortable or somewhat comfortable returning to theaters now. About 75% indicate they will be comfortable in the next week or next month, excuse me. And then when vaccines are widely disseminated, that jumps up to 85%. So those stats have consistently grown and continue to grow.

Our internal data is very consistent with that. In fact, it's slightly better than that. Although we think it's probably a little bit skewed because we're speaking to the most active moviegoers within that pool. The NRG data is moviegoers as well. It's not the full population, it's moviegoers, but ours tend to be the ones who respond are the most active.

With regards to age brackets, what we've seen there is we've seen that there's a slight uptick with regard to younger moviegoers in terms of those that actually have returned to date. But when you asked about intention to return and comfort returning that is pretty consistent across all age brackets, there's not really material variation between the two, which we also think is positive.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay, great. So, we're hearing a lot about pent-up demand, right, as these re-openings start to happen across the country. So, pre-COVID activities, clearly movie going is a big part of that. How confident are you that this can not only be a boost to second half 2021, but still into 2022 and have the material impact there as well?

<<Mark Zoradi, Chief Executive Officer>>

Look, we we've seen the results of when content is available and COVID is controlled. We've seen it in Japan, we've seen it in China, we've seen it in Australia and we've seen it in our own country, obviously with Godzilla, Mortal Kombat and others. So, as we look at the release schedule for especially the second half of the year, Memorial Day, looks very strong, obviously with Cruella and A Quiet Place. And then the second half of the year really jumps off strong with F9 nine and Black Widow to follow.

So, we're confident that with the virus now, absolutely all the key metrics going in the downward projection that we want to see and content firming up for the second half of the year, we think the second half of the year is poised to have a recovery, is going to be better than the third quarter, even better on the fourth and we're seeing the full recovery taking place in 2022.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. So, before we put 2022 projection hat on, I think, it's important to look at all the variables play and lots of moving pieces still going on right now. Let's start with one of my favorite topics, at least windowing. We know none of us could have predicted how we've gotten to this place given all the changes that has happened, but we have been talking about this for many years. We've had these conversations. So now that you've just announced your new deals with all the major studios, understanding that you can't get into specifics about each of the details, but curious if there's any kind of big takeaways that you can share with us in terms of what your studio partners are talking about from all of their experiments that they've had over the past little while.

<<Mark Zoradi, Chief Executive Officer>>

Okay. Robert again, obviously a very good question. Let's start with just kind of level setting. People always talk about 90-day windows if there were 90-day windows. In reality, they were really 74-day windows, because at 74 days, the studios were typically going to an electronic sell-through at that stage. And the way that we approached this is we looked at each individual major studio and each one of them really have their own, unique, emphasis and what's their priorities.

So going back to last year with universal, which was the first deal done, obviously they're owned by Comcast and PVOD was very, very important to them. So, we accomplished a deal with them, they got what they needed, we got some of the financial incentives that we wanted and were able to do with deal.

As we looked at this, this year, Warner Brothers had already come out and said that they were leaving their 2021 strategy. And they’re going to go back to an exclusive window, upwards of 45 days. And then Paramount came out and said, they were looking at 45 days, perhaps some at 31 days. And then Disney has come out and basically said, we want to test a bunch of things. And we're going to test a number of products along the way. So, what we tried to do is take what was important to each one of those unique individual studios and their parent companies, and create a deal in which they could satisfy what they were looking for and have an upside to us to motivate us in order to make that agreement. And so that is in fact, what we did.

Each one is a little bit different, where each of them are the same is the concept of that sliding scale that goes into place for how movie does. Movies at box office is higher they were more on the scale. Movies at the box office is lower, they are in lower. That's still consistent among all of them, but the peculiarities of what that particular studio wanted, PVOD, direct-to-streaming, EST, how long the window. And so, we try to create a deal that was that was appropriate for each one, where they could accomplish what we wanted – what they wanted, and we could get what we wanted and each deal was somewhat unique in that way.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. And curious if I can follow on that, is there a greater tension with the studios that want to push their own streaming services as priority having clearly both of you guys come from the studio world, so I know you have that other perspective. But wondering how do you balance the studios that are looking to prioritize their own streaming services? Or is that not even a fair characterization?

