

21-Feb-2020

Cinemark Holdings, Inc. (CNK)

Q4 2019 Earnings Call

CORPORATE PARTICIPANTS

Chanda Brashears

Vice President-Investor Relations & Public Relations, Cinemark Holdings, Inc.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

OTHER PARTICIPANTS

Chad Beynon

Analyst, Macquarie Capital (USA), Inc.

Alexia S. Quadrani

Analyst, JPMorgan Securities LLC

Meghan Durkin

Analyst, Credit Suisse Securities (USA) LLC

Robert Fishman

Analyst, MoffettNathanson LLC

David W. Miller

Analyst, Imperial Capital LLC

Benjamin Daniel Swinburne

Analyst, Morgan Stanley & Co. LLC

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Alan Gould

Analyst, Loop Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Cinemark's Fourth Quarter and Full Year 2019 Earnings Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to Chanda Brashears, Vice President of Investor Relations. Please go ahead.

Chanda Brashears

Vice President-Investor Relations & Public Relations, Cinemark Holdings, Inc.

Thank you, Regina, and good morning, everyone. At this time, I would like to welcome you to Cinemark Holdings, Inc.'s fourth quarter and full year 2019 earnings release conference call hosted by Mark Zoradi, Chief Executive Officer; and Sean Gamble, Chief Financial Officer and Chief Operating Officer.

In accordance with the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, certain matters that are discussed by members of management during this call may constitute forward-looking statements. Such statements are subject to risks, uncertainties and other factors that may cause Cinemark's actual performance to be materially different from that performance indicated or implied by such statements. Such factors are set forth in the company's SEC filings.

The company undertakes no obligation to publicly update or revise any forward-looking statements. Today's call and webcast may include non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures can be found in today's press release within the company's annual filing on Form 10-K and on the company's website, investors.cinemark.com.

I would now like to turn the call over to Mark Zoradi.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you, Chanda, and good morning, everyone. We appreciate you joining us to discuss our 2019 fourth quarter and full year results. I will primarily focus on full year highlights and Sean will address our quarterly financials in his prepared remarks.

We're pleased to report our fifth consecutive year of record revenues, which grew approximately 2% in 2019 to reach \$3.3 billion worldwide. During the course of the year, we continue to effectively drive our strategic initiatives to expand our domestic market share and capitalize on the slate of solid film content to achieve this all-time high result. I'd like to commend our global team for their ongoing focus and execution to deliver this truly remarkable trend.

As for the North America industry box office, 2019 produced the second highest grossing box office of all time, following 2018's sensational record setting result. And while many in the industry, myself included, believe that 2019 had the potential to deliver another record year, we find it hard to be too disappointed with \$11.4 billion of box office, while down approximately 4% versus 2018. That's coming off the heels of last year's sizable 7% growth.

And it's also worth noting that while 2019 fell shy of setting a new record, the industry has delivered three record results in the past five years. With that backdrop, Cinemark's domestic operation again surpassed North America's full year industry box office performance by an impressive 200 basis points. And for reference, we're comparing against sizable industry outperformance of 80 basis points, 90 basis points, 100 basis points, and 200 basis points for the previous four years. Moreover, we have now exceeded the industry for 10 of the past 11 years.

We attribute much of this long term success to our sustained focus on attracting and building attendance to maximize box office while pursuing opportunities to capture incremental ancillary revenue. To achieve this objective, we are pursuing a wide range of initiatives that are aligned with the following strategies. One, provide an extraordinary guest experience; two, strengthen overall guest engagement; and three, pursue organic and synergistic growth opportunities, while enhancing our core circuit. And we will pursue these strategies while maintaining the financial strength and flexibility of our balance sheet and cash position.

So let's dive a little deeper into what we have planned for each of these strategies in 2020 starting with our guest experience. We believe our top notch customer service along with the sustained investment we have made to maintain our theaters, as well as expanded premium amenities such as Luxury Loungers, XD premium large format auditoriums, and enhanced food and beverage offerings are meaningful differentiators for Cinemark. Luxury Lounger recliner seats remain a highly sought after preference of our customers and continue to generate lucrative returns in excess of our 20% threshold.

In 2019, we added another 200 auditoriums to our Luxury Lounger footprint which brought our U.S. total recliner screen count to 2,765 or 60% of our entire domestic circuit. Based on the current pipeline of opportunities in 2020,

we anticipate reclining an additional 200 auditoriums, which will further extend recliners to approximately 65% of our domestic footprint and continue to secure Cinemark's leadership position with the highest penetration of recliners among the major players. Luxury Loungers have also been implemented in nearly 80% of our domestic premium large format XD auditoriums, which take the ultimate immersive viewing experience that our XDs create to the next level.

Consumer preference for XD heightened sound and technology along with this gigantic wall-to-wall screens is evident in 2019's global record of \$165 million in admission revenue that we generated on our XD screens. This represents more than 9% of our worldwide box office on approximately 4% of our global screens. Notably, our XD premium theater amenity remains the number one exhibitor branded large format in the world with 275 XD screens throughout the U.S. and Latin America.

