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CORPORATE PARTICIPANTS

Chanda Brashears *Cinemark Holdings Inc - Senior Vice President - Investor Relations*

Sean Gamble *Cinemark Holdings Inc - President, Chief Executive Officer*

Melissa Thomas *Cinemark Holdings Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Ben Swinburne *Morgan Stanley - Analyst*

David Karnovsky *JPMorgan Chase & Co - Analyst*

Eric Handler *Roth Capital Partners LLC - Analyst*

Drew Crum *B. Riley Securities Holdings Inc - Analyst*

Robert Fishman *Moffettnathanson LLC - Analyst*

Eric Wold *Texas Capital - Analyst*

Chad Beynon *Macquarie Research Ltd - Analyst*

Patrick Scholl *Barrington Research - Analyst*

Omar Mejias *Wells Fargo Securities LLC - Equity Analyst*

PRESENTATION

Operator

Greetings. Welcome to the Cinemark Holdings' third-quarter 2025 earnings conference call. (Operator Instructions)

Please note, this conference is being recorded. I would now turn the conference over to Chanda Brashears, SVP, Investor Relations. Thank you. You may begin.

Chanda Brashears - Cinemark Holdings Inc - Senior Vice President - Investor Relations

Good morning, everyone. I would like to welcome you to Cinemark Holdings Inc., third-quarter 2025 earnings release conference call hosted by Sean Gamble, President and Chief Executive Officer; and Melissa Thomas, Chief Financial Officer.

Before we begin, I would like to remind everyone that statements or comments made on this conference call may be forward-looking statements. Forward-looking statements may include but are not necessarily limited to financial projections or other statements of the company's plans, objectives, expectations, or intentions.

These forward-looking statements are subject to risks and uncertainties that could cause the company's actual results to materially differ from those expressed or implied in the forward-looking statements. The factors that could cause results to differ materially are detailed in the company's 10-K.

Also, today's call may include non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the company's most recently filed earnings release, 10-Q, and on the company's website at ir.cinemark.com.

With that, I would now like to turn the call over to Sean Gamble.

Sean Gamble - *Cinemark Holdings Inc - President, Chief Executive Officer*

Thank you, Chanda, and good morning, everyone. Over the past several years, we have made significant strides in advancing our company since the pandemic, including enhancing the experiences we offer our guests, strengthening our operating capabilities, further bolstering our competitive position, growing new sources of revenue, and driving incremental process efficiencies. These efforts have enabled us to reach multiple important milestones in our recovery as well as attain numerous record-breaking results year after year, all of which reflect the discipline, focus, and commitment of our entire organization.

This morning, I'm excited to share that we have realized another significant achievement. As of today, we have settled the final outstanding warrants related to our convertible notes, thereby fully extinguishing the remaining portion of our COVID-related debt. This accomplishment marks another major milestone for Cinemark that is the byproduct of our team's highly proficient execution and versatility, prudent fiscal decision-making, and the substantial benefits we have derived through our strategic initiatives.

Furthermore, in recognition of our company's robust financial position, as well as a sustained conviction in our ongoing business strategies, team, and industry, our Board of Directors just authorized a new \$300 million stock repurchase program and an increase of our dividend to \$0.36 per annum.

These results would not have been possible without the hard work, tenacity, and resourcefulness of our collective team. I want to extend my sincere gratitude to every member across our company for all they do, including our Board and key business partners who so diligently support us. The talent, passion, and determination that runs throughout Cinemark is truly remarkable and provides me with the utmost confidence in our continued ability to maintain our financial strength, actively capitalize on future growth opportunities, and deliver meaningful value to our guests, partners, and shareholders.

With that in mind, let's turn our attention to our third quarter results and the road ahead. During the third quarter, North American industry box office reached \$2.5 billion, which was down approximately 10% year over year, as a well-rounded slate of compelling films couldn't fully match last year's extensive lineup of breakout hits, that included the highest-grossing R-rated film of all time, *Deadpool and Wolverine*, as well as sizable carryover from the highest-grossing domestic animated film of all time, *Inside Out 2*.

That said, 3Q '25 featured a multitude of solidly performing titles that connected well with moviegoers across a wide range of genres, including valiant superhero reimaginings, such as *Superman* and *The Fantastic Four: First Steps*, heart-racing action thrillers like *Jurassic World Rebirth* and *F1*, terrifyingly successful horror films including *The Conjuring: Last Rites* and *Weapons*, family-friendly fare such as *Freakier Friday* and *The Bad Guys 2*, and yet another nontraditional sensation, *Demon Slayer: Infinity Castle*, that became the highest-grossing anime film ever, generating over \$130 million domestically and nearly \$670 million worldwide.

Notably, during the quarter, *Demon Slayer: Infinity Castle* also became Latin America's biggest anime film of all time, and *The Conjuring: Last Rites* grew to become the region's highest-grossing horror film ever. So while the third quarter was down slightly versus 2024, due to a challenging comparative, there were plenty of highlights which continued to showcase strong consumer appetite for immersive cinematic experiences.