<<Mark Zoradi, Chief Executive Officer>>

Yes, I wouldn't say there's a greater tension. I mean, we had to work out may be deals some more unique deals and each deal, like I said, we could benefit from that deal, it could be on the marketing side, it could be on a term side, so each one was unique. And I wouldn't characterize any of them as being more tension than any of the others.

And the fact that we were able to really accomplish them in a relatively short amount of time and have both parties feel like they walked away. Look, one of the things that we talked quite a bit about Robert, we talked quite a bit about creating dynamic windows. And that it's not one-size-fits-all. And so that's the same way on these deals, we realized that each studio had various priorities. And so, we tried to create a specific deal that was right for them and a dynamic window that could work for them as well. And so that's what the middle of. And quite frankly also look, there's some tests going on. Disney has made it very clear that much of what they are doing is trying to test out various scenarios and to see what they think is best for them, their consumers and to an extent theatrical exhibition, because they know how important theaters are in the mix to their overall revenue stream.

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

Okay. And Robert, the only thing I would add to is we're obviously in a distorted period right now, not only because of the pandemic with theatrical not delivering as much value to studios as it typically would, which is clearly recovering, but also we can't forget that the majority of these platforms, these streaming platforms are very much in their infancy and some of the decisions that are getting made at this point in time to try to quickly acquire subs. They are not always decisions that are going to be in the best long-term interest. Near term, may make sense, certainly during a pandemic, but long-term to be determined.

And as Mark said, one thing that's clear is all the studios still recognize how valuable theatrical is both to their companies, but also to the benefit of these streaming platforms, this is a way to distinguish content and have it rise to the surface and be a markup quality that is beneficial to those subscribers.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, you guys teed me up nicely for the next question, which is Netflix, right. So, as we about the dynamic windowing and the opportunities that that presents Cinemark, can you talk a little bit more about how the Netflix relationship has evolved because you have this added flexibility, clearly you just get the new release Army of the Dead.

<<Mark Zoradi, Chief Executive Officer>>

Of the Dead.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Of the Dead, Thank you. So how does this broaden out the whole relationship between what Netflix is looking to do and how Cinemark can play a part in that?

<<Mark Zoradi, Chief Executive Officer>>

I'm going to jump back to that same term I use dynamic windows. It's interesting what a year and a half can do. I'm going to take you back to the Martin Scorsese movie, Irishman, right. Year and a half ago, two years ago Netflix and all of the exhibitors couldn't come to an agreement. I think if that were today, we would find a way to come to an agreement. That was very important to Scorsese to get a theatrical release. I think Netflix actually wanted a theatrical release as well, because it helps set up the whole eventizes that movie and the theme of the film.

So, I think if that were today would find a way to do it. And we tested several Netflix movies at the end of last year in some key markets probably the largest was Christmas Chronicles 2, had successful tests. So, we came back to the table again and said, what else can we do? And Army of the Dead, it was a little bit short in our timeframe of getting it done. And I think as we go forward, we'll have more time, but the idea was okay, let's test a movie across all of Cinemark's theaters.

So, we're the only national chain that's playing it. There are some regional and smaller theaters that are playing it as well. But we're going to play it in all of our Cinemark theaters. We're going to play it exclusively for one week. And we're going to see how does it do in that week. How does it do the week that it goes into Netflix? We're going to learn a lot. And then on future Netflix movies that come and we believe there will be several, we don't think it's going to be a large quantity, but we think it's going to be a limited number of their high-profile movies, where they want to spend a marketing expenditure, they want the theater theatrical exhibition, and what comes along with that, we think that there will be future movies to come. And those may be 14 days, they might be 21 days, but we have, I would characterize it as a very progressive and positive relationship with Netflix in order to move this concept forward.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

And then maybe just broadening that out, how do you feel that Netflix and other streaming services can help fill the gap that we're hearing some of the other studios talk about pulling some of their own smaller budget and mid-size budget movies directly to their own streaming services?