Within that industry backdrop, Cinemark once again delivered standout results as our ongoing efforts to build audiences and grow box office continue to yield tangible results. During the quarter, we surpassed year-over-year North American industry box office performance by nearly 250 basis points, and we achieved our highest third-quarter domestic market share in our company's history.

The data-driven learnings, analytical advancements, and automation improvements we keep enhancing within our programming, pricing, and operating platforms, coupled with our highly impactful and evolving marketing actions, continue to provide material benefits quarter after quarter. These initiatives helped propel our 3Q box office and market share performance and were further amplified by a heightened mix of horror films and alternative content that resonate particularly well across our circuit. Our results also benefited from a film release cadence that was well spaced throughout the quarter, thus minimizing capacity constraints.

It's worth noting that our concentrated efforts to scale anime, multicultural, faith-based, music, and specialty titles produced our second-highest quarterly box office of all time for nontraditional programming, trailing only the fourth quarter of 2023 that included Taylor Swift's highly successful Eras Tour film.

Altogether, alternative content accounted for a significant 16% of our domestic box office in the quarter. We also achieved a new third-quarter domestic food and beverage per cap record of \$8.2. This accomplishment can be attributed to superb execution by our field teams as well as our continued focus on enhancing the variety and appeal of products we offer our guests, further optimizing our pricing, and improving ease of purchase.

Overall, our collective efforts to deliver sustained top-line performance that outpaces our industry and to do so as efficiently as possible once again translated into solid all-around financial results. We generated \$858 million of third-quarter global revenue, \$178 million of adjusted EBITDA, and achieved a 21% adjusted EBITDA margin.

We are thrilled to have produced yet another quarter of consistent outperforming results while at the same time further refortifying our financial strength and competitive position by putting our convertible notes behind us. Once again, I'd like to recognize our sensational team for their outstanding execution and impact.

Looking ahead, we are highly enthusiastic about wrapping up 2025 on a strong note as we approach one of the most robust and promising film slates we've seen over the past five years, throughout the Thanksgiving corridor and year-end. The upcoming movie lineup is jam-packed with a diverse and compelling assortment of films that offers something for everyone during the holidays.

For action and adrenaline seekers, there's Predator Badlands, Now You See Me: Now You Don't, and The Running Man, as well as Anaconda that snakes in some Jumanji-like humor. For family-going fun, there's Zootopia 2 and The SpongeBob Movie: The Search for SquarePants, which are sure to entertain audiences of all ages.

Moviegoers in search of some deeper emotional resonance and character-rich storytelling have Eternity, Ella McKay, and Song Sung Blue to look forward to. In contrast, for a bit of horror and suspense, there's Five Nights at Freddy's 2 and The Housemaid.

Alternatively, upcoming nontraditional content includes the animated faith-based film David as well as anime sequel Jujutsu Kaizen Execution. And of course, for those craving fantasy and spectacle, there's the highly anticipated follow-ups to their smash hit predecessors, Wicked: For Good and Avatar: Fire and Ash.

And beyond 2025, based on our recent conversations with our studio partners and the future development plans they've shared with us, we remain highly encouraged about further box office growth as film releases continue scaling up in size, variety, and volume.

In the near term, 2026 already looks prime to captivate audiences with a slew of high-profile new releases from franchise favorites including Super Mario Bros, Spider-Man, The Avengers, Toy Story, Minions, Moana, Star Wars, Dune, and The Hunger Games, as well as original new concepts from visionary filmmakers like Christopher Nolan and Steven Spielberg.

And Cinemark remains optimally positioned to make the most out of this compelling pipeline of films on account of the many distinctive advantages we have developed over time, the unparalleled value proposition we offer consumers, and the ongoing initiatives we continue to advance. Our overall aim at Cinemark is to deliver unmatched entertainment and service that consistently delights our guests and keeps them coming back for more by creating unforgettable larger-than-life immersive experiences that can't be found at home or anywhere else.

To do that, we have been deliberate about focusing on actions, details, and amenities that make the biggest consumer impact across the entirety of our theaters while prioritizing investments in enhancing and maintaining our circuit that distinguish us from our peers. We have also stayed highly diligent about managing and preserving the financial health of our organization to sustain our ability to make these investments even in times of macro-level headwinds. These actions have enabled us to create a differentiated entertainment experience at Cinemark that we've started showcasing more widely in our first-ever comprehensive brand campaign called It's Show Time.

We launched It's Show Time last week and believe it powerfully captures the joy, fun, and positive emotional impact we create for moviegoers as well as the communal connections we foster. Moreover, the campaign challenges the notion that all movie theaters are created equal by spotlighting various facets of Cinemark's movie magic methods that set us apart from the pack, including our heroic service, immersive technology, crave-worthy indulgences, and the passion we bring to everything we do. We're excited about the many possibilities we have to augment and amplify our current marketing strategies with It's Show Time, as well as the tangible way it illustrates what is unique about our company.

Leveraging our competitive edge that is reflected in our new campaign, which includes the elevated experiences we create for our guests, our financial strength, and our advanced operating capabilities, we believe Cinemark is well situated to continue thriving as we move forward.