<<Mark Zoradi, Chief Executive Officer>>

Well, we hope that they can. But again, I don't want to overplay the quantity of films. I think there's going to be a number of films. Perhaps if we have success with Netflix that will lead to similar kinds of discussions with other streaming services as well. As studios make decisions of taking some things directly to their own unique platform, perhaps we're going to find a way to get some things from the streaming services that we wouldn't have otherwise gotten and get an important theatrical window. The one thing that Sean and I have been preaching to our teams here for quite some time is that the world isn't changing relative to theatrical exhibition and distribution. The world has changed. So, let's figure out how it's changed and what is the right model going forward.

And we feel like that with these five deals that we announced that we're on the right path to continuing to provide really high quality and cinematic movies to consumers. And that the studios and the content providers are happy with the new arrangements as well.

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

And I would add Robert too, yes, there's at least some speculation about some of the smaller movies going direct to platforms. And I think part of that has historically been driven by just the costs to market these movies and the distribution structure. But the booking process, the booking mechanism that also is evolving. One of the hurdles historically has been just the cost of prints. First, there were physical prints, the physical film and then the virtual prints, the print fees that the studios had been paying to basically convert the industry to digital.

Those virtual print fees are burning off now. And with that, there's a whole bunch of costs that goes away on the studio side, and it creates a lot more flexibility in the way we can program the movies. So there still is the ability for a lot of these smaller films, as stuff evolves to come to the screens and be able to do that in a more efficient way, especially with kind of the, some of these window evolution that's happening as well in these. So, I think it may be still even premature to kind of conclude that, all those smaller films are just going to go to the streaming platforms. I think now the economics are changing such that it makes it more feasible for those smaller films to have a life in theatrical as well, where that had been a bit more challenged in recent years.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

That's great, Sean. So, taking that answer and Mark, your answer and putting them together, do we think – what do you think of the argument that tentpoles have the potential to even be that much bigger, with potentially less butter at less competition every weekend, and maybe if you can also bring that into your comments back on the earnings call that film splits would stay about the same relative to 2019 levels. Is that the offset here, even if you did get better terms that maybe that the big blockbusters even do better?

<<Mark Zoradi, Chief Executive Officer>>

Let me take the second part first, relative to film splits. Look, the film splits as we report them are going to be somewhat similar to what they are, but we're gaining benefit from this new deal from a variety of ways. Some is with film splits, some is with marketing support. Some is that we are going to be more aggressively advertising, and we think we're going to continue to take share because of what we're doing. So, I didn't want to overstate that there's going to be some gigantic film split difference relative to these new deals, but obviously, we were motivated with some financial terms to agree to a reduced amount of timeframe. And of course, the greater the reduction in the window typically the greater the reduction in the benefit back to exhibition.

So, I think that's going to work its way out relative to, is there going to be a greater concentration among the big movies. We've obviously seen that trend over the last 10 years, that it could slightly continue, but I don't think we're going to get to a point in the theatrical business where it is just a blockbuster business. I think there's still room in the theatrical marketplace for independent and art-house films. I think there's room in the theatrical realm for movies that could come from streaming. And I think mid-range comedies, it's amazing. You always think that they're not going to work. And then all of a sudden, another big one will come.

So, we think that it's not going to be just a blockbuster season in the theatrical. And we think there's going to be plenty of room for a variety and various movies to have continuity back into the theaters.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay, great. You touched on PVOD before as part of the Universal deal. I'm curious, just big picture again for the industry. Do you think PVOD has the potential to be an exclusive window or because all the deals are so different and the strategies are different, that PVOD is going to be more of a specialized windowing approach by studio?

<<Mark Zoradi, Chief Executive Officer>>

I think it's by studio, there's no question. If you went down each studio and said, what are their priorities? I think each one of them have various ways. Some are going to want to go straight, straight to theatrical. And then from theatrical go into a streaming. Some will want to go into a PVOD, more of a traditional SVOD and then, excuse me, EFT then VOD, and then more traditional.

And there's some that are going to want to do and try a premium VOD along the way. So, I don't think it's going to be one size fits all on that either. I think each studio, even the studio is going to make unique decisions based on that particular movie, what they want to do. And obviously, some of that really rotates around what the filmmakers want to because they have a voice in this as well. And there are some filmmakers that have voiced very, very clearly that they want to start off with an exclusive theatrical window and others are willing to share. So, I don't see this as going a straight PVOD world. I see this as very dynamic and the way that it's done relative to filmmakers and studios.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay, cool. Talking about cannibalizing attendance, which we've kind of again, discussed this over the years as different potentials, depending on how early that window could be. We're seeing some evidence now, and Sean, you alluded to this that it's hard to take away any big conclusions given the environment that we're living through, but day-and-date through HBO Max right now and seeing success in the theatrical window. So, I'm just curious if you have any data points or conclusions or thoughts on how all these window changes will actually impact attendance once we return back to a more normalized level.

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

Well, I think that's the big unknown, right. I mean, that was always the unknown prior to COVID and it's really hard to get a read on anything in this environment, because again, everything is distorted by the sense of when people are stuck at home and they only have an in-home option. Those in-home options will tend to over-index versus what will likely be the case once people have the freedom to go back out and do all those out-of-home activities that they've been missing for so long.

So, we've seen, if anything, we've seen some examples elsewhere in the world, in China, in Japan of these movies that are breaking records, breaking pre-COVID records as one positive sign of the appetite of movie-going. Likewise, even some of the early films that have released thus far with Godzilla vs. Kong and Demon Slayer and Mortal Kombat, like some of the larger films, those have been exceeding our expectations of what we thought they would be doing this early into the recovery cycle.

So, I think a lot of like, where do things ultimately stabilize in a post-pandemic world, it's going to take a while for things to fully recover and where that is, is still unknown. But we're optimistic that there's going to remain a high interest in it. There's clearly a ton of pent-up demand in the near-term to get back out and see. So at least we're optimistic that if not fully there, it's going to get pretty close. And what we're focused on is a whole range of initiatives to be able to help us cover any gaps that may ultimately be there. And then also have upside to the extent things do fully recover.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Makes sense. Mark, for you, I know Disney holds a special place in your heart given your own history and experience there. Clearly, Disney also is a vital part of the overall box office and industry. So yeah, we just saw that the latest announcement with Jungle Cruise today also continuing along their experimenting path that you alluded to before. Curious if you can share anything about where you think Disney ultimately shakes out, if they will continue down this consumer-led strategy, as they've talked to and have this almost if it's not day-and-date earlier window, or we'll go back to more of a traditional approach for their big tentpole releases?

<<Mark Zoradi, Chief Executive Officer>>

Well, Robert, you're right. I clearly do have a soft spot in my heart, but one thing I don't have is a crystal ball. So, Disney had the announcement earlier today. Obviously, we saw it. They have an earnings call, which is coming up very, very soon. And so, I think we're likely to learn more there. I think the one thing that Disney has clearly communicated and it's been also very true in the results, and that is a huge commitment to the theatrical business.

I'm sure that you and others saw the Marvel reel that they released, which clearly was a salute to the theatrical business. As well as Bob Chapek has mentioned a number of times publicly and privately just that it goes without saying, and highly recognized within the walls of Disney that they did over $11 billion of box office in 2019.

And if you add in the Fox numbers to that, it's over $13 billion. Well, that clearly is not a number to sneeze at. And I think I might even be quoting, Bob in those words. So, there's no question that that box office does a couple of things. One is the highest per cap that they're getting anywhere in the world in terms of set of eyeballs, what are they paying and how much Disney is getting.