We are highly enthusiastic about our future growth prospects, including the many opportunities we have to unlock incremental value for our customers and shareholders through our ongoing strategic initiatives and continued execution. I will now turn the call over to Melissa who will provide more information about our third-quarter results as well as our capital allocation strategy going forward. Melissa?

Melissa Thomas - *Cinemark Holdings Inc - Chief Financial Officer*

Thank you, Sean. Good morning, everyone, and thank you for joining the call today. Cinemark delivered solid financial results in the third quarter, underscoring the effectiveness of our strategy and our ongoing operational rigor.

Despite facing a softer box office environment, our team remained focused, nimble, and disciplined in their execution, successfully capitalizing on the film slate and surpassing broader North American industry box office performance year over year. In the third quarter, we welcomed 54.2 million guests across our global footprint, a 10% decrease year over year reflecting a challenging comparison against last year's exceptionally strong film slate. We delivered worldwide revenue of \$857.5 million and \$177.6 million of adjusted EBITDA.

This resulted in a healthy adjusted EBITDA margin of 20.7%, despite operating deleverage driven by lower attendance levels. Shifting to our US operations, we hosted 33.2 million patrons and expanded our market share by 40 basis points year over year. Our outsized market share in the quarter was supported by a compelling slate of horror titles and alternative content that aligned exceptionally well with our audiences.

Our team capitalized on that demand through effective showtime scheduling, agile operations, and marketing investments to drive awareness and engagement. We also benefited from minimal capacity constraints throughout the quarter. Notably, when compared with pre-pandemic levels, our market share gains remained above the 100 basis points we view as structural.

We reported domestic admissions revenue of \$348.5 million with an average ticket price of \$10.5. Our average ticket price grew 5% year over year primarily due to strategic pricing actions and a higher mix of alternative content, which typically carries higher ticket prices than traditional films.

We delivered \$272.4 billion of domestic concessions revenue, setting a new third-quarter record with concession per cap reaching \$8.2, an increase of 3% compared with the third quarter of last year. Our per cap growth was achieved despite a more challenging year-over-year comparison and was primarily driven by strategic pricing initiatives and a favorable shift in product mix, with a notable uplift from merchandise sales.

Other revenue was \$62.7 million in the third quarter, representing a 6% decrease year over year due to lower attendance levels, which affected the variable components of this line item including transaction fees. This impact was partially offset by increases in both promotional income and gaming revenue.

In total, our domestic operations generated \$683.6 million of revenue and \$140.2 million of adjusted EBITDA, yielding a solid 20.5% adjusted EBITDA margin. Moving to our international operations, we entertained 21 million guests in the third quarter. Despite the tough year-over-year comparison I mentioned earlier, our International segment benefited from record-setting performances from The Conjuring and Demon Slayer, as well as highly successful cinema weeks in select markets throughout the region.

Importantly, similar to the US, we continue to maintain strong market share gains in the quarter when compared with pre-pandemic levels. International delivered \$81.2 million of admission revenue, \$64.3 million of concession revenue, and \$28.4 million of other revenue during the third quarter.

In aggregate, our international operations generated \$173.9 million of revenue and \$37.4 million of adjusted EBITDA, resulting in a robust adjusted EBITDA margin of 21.5%. Turning to global expenses, film rental and advertising expense represented 57.1% of admissions revenue this quarter, a 60 basis point improvement year over year primarily due to a reduced concentration of high-grossing titles partially offset by increased marketing investments given the strong and consistent returns we have observed.

Concession costs as a percentage of concession revenue were 19.5% for the quarter, up 190 basis points compared with the prior year period, primarily driven by the timing of concession rebates, growth of lower margin merchandise sales, and ongoing inflationary pressures. These impacts were partially offset by our strategic sourcing initiatives and pricing strategies, which continue to play a key role in managing inflation.

Global salaries and wages totaled \$106.3 million, a 3% improvement year over year driven by lower attendance levels and reduced operating hours as well as benefits realized from our labor productivity initiatives and foreign exchange rate favorability. These factors were partially offset by wage and benefits inflation.

As a percentage of total revenue, salaries and wages were 12.4%. Facility lease expense was \$81.9 million for the third quarter, a 5% decrease compared with the prior year period largely due to lower percentage rent associated with the reduced box office, as well as favorable movements in foreign exchange rates. These were partially offset by inflationary increases.

As a percentage of total revenue, facility lease expense was 9.6%. Utilities and other expense totaled \$127.4 million, flat versus the third quarter of last year. Higher utilities, repairs and maintenance, and gift card expenses were partially offset by lower attendance, which impacted variable and semi-variable costs. As a percentage of total revenue, utilities and other expense was 14.9%.

G&A expenses were \$61.9 million, an increase year over year mainly due to wage and benefits inflation, investments in headcount to advance our strategic initiatives, increased cloud-based software costs, and higher share-based compensation. Favorable foreign exchange rate fluctuations partially offset these impacts.