And then number two, it is a giant franchise builder for the company. And eventizes these movies, which allows Disney or any content company to then continue to exploit that very expensive asset that they've created, all the way down the line into consumer products and theme park rides and ships at sea, et cetera, et cetera so I think the only thing that I would say is I've listened carefully to Disney, and they've continued to say that they are committed to the theatrical business. As of course, they're very committed to Disney+. So, they've got a dual strategy, they've got a direct to the consumer strategy and they have a strategy which theatrical business is paramount to them.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Makes sense. So now we've been through a lot of the windowing conversation, curious if you do want to opine on what 2022 can look like, given that the pent-up demand dynamics we've talked about and all the window changes and all the unknowns, or is it just really too early to make any sort of real predictions that when we're going to get back to 2019 levels?

<<Mark Zoradi, Chief Executive Officer>>

I'm going to go back to that crystal ball again, I think if I knew what the box office was going to be in 2022, we might be seeing each other in Vegas, having a little fun. But seriously, the lineup for 2022 is extraordinary. And I think it's every bit as good as what we saw in 2018 and 2019. The dynamics of the business are clearly changed, right. And the windows have changed and people's habits have grown potentially one way or the other, there's more streaming services than they used to be. But the theatrical lineup is very, very strong. There is clearly pent-up demand. The research that Sean pointed to earlier, the NRG tracking research each and every week says people want to come back.

And then the actual results out of China, Japan, and Australia demonstrate people want to come back. So, we're pretty darn bullish on 2022. However, we got to stop short when we're not even to halfway through 2021 putting any real projections on that. But you can't look at the lineup of film. And I went through the whole list on the earnings call, and I won't repeat them, but every studio is coming back with very major properties.

And I think they're actually starting to space themselves out pretty well. So, we think we're going to be able to accommodate all those, the business is ready, we've continued to really keep our theaters in tip-top shape. We've got 65% of our theaters with the most modern recliners. So, we're well-positioned as well as other exhibitors to take advantage of this great product.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

You guys alluded to this at the end of the earnings call, if I remember correctly, but Sean, maybe if you want to talk about how does Movie Club play into this, as you're starting to ramp back up and talk directly to those subscribers?

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

Well, Movie Club will be – it's a huge asset we have in terms of that communication channel, you just mentioned to our most frequent moviegoers. We had great success with Movie Club heading into the pandemic. We reported before then we had over 950,000 members. We continue to have over 950,000 members. So, we've maintained an active communication with our members throughout the entire pandemic. We proactively paused those memberships while our theaters were closed.

We received tremendous response for that. We've been working on our campaigns for reactivating the program and exciting our members about coming back and exposing them to everything that's coming on. But like you said, the communication with both our Movie Club members, as well as our overall loyalty members and we got access to over 15 million unique customers. We'll be channeling information out and using that as a key method for really building awareness and building excitement about getting things going as everything really kicks into full year here in the coming months.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, tying Movie Club into maybe a broader question, how do you think about experimenting even more with variable pricing models? Have we learned anything over the past year to help drive that initiative forward as we go more towards a new normal here?

<<Mark Zoradi, Chief Executive Officer>>

Robert, the great thing about Movie Club is it's a great level setter for Middle America to be able to afford to go to the movies with their family. And it truly is one of the last affordable out-of-home entertainment, you can take your family, you can go to any Cinemark movie any day of the week for $10 anywhere in the country. And if you want to upgrade to XD, it's a $3 add, but it truly is affordable.

Now that's kind of in the middle ring of our variable pricing. At the top end of our variable pricing is Friday and Saturday night on a big blockbuster movie. You're paying full price. Typically, it's a higher price for Friday and Saturday night, and we're going to continue to experiment with slight upcharges on a Friday and Saturday night on opening movies, because we have sellouts.

And when you have sellouts, obviously you raise the price a little bit, but then you're going to work your way down to a Tuesday. And we're going to continue to have what we call, Cinemark discount day on Tuesdays. And you can go to a movie anytime on Tuesday for $5 or $6. So, what we're trying to do is reach all levels of consumer economic ability. And so, you can come on Tuesday, you can join Movie Club, you can get a discount on concessions, or if you want to be the first to see it on opening weekend, you're going to pay a little bit higher. And into the future, we will continue to test and evolve, additional areas of variable pricing as well. It's clearly one of our initiatives to continue on and look at.