As a percentage of total revenue, G&A was 7.2%. Globally, we delivered \$49.5 million of net income attributable to Cinemark Holdings, Inc., resulting in diluted earnings per share of \$0.40. With respect to the balance sheet, we ended the third quarter with \$461 million in cash and generated \$38 million of free cash flow.

Turning to capital allocation, and starting with the first pillar of our strategy, maintaining a strong balance sheet, during the third quarter, we successfully retired our remaining pandemic-related debt with the repayment of the \$460 million convertible notes. This milestone underscores the strength of our balance sheet and the overall financial health of our company, made possible by disciplined execution, financial resilience, and strategic focus. We also amended the warrant agreements related to the convertible notes to accelerate the settlement and satisfy half of the obligation in cash and half in shares.

The cost to settle the warrants was determined using our volume-weighted average stock price from August 18 through November 3, with the final settlement occurring today.

The total cost was \$196 million, with \$98 million paid in cash and 3.6 million shares issued to our counterparties. Importantly, our proactive approach to managing dilution proved effective. By repurchasing 7.93 million shares in March of this year, we more than offset the shares issued to settle the warrants, resulting in no net dilution for our long-term shareholders.

With respect to our capital structure, now that the convertible notes and associated call spread have been fully addressed, our nearest maturity is not until 2028. We continue to target a net leverage ratio of two to three times, ending the quarter with a net leverage ratio of 2.4 times.

Moving to our second pillar, pursuing strategic and financially accretive investments to grow and secure our long-term success. During the first nine months of this year, we have invested \$106 million to maintain and enhance the quality of our global circuit. We continue to target \$225 million of capital expenditures for the full year, with a significant weighting towards the fourth quarter given the timing of several key projects underway.

As always, our ability to achieve this target is subject to project-specific variables and external factors, which may impact the pace and timing of execution. We continue to actively manage these dynamics. Now to our third capital allocation pillar, returning excess capital to shareholders.

As Sean mentioned, given our strong financial position and sustained confidence in our business, we are pleased to announce that our Board of Directors has authorized a \$300 million share repurchase program. We intend to execute the program in a measured and disciplined manner, ensuring it aligns with our financial priorities and broader strategic objectives.

Our Board also approved a 12.5% increase in our quarterly cash dividend, raising it to \$0.9 per share, reinforcing our objective to deliver a sustainable and growing dividend. The increased dividend will be payable on December 12, to shareholders of record as of November 28.

Collectively, the authorization of the share repurchase program and the dividend increase demonstrate our intent to return a greater proportion of free cash flow to shareholders over time. These actions also reflect our balanced approach to capital returns, supporting our long-term objective of driving sustainable growth, maintaining financial strength, and maximizing shareholder value.

It's important to note that we will continue to prioritize the health of our balance sheet and growth opportunities. The timing and extent of our capital returns will be governed by maintaining our net leverage ratio within our target range, as well as our cash position and overall liquidity. This disciplined approach provides us with the flexibility to pursue accretive opportunities as they arise while continuing to manage risk and preserve our financial strength.

In closing, we are pleased with our financial performance in the third quarter and the progress we have made in executing our capital allocation strategy. Our approach remains anchored in financial discipline, operational excellence, and a long-term strategic view. With a strengthened balance sheet and prudent capital deployment, we are well-positioned to deliver shareholder value.

Operator, that concludes our prepared remarks. We would now like to open up the line for questions.

QUESTIONS AND ANSWERS

Operator

We will now be conducting a question-and-answer session.

Ben Swinburne, Morgan Stanley.

Ben Swinburne - Morgan Stanley - Analyst

My question is really just continuing the conversation on kind of capital allocation. Obviously, great to see the dividend and the buyback.

I guess, Sean, can you talk a little bit about sort of your appetite around M&A and how much of a, let's call it, a cushion you want to keep in terms of financial capacity now that you've got the convert behind you and are generating healthy free cash flow? And then I didn't know Melissa, if there was any reason to change any of your prior comments on kind of thinking about CapEx over the next couple of years.

Maybe I don't know if there's an update there, just would be interested in hearing how we should think about that. Then just one housekeeping on the same topic, hopefully for the last time, can you give us what the fully diluted share count should be now going forward now that you've cleaned all this stuff up for us? Thank you.

Sean Gamble - *Cinemark Holdings Inc - President, Chief Executive Officer*

Sure. Thanks for the questions, Ben. As you know, one of our key areas of focus as we position ourselves for success over time is optimizing our footprint, which includes growing and recalibrating our circuit over time. And M&A is certainly a part of that. So we have an appetite for M&A as we look forward. Melissa mentioned that with regard to overall capital allocation priorities, investing in the future success of our company is a top priority of ours. And again, that includes M&A. Broadly speaking, with regard to M&A, as you know, we evaluate all prospective opportunities. And our focus is on high-quality assets that we believe can deliver solid assured returns over time.

So that continues to be our focus. We tend to prefer deepening penetration in those areas where we already have some presence to leverage our existing infrastructure relationships. But we also do consider other factors such as scale, strategic importance, margin profile, competitive position. So we do look at a wide range of options as they come to market and we have targets in mind.

So we look at a range of things, but we've been very disciplined in our approach, that has served us well over time. We continue to believe that's the right strategy in terms of going after the right types of assets. But broadly speaking, we do believe we have and we intend to maintain the right flexibility to be able to pursue those types of opportunities as they come to the table.

Melissa Thomas - *Cinemark Holdings Inc - Chief Financial Officer*

And then Ben, with respect to your question on CapEx 2026, we do intend to remain prudent with our CapEx. We'll continue to prioritize maintaining a high-quality circuit as well as pursuing high-confidence ROI generating opportunities.

But it is premature, a bit premature at this stage to provide specifics on CapEx expectations for 2026 given that we're still underway with our budgeting process. But given the abundance of ROI generating opportunities available as well as some modest deferred maintenance CapEx that we're still working through, it is reasonable to anticipate some increase in CapEx for 2026 above what we're targeting in 2025. So we'll provide more clarity once we finalize our budget and have assessed all the moving pieces, I'd expect that to be on the February call.

. And then in terms of your question regarding fully diluted share count, so just to kind of speak more broadly to our share count and how to think about that, as of September 30, we had 116.5 million shares outstanding. That reflects 1.4 million of shares that we issued in Q3 to settle a portion of the warrants.

In Q4, we issued 2.2 million shares to settle the remaining portion of the warrants, so you'll want to factor that into the share count. In Q4 in particular, you will still have some noise from a diluted EPS standpoint just given GAAP accounting.

But once we move forward into 2026, you should start to see our diluted share count more closely aligned with basic share count with just modest variations for certain share-based compensation awards.

Operator

David Karnovsky, JPMorgan.

David Karnovsky - JPMorgan Chase & Co - Analyst

Sean, there's been a lot of hand wringing in the trade press about the fall box office so far. And whether the performance of films in aggregate is representative of the demand trend or whether you can dismiss this to quality or scheduling or genre preferences. So wanted to give you a chance to kind of expand on the last two months and how you see the state of things? Then I have a follow-up.

Sean Gamble - Cinemark Holdings Inc - President, Chief Executive Officer

Sure. Well, look, I think when you look at the overall box office for our industry, it's always important to keep in mind it's something that needs to really be looked at over time. Just due to the nature of how movies get released, the scale of those movies, ultimately how well they resonate with audiences. So I think it's tough to ever look at any short-term period and try to draw too many conclusions from that. Got to look at longer-term trends.

Specific to what we've seen as of late, third quarter as an example, we had some and really October as well when you look at just the scale of some of the movies that were released last year, you had some big, big overperformers, in the third quarter with like a Twisters and a Beetlejuice Beetlejuice and films like that. You just had a wider release slate than you had in the third quarter of this year as well as the past couple of months. But as we look ahead to November and December, the inverse is the case.

You've got just a loaded slate of movies coming to wrap up the year just the way the dates got planned out, which on paper should far exceed last year. So we'll see how that all continues to play out for the rest of this year.

So I think 2025 we still got to see, there's still plenty of room to go in terms of that. Probably the one big difference year over year that I would call out is we didn't have a major animated release in the third quarter like we traditionally do. And I think if that had been the case, people would be looking at this year much differently in many respects.

So like one movie can make a big difference in terms of the overall perception. But again, there's a lot of big stuff still to come. I think the story is still to be written on how 2025 ends up.

David Karnovsky - JPMorgan Chase & Co - Analyst

Okay. And then I was hoping to follow-up on theatrical windows. Around the time of CinemaCon it seemed like there was a lot of talk between studios and exhibitors over this, but still work to be done. Or research to be executed on the topic. Maybe can you just update on where things stand? And is there any movement towards a more uniform or longer window?

Sean Gamble - Cinemark Holdings Inc - President, Chief Executive Officer

It's a great question. I would say that there continue to be quite a number of conversations on that matter and evaluation taking place. Obviously, there has been quite a shift in windows that happened fairly rapidly since the pandemic with regard to the timing of things. And it's become quite varied. So the overall implications of that long term on consumer behavior and how it's affecting attendance and box office patterns is still being sorted out. Especially because as you know volume has been continuing to recover. So there are things like that which kind of muck up the evaluation a bit.

The good news is while there doesn't appear to be a material impact on the week-to-week box office trajectory when you look at films that have shorter versus longer windows. I will say there's some concern and some signs emerging that highly shortened windows below the thirty to forty-five days may be affecting overall attendance recovery and results for casual moviegoers and smaller titles.

So I think that's the point of discussion in particular as we're all trying to understand what's happening with that. It has been clearly demonstrated that a theatrical release significantly benefits the overall performance of films and the asset value over time for those films.

But a significant enough of a window is necessary in order to deliver those proceeds. So that's still a matter of discussion. I would say the good news for Cinemark specifically is we have done a lot of work to reorient our business to be both highly successful in the current environment as it stands today, and we remain highly encouraged about where things are going. So the matter of windows specifically is something that I expect will continue to be discussed over the coming quarters as we all try to sort out what's the best optimal structure going forward.

Operator

Eric Handler, Roth.