But I'll just add this. We're very cognizant of not overpricing movie tickets and we've never done so, typically we haven't increased our prices anywhere more than a consumer price inflation index and, in some years, actually lower. So, we're very careful in not wanting to do that because we think we want with the movie-going experience to be affordable for Middle America and Middle America mom and dad with two or three kids.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Makes sense. I just want to remind our investors, if they do have questions, they can type it in at the bottom and we'll hopefully get to them at the end. I want to turn to concessions and that was clearly a big area of upside from Q1, even if it's limited data. So, I'm just curious how to think about the concession spending on a per patron basis, as we start to reemerge from all this lockdown?

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

Well, we've definitely been seeing a big uptick in consumption of food and beverage as our guests have been returning to theaters. And we think a big, big part of that is just when you've been away for a while people are coming back and they're just excited and they're loading up getting the full experience, right, it's the first time back, so they're kind of over-indexing a bit. And look, we think that will probably continue for the next several months to a certain degree as just more and more people are coming back. Certainly, those who haven't been back, they're first time back to the movies for a while.

As things kind of continue, we do anticipate that that'll stabilize and probably fall back closer in line to where we were pre-pandemic with a similar type of growth trend that we've historically seen over the years. We're obviously continuing to pursue a whole range of new initiatives. We talked about our Snacks In A Tap initiative, which is our online ordering method, which is – it's a great ease for the consumers of being able to buy your concessions, when you're buying your tickets and just have them ready for you when you get to the theaters, you don't have to worry about lines or anything like that, so things like that.

We're still yet to bring back all of our enhanced food offerings, and we've focused more on our core categories in the near-term. But as we have a more stable sense for just ongoing movie going, we'll start bringing in those other categories that tend to have a bit more perishable items, so that'll help play to it. But we think it'll stabilize and kind of get back to kind of the growth trend that we saw heading into the pandemic.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, taking that one example of the on tap, broadly speaking, how do these efficiencies translate into staffing levels? Clearly a big expense item for your business. So, is there any way you can help frame how we should be thinking about what a new normal level of staffing would look like?

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

I think – look, I would say just for modeling purposes – the time being, I would continue to kind of use a percent of revenue similar to what would have been in the case pre-pandemic. That said, we've clearly been working on a whole range of process efficiencies and enhancements during the course of the pandemic to just in certain circumstances, remove certain labor for things that just aren't as significant anymore or redeploy that labor to higher value types of activities. So, there is things like we changed the way we kind of take our tickets, we've revised all of our minimum labor templates, like, in the past, that was kind of a theory, now we'd actually had experience with kind of operating from a startup, from a shutdown. So that's given us a lot of insight to the true minimum labor levels we had.

We've done a whole range of time studies around what it takes to perform different activities in our theaters over the past year. So, all that's feeding into more sophisticated models and controls that we'll have over the amount of labor we're going to need as we're kind of forecasting attendance in the future. So, we expect that there is going to be more labor productivity, but for the time being, there is still so many moving pieces as we're sorting through how many people to bring back, what are those levels of attendance and all that, that probably is safest just to assume a similar kind of percent of revenue is in the past and we would be able to kind of give more of an indication of that in the future as attendance fully recovers.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Makes sense. So, Mark, taking what you said at the beginning about market share and pulling that all together with the entire conversation we've been having. Ultimately, the big question that we get from investors is whether or not your margins and absolute EBITDA can come back to prior levels. Do you have confidence in saying that you can with market share, because again just makes it that much more efficient, given the fixed cost nature of your business.