Eric Handler - Roth Capital Partners LLC - Analyst

Sean, I wanted to follow-up on M&A. Earlier this week, Kinopolis announced its buying Imagine Entertainment. It's been reported National Amusements is up for sale. You talk about like is the pipeline as deep as it's been since the start of the pandemic and maybe give some color around that.

Sean Gamble - Cinemark Holdings Inc - President, Chief Executive Officer

Sure. Sure thing, Eric. I don't know if I'd say the pipeline is as deep. I'd say it's been pretty consistent. If anything, the pipeline has we've had been expecting more opportunities as we said in the past coming out of the pandemic than have played out.

There are a few things percolating now like the deals that you just mentioned. Think the timing of those two may be more coincidental than kind of anything indicative of a growing volume of opportunities or activity that may take place. So I would still say that while we still believe there will be more opportunities as we look ahead, and opportunities for higher quality circuits, the overall volume of those has still been fairly limited.

And at least there's no indications at this moment in time that's going to accelerate or anything like that. But we still believe in time there's unique circumstances in most of these cases. In time, we will start to see more opportunities come become available.

Eric Handler - Roth Capital Partners LLC - Analyst

Great. And then secondly, given the success of alternative content that we saw in the third quarter, is there a way to sort of lean into this more, finding I know Trafalgar does a lot in the music space. There is clearly a vault of anime movies and opportunities there. And so curious of your thoughts there.

Sean Gamble - Cinemark Holdings Inc - President, Chief Executive Officer

Absolutely. Look, I mean we have been leaning into nontraditional programming quite significantly. And trying to hone what are those better opportunities that are out there. And as a result of that, we've seen for the last three years that nontraditional content has represented in excess of 10% of our box office. And importantly, it's not just the percentage. The overall dollar amount last year was almost two times what it was in 2019 for us. So that's the byproduct of actively focusing on this and trying to stimulate more growth. As well as just more compelling content becoming available that is resonating with audiences. So we continue to see growth.

As mentioned in our prepared remarks, it was 16% of our box office this past quarter. So we remain optimistic about further growth in this category, as a way to add to the box office. If anything, it was something as we had talked about before the pandemic that was always an area of frustration where it seemed like there was tremendous potential and never quite got off the ground. It's great now to see that we're really seeing some movement in anime, faith-based, multicultural content, repertoire content, like there's a range of these categories and they all appear to be working really well. So optimistic about more growth there and it is something that we're going to continue to lean into.

And we are not alone. It's something that's happening across the industry.

Operator

Drew Crum, B. Riley Securities.

Drew Crum - *B. Riley Securities Holdings Inc - Analyst*

Question on '25 and one on '26. Melissa, you've expressed confidence in your ability to grow adjusted EBITDA margin this year. Nine months in, you're down a little bit, but it seems that you're poised to make that up in 4Q. Just want confirm that's still your expectation to grow margin year on year this year.

And then Sean, just to follow-up on Eric's question, concerning nontraditional content. Looking ahead to next year, with '26 being a World Cup year for FIFA, curious if there are opportunities to incorporate that into your programming, and/or if this is a competitive headwind for your business, particularly in Latin America? Thanks.

Melissa Thomas - *Cinemark Holdings Inc - Chief Financial Officer*

Thanks, Drew. So I'll start with your first question. On margin. So in terms of our margin expectations, ultimately our margin for the year is going to be driven by attendance and box office performance as the primary driver.

Given the operating leverage inherent in our business model as revenue scales. Other factors that will influence our margin will be market share, food and beverage per cap, and average ticket prices along with the incremental value we capture from our strategic initiatives. Naturally, we have ongoing inflationary pressures, other expense headwinds, and the impacts of FX movements that also will be considerations.

As you think about kind of specific to fourth quarter, our margin should benefit from the anticipated box office recovery as well as growth in concession per cap and average ticket prices. But we do recognize that our market share may temper in the fourth quarter given the cadence of releases as well as the overall scale and relative mix of films. Also keep in mind other revenue in the fourth quarter of last year included a one-time \$6 million contractual payment received from a third-party service provider that will not recur in Q4 of this year.

And then expense considerations that you would want to take into account, namely I'll point out on utilities and other, we continue to incur some elevated expenses as we work through some deferred maintenance needs across the circuit. So we remain highly focused on maximizing profitability and margin potential, but our ability to grow margins year over year is largely going to be dependent upon how the box office unfolds in the fourth quarter as well as the other dynamics I mentioned.

Sean Gamble - *Cinemark Holdings Inc - President, Chief Executive Officer*

And then to your question on the World Cup, I guess starting on the opportunity front, one of the challenges that we've had with the World Cup much like sports in general are just the complicated rights issues. So the ability to program those games in theaters is something that has been limited because of that. So it's not for lack of trying, but like many of the major sport leagues, the rights have just been preventative. The other thing too with the World Cup in particular is it is so widely displayed everywhere, that there even is some question as to how big of an opportunity might there be in terms showcasing those games and drawing people to theaters versus just walking down the street and being able to see these things all over, the games all over.

Specific to LatAm and how that could impact there, we've seen historically, it really just depends on how the teams are performing and playing out like depending on what their games are. There are times where the studios will schedule some of the content around particular games. So they'll try to work that to the extent they can. But it hasn't historically presented a huge headwind.

It can create a little bit of headwind depending again on a particular country as particularly as you get closer to the finals. But that is something that just has to play out. I don't think it would be something that ultimately will be material in the whole scheme of things.

Operator

Robert Fishman, MoffettNathanson.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Hi, good morning. Two for you guys. Sean, you talked about these sustained structural share gains over the past few years and the success in the quarter. Do you see an opportunity to continue to expand your market share in the US?

And also if you help us think about internationally, and what are the biggest drivers to grow share organic aside from obvious M&A? Away from your competition. And then for Sean or Melissa, can you just maybe discuss your strategy on premium large screen format and how you prioritize your own XD brand over the other formats? Especially I think there's news of your recent IMAX agreement in US and Latin America. Thank you.

Sean Gamble - *Cinemark Holdings Inc - President, Chief Executive Officer*

Sure. Thanks for the questions, Robert. Well, first starting with share, we've been thrilled with the results of our share over the last several years. We've been really pleased again this year that it's performed at levels even beyond our expectations. Partly due to all the initiatives that we have pursued to gain those structural benefits as well as just some further upside from the way content mix has played in our favor as well as just the overall release cadence of films that has kept us from hitting those max threshold capacity limits. So our focus obviously is on how do we continue to extend that further.

Your question on how to do that, it boils down to a range of things. We continue to advance and hone the way we're programming our screens to extract the absolute maximum value out of each screen getting the right films on the appropriate screens to match demand. So we don't have any underutilized capacity or just hit limitations on given screens based on the demand of individual titles.

Our continued marketing efforts to build audiences and attract people to our circuit, loyalty, all those things, pricing, I mean, that stuff adds up. And we continue to work on varied initiatives in all those areas to extend that further. And that's on really, I'm speaking mostly to just a same-store basis.

How do we keep growing share within our existing theaters beyond the new theaters we may add to our circuit through new builds and or M&A as we've talked about before. So it boils down to a whole bunch of different actions that we're pursuing to extend that further, which is clearly the aim. Our hesitation to take up that kind of focus on, we've been delivering at least 100 basis points of structural gains since the pandemic. We're just waiting to see a bit of a more normalized box office environment to be able to evaluate that more thoroughly with regard to how much is structural versus how much are some of these other factors that are further boosting that

. Premium amenities, I mean look premium amenities is something else that can play into share to a certain degree.

I would say our overall strategy hasn't changed. We're continuing to lean into enhanced offerings based on the demand that we continue to see from consumers and that's everything when I talk about enhanced offerings, everything from seating to the food and beverage we offer to our screens as well. We announced, and it's a comprehensive strategy,. I mean we announced earlier this year plans to increase our number of ScreenX auditoriums by 20 over the next couple of years.

We've also announced that we're going to be adding an additional 80 DBOX seats to an additional 80 auditoriums which already are close to 500 auditoriums across our circuit. We've been adding more XD screens. We plan to continue to do more of those.

And then yes, we also just last week announced plans to upgrade our 12 existing remaining IMAX auditorium in the US to their laser technology. And add four more screens throughout the US. We're also exploring opportunities in LatAm and we're going to be activating three seventy millimeter projectors. So it boils down to a theater by theater analysis, but we're pursuing a wide range of different opportunities throughout that.

So no change in strategy just further leaning into what is an opportunity based on consumer demand.

Operator

Eric Wold, Texas Capital.

Eric Wold - Texas Capital - Analyst

Just one question, I guess, heading into the holiday slate and then into next year, how much pricing power do you feel you have on ticket pricing in general and then on XD and the other premium offerings?

Just trying to get a sense if you think in this environment you feel it's better to kind of raise pricing on kind of all boats or kind of keep baseline pricing somewhat more stable, and kind of mainly push up the higher end kind of premium offerings and kind of make that more of the consumer choice instead of kind of raising pricing across the board?

Melissa Thomas - Cinemark Holdings Inc - Chief Financial Officer

I can take that one, Eric. So from a pricing standpoint, we do continue to identify opportunities to optimize pricing for both tickets as well as concession side of our business. And that's guided by robust data and analytics. Our pricing decisions, they continue to be driven by us closely monitoring elasticity of demand, which allows us to make informed decisions so that we can maximize attendance, box office, incidents, and then overall revenue. We are mindful of the current macro environment, and we are applying a disciplined data-driven approach as we evaluate those pricing actions.

But ultimately, we want our guests to perceive strong value from their overall experience, which we believe has contributed positively to our attendance recovery and how that's outpaced industry trends. And then also when you look at the strength of our concession per cap growth since the pandemic period. So we do continue to rely heavily on the data but we also do see further opportunity to capture benefits on both the ticket pricing side as well as concession per cap from our pricing strategies.

Operator

Chad Beynon, Macquarie.