<<Mark Zoradi, Chief Executive Officer>>

Rob, as you know, we don't give specific guidance relative to EBITDA and what that could or could not do. But I will say that I do have confidence that we're going to be able to operate very efficiently. I think I'm confident that we're going to have a market share in excess of 12% to 13%, as I've indicated somewhere in the mid-teens. And then it really comes down to content and attendance. And if content and attendance grows back to those 2018- and 2019-year levels, then I think we have a very good shot at it. But I'm going to stop short of giving guidance or a suggestion that we're going to reach those numbers in any specific timeframe.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Understood. If we could switch gears a little bit and talk about your other international assets in Latin America. So, I'm curious, given the backdrop of everything that we've just gone through in the U.S. H do we think about Latin American theaters behaving and acting differently with the window in conversation. Clearly, we know that they're in an unfortunate situation now with COVID, but as we're – they’re hopefully going to get through this quickly and emerge from it. How do you think all of what we're talking about in the U.S. applies to your Latin American theaters?

<<Mark Zoradi, Chief Executive Officer>>

Let me start with the headline here. I think that Latin America is going to come back and continue to be a very significant contributor to Cinemark. And the reason I say that, is the theatrical business in Latin America is paramount to just entertainment in general. There is much lower of a transactional in-home business in Latin America, much smaller in terms of physical business as well. The theatrical business really is the driver to content providers, revenue in Latin America. It's still very affordable to go to the movies in Latin America. So, I think all the signs are there and the overall industry is there. I think it's not in content providers benefit to try and shorten a window too short in Latin America, because the theatrical business is a larger share of the overall pie than it is in this country.

And as we look at just Latin America in general, right now, you're right, it's somewhere in the 60, maybe 90 days behind the U.S. relative to starting to control the virus for a number of reasons, slower rollout of vaccines, less significant healthcare system, less governmental support, so all those things have contributed for it to be somewhere 60 to 90 days or below. We have about 50% of our theaters opened in Latin America and we think that somewhere in the next 90 days, we'll be able to see that in a very forward-looking, it really depends on the country too. Central America is in a much better shape than currently what we're seeing in Argentina and in Brazil. So – but look, we're going to give it 90 days, and we think within 90 days, we're going to be on the recovery trail in Latin America like we're experiencing today in the United States.

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

And one data point I'd give you from Latin America, that's akin to – a positive data point akin to what we kind of alluded to with China and Japan, but it's relevant to our theaters in Latin America with regards to pent-up demand and just how important movie going is to the cultures down there. Argentina when Godzilla vs. Kong opened in Argentina a couple months ago and even with capacity restrictions in excess of 50% and this current state of the pandemic, the film did more than the last Godzilla film in 2019, so just as a single data point of like, once the commercial film start to get to screens, there is so much pent-up demand there. Once they get through the virus, I add to the COVID and it's more contained, we just think there could be a massive just explosion of movie going in the area because people are just – it's an important part of the society there.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Got it. Wondering if you can talk about just more broadly international. And I mean with your Latin American portfolio, what benefits does that bring as part of the overall conversation of the future of the business and maybe even related to your new studio deals? Or is there a benefit to just specializing and focusing on the U.S.?

<<Mark Zoradi, Chief Executive Officer>>

Well look, Latin America gives us some diversification and sometimes that diversification is to your benefit and sometimes it's to your detriment. We think over the long-term it's to our benefit, so we're very happy to have it. And so as – if there are opportunities for us to expand in an opportunistic way, whether it was in the United States or whether it was in Latin America, we would entertain either one of those. And our commitment to Latin America goes back 20 plus years with an extremely experienced team down there. And our market share in the major markets down there is 25% to 30% and sometimes above 30%. So, we have a very substantial footprint from Mexico South.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Got it. So, shifting gears a little bit, and you just kind of alluded to the M&A. But to you guys credit, and I'll give you guys all the credit on this one. You've maintained a conservative balance sheet approach, you alluded to it in your opening comments, Mark, and the benefits that has brought you through this unprecedented time. So, first of all, I'm curious, Sean, if you want to talk about what a new target leverage looks like for Cinemark, as we start to emerge from this? And again, I mean, Mark, you just alluded to it, but how would you characterize the M&A opportunities today, given the state that some of these smaller chains are going through right now?