Chad Beynon - Macquarie Research Ltd - Analyst

Just one for me. Just wanted to ask about the approach towards the dividend. Obviously, great to see the increase announced here in the print today. Melissa, how are you thinking about I know you talked about your leverage currently at 2.4 and some of the initiatives from a growth and buyback standpoint. But how are you thinking about maybe consistently raising this dividend or viewing it against some type of a payout ratio? Thank you.

Melissa Thomas - *Cinemark Holdings Inc - Chief Financial Officer*

Yes. So, overarchingly, I mean, you think about broadly our capital returns to shareholders, those decisions are guided by a balanced framework. We're prioritizing maintaining financial strength as well as investing in accretive growth opportunities first and foremost followed by returning excess capital to shareholders.

We'll evaluate payout decisions holistically based on a number of factors and that will include cash and overall liquidity, leverage, and strategic priorities at any given time, among other factors. But that ensures we can remain nimble and well-positioned to pursue value-creating opportunities as they arise.

As we think about kind of sizing of the dividend and then the share repurchase program, we're really looking at those together, right, as means that we can execute on our strategy to return more capital to shareholders over time.

So on the dividend front, the objective is to provide sustainable and growing dividend, while preserving flexibility and then the share buyback program allows us to lean in as there's excess cash to return. So really looking at those holistically and we'll be guided in a disciplined approach as you've seen us take historically.

Operator

Patrick Scholl, Barrington Research.

Patrick Scholl - *Barrington Research - Analyst*

Just on the concessions, I was just wondering if you could discuss if there's anything in like the macro that you're seeing and having an impact on merchandise sales? And just any detail you could provide on the merchandise component on concessions and how that sort of maps out across either the film slate or the attendee base? Thank you.

Sean Gamble - *Cinemark Holdings Inc - President, Chief Executive Officer*

Sure thing. Thanks for the question, Pat. Much like I would say our overall movie going as well as our food and beverage sales, from a macro standpoint in terms of any if you're referring to any macroeconomic influences on that.

Fortunately, we've continued to see consumption hold up very strong through some of the higher inflationary periods we've gone through recently, throughout concerns of recession. So we haven't seen any slowdown of that. The historic trend of consumers coming out to movies, maybe trading off on other things, but still coming to theaters when compelling contents in the marketplace and then indulging when they're there. That has continued to play out both domestically and internationally.

Specific to merchandise as you were asking, merchandise has continued to show great signs of growth. In fact, if anything, consumers have been showing up for it. There have been more and more of these viral moments. The talent has been getting involved in using those as ways to help promote their films, as has the studio.

So we've continued to see nice growth year after year with merchandise and we believe there is further opportunity to come. So and similar to all of our concessions categories that has not shown any drag or any issue with regard any kind of macro level economic trends. So we're just really encouraged about further opportunity ahead.

Operator

Omar Mejias, Wells Fargo.

Omar Mejias - Wells Fargo Securities LLC - Equity Analyst

Good morning and thanks for the question. Sean, one for me. There was a recent article in the press that talked about how David Ellis and the new Paramount leadership wants more theatrical content and how they're looking to build their slate from their current eight annual releases to 15 by '26 and eighteen by '28? This is clearly great news for the industry.

So just wanted to get your thoughts on how your early conversations either with the new leadership of Paramount or other studio partners that are developing and just the potential increase to the volume of films to that will come to market in 2026 and beyond? Just curious early thoughts on that. Thank you.

Sean Gamble - Cinemark Holdings Inc - President, Chief Executive Officer

Sure. Appreciate the question, Omar. I would say at a high level the conversations have been very positive and continue to encourage us with regard to volume recovering to pre-pandemic levels if not beyond. As you mentioned, our discussions with Paramount and what has been stated publicly have been positive in terms of their desire to expand the amount of volume that they're putting out. Obviously, there's been conversations Amazon has been public about growing to 15 or so films a year, while Apple is still, it's still not entirely clear kind of where they go.

We know that they were extremely pleased with the results of F1 and Eddie Cue just recently talked about viewing very positively, the theatrical space and with intentions to put more films out that way. A24 has been growing their volume. Universal has been holding their volume, preventable levels like getting these encouraging signs from Disney from really from everywhere. And as we just talked about earlier, all the nontraditional programming continues to grow.

So when you put all that together, we just we remain encouraged about just the overall volume of films getting back, because even this year for 2025, wide releases by the way we define it are looking to get back to about 100 or 20 or so films by the end of the year. That compares to about 130 on a pre-pandemic basis. We expect next year will be another notch further from that. Closer to the 130 could even get to the 130 based on how the slate ultimately plays out. So all those signs are positive.

Operator

Thank you. We have reached the end of our question-and-answer session. I would now like to turn the floor back over to Sean Gamble for closing comments.

Sean Gamble - Cinemark Holdings Inc - President, Chief Executive Officer

Thank you, Daryl, and thank you all for joining us this morning. We're thrilled with the results we're able to deliver in the third quarter and again, the advances we made with capital allocation in our balance sheet and we're looking forward to a strong close to the year and speaking with you again following our fourth quarter results. So hope you all have a great day and great quarter.

Operator

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. Please disconnect your lines at this time. Have a wonderful day.

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