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

Well, I would say we've kind of made a few comments on earnings call about our intents to refortify our balance sheet as we come through the pandemic and that certainly is the case. Previously we didn't have a necessarily sets leverage target, but our leverage tended to hover as you know around the kind of 2 times level. I would say that that's something we aspire to return to. We've seen how the strength of our balance sheet has been such a huge benefit when you come into a situation such as this, big part of the reason why we've been so successful in navigating the pandemic today.

So, without saying a specific target, I would say that's certainly our directional intent just to try to get back to a similar state of financial strength like we were at that two-time level pre-pandemic. Mark, do you want to…

<<Mark Zoradi, Chief Executive Officer>>

I think you got it.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay, cool. So, question on the industry and we can talk about what could have happened and what should have happened. But curious now that we know where we are today. Do you feel that Cinemark and the overall industry is better off for having all the players in business and not being forced to restructure through any sort of bankruptcies?

<<Mark Zoradi, Chief Executive Officer>>

I think for the overall industry, there was no question that not having significant bankruptcies is positive for the overall industry. I think if there had been major theater circuits that had gone bankrupt, I think that would have sent some very negative news into the marketplace, that wouldn't have been good for the overall industry. So, we're very glad that, that didn't happen. The smaller circuits that some did file, nearly all of those are likely to come out of bankruptcy, somewhat restructured and probably will come out with a stronger balance sheet, maybe shed a few of their unproductive theaters and will come out stronger.

So, without a question, we're pleased that there wasn't mass bankruptcies. And we're appreciative that there were some government support for the mid- and small-sized theaters and save our stages and that was very, very helpful. And there was some support for larger exhibitors, especially as it related to some net operating losses carry back or crawl back that we could get. So yes, I'm just – I think it would have been an overall negative to see major bankruptcies, I'm glad that we didn't.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Sure, got it. Maybe last question to leave you or leave us with. Again, without specifics on numbers or where the box office goes. But where do you see Cinemark two to three years from now? How is Cinemark going to look or – look any different or be more of the same or stronger? Or – help us think about the future of Cinemark from here?

<<Mark Zoradi, Chief Executive Officer>>

Well, let's say this, I think for certain we will re-strengthen our balance sheet, that's a key priority for us. And as soon as we turn cash positive, which we believe will do at the end of this year, we're going to start – that's one of our key strategic priorities to do it, it's one of the reasons we came through this pandemic as strongly as we did, is that we went into it in a strong position, it’s consistent with our company culture with our board, and so that would certainly be one thing. Number two is, I think you're going to see our theaters continue to be in tip top condition. And I would say that's everything from the way we project our movies and sound our movies and continue to upgrade all of our technology in the theater, so that it's the absolute best innocent differentiator vis-a-vis what somebody can get at home, I think that's ongoing critical.

And then all of the amenities that we provide, we're going to continue, whether that's continuing to offer alcohol, continuing to offer delivery the seat in our online ordering system to recline this. We've invested a tremendous amount of money in luxury recliners across the circuit, we have about two-thirds of all of our circuit reclined, and of course that represents a very significant portion of our overall box office. And then I think you're going to see us continue to grow market share, and that will be either through or combination of opportunistic M&A and very continued aggressive marketing and sales and operation areas.

We think there is going to be opportunities for us there and in two or three years, I think we have an opportunity to grow. And I guess the last thing is, we will always look for as we always have, is there some other opportunity for Cinemark to get into, we've been extremely disciplined in not going too far out of our swimming lanes, but you never know, something comes up and we think it's very, very strategic, we'll try it, we'll try new things like we tried with strike in reel. Where strike in reels theater in which we have nine screens and also a full family entertainment center. And so, we're going to reach out and try new and different opportunities as well.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Awesome. So, with that, I think we're out of time, but Mark, Sean, Chanda, behind the scenes, thank you for everything and hopefully next year we'll see you guys in person. Thank you.

<<Mark Zoradi, Chief Executive Officer>>

Thanks, Robert.

<<Sean Gamble, Chief Operating Officer and Chief Financial Officer>>

Bye now.