During 2020, we'll continue to capitalize on the strength of XD as we introduce XD screens in the majority of our newbuilds, add second XD screens in select locations, and continue to pursue marketing campaigns to heighten brand recognition and awareness. Expanding upon our commitment to the guest experience through theater technology, we recently announced a 10-year worldwide exclusive agreement with Cinionic to install Barco Series 4 RGB laser projectors, which will further elevate the movie-going experience for our global audiences through improved light uniformity, larger color gamut, sharper focus, and enhanced contrast ratios.

Another benefit of laser technology beyond the guest experience is that our overall operating expense will decline with the rollout including reduced warranties, maintenance, labor, electricity, and parts as the new laser technology is phased in throughout our worldwide circuit. While there will be capital expenditures associated with this laser technology, we had factored that in to our previous commentary regarding our expectations for CapEx going forward. We will strategically deploy laser projectors over the course of the next 10 years, which allows us to extend the life of our existing digital projectors as we methodically execute our project conversion plan.

Another amenity that further enhances our guests' overall experience at Cinemark is expanded food and beverage offering. Guest feedback on the convenience of enjoying high-quality food options and partaking in a nice glass of wine or craft beer while watching a movie has been phenomenal and become an integral component of our evolving movie going experience over the past several years. Furthermore, it continues to provide meaningful revenue and margin growth, as is apparent in our 13th consecutive year of food and beverage per cap growth, which reached another high of \$5.31 in 2019.

Over the course of 2020, we'll continue to test and roll out new food and beverage concepts, further extend successful programs like Pizza Hut and alcohol; actively pursue growth in our core popcorn, candy, and fountain drink categories; utilize broad and personalized promotional opportunities to drive incremental incident; and continue to explore new and more efficient throughput strategies to reduce wait times. We look forward to sharing these outcomes and results with you as the initiatives progress.

Supplementing our focus on providing guests an extraordinary movie going experience is an emphasis on strengthening our overall engagement with Cinemark. These initiatives include a wide range of marketing programs, data analytic efforts, and communication strategies that are aimed at increasing awareness, attracting broader audiences, and providing personalized experiences that enrich each of our guests' unique interaction with Cinemark. Our Movie Club subscription and Movie Fan loyalty programs have been paramount to this engagement initiative. Movie Club continues to deliver strong consistent results. We added an incremental 100,000 net members since our last earnings call and now have in excess of 950,000 active members providing us consistent cash flow from their monthly memberships. Notably, those 950,000 members translate to an

average of more than 2,700 members per theater and solidifies Movie Club as the number one subscription program in the U.S. on a per location basis.

Movie Club is designed to provide a tremendous value to a wide range of movie-going population. From highly frequent individual movie goers to families who only go to the theater a handful of times per year and as such we continue to see our membership base grow on a consistent healthy trajectory.

Program benefits that include rollover movie credits, a 20% concession discount, waived online fees, the ability to share with family and friends, all with no signup commitments make Movie Club the most consumer-friendly program available.

Our members continue to validate this point with sustained membership satisfaction rates that exceed 90%. Furthermore, we continue to experience high levels of engagement. In just two years since we launched Movie Club, we have sold approximately 38 million tickets through the program and more than 80% of those movie credits that have been issued have been redeemed.

As we continue to attract more guests into Movie Club and better understand and engage with our members, we're achieving our program goals of enhancing the guest experience, increasing movie-going frequency, and driving more loyalty to Cinemark. Our newest members, much like our early adopters, visit our theaters three times more often than the traditional moviegoer, and over the course of 2019, Movie Club purchases accounted for 14% of our domestic box office, which grew to 17% in the fourth quarter.

Along these same lines, we continue to see positive engagement trends through the improvements we've made to our free domestic Movie Fan loyalty program and various international programs throughout Latin America. In fact, we've seen an uptick of 65% in reward redemptions since launching Movie Fan, with membership growth in excess of 10% since the end of the third quarter. To date, we have over 12 million addressable consumers on a global basis, with whom we have direct ongoing relationships and communication.

The customer information these programs supply is powerful data as it provides us the ability to analyze and segment consumer preferences and behaviors, personalize communication on an individual level, and customize offers and marketing messages, and enrich the guest connectivity to Cinemark. Furthermore, this information is highly valuable to our studio partners as we collectively aim to more effectively tailor marketing campaigns to grow audiences and drive incremental visits to our theaters.

Much like the varied enhancements we've made to our loyalty program, similar recent advancements in our mobile app development, website upgrade, strategic partnerships and digital marketing capabilities have only further boosted guest engagement and online ticket sales. While much has been achieved over the past couple of years, we still believe we have plenty of runway remaining as we continue to strategically focus our customer engagement journey in 2020 and beyond.

As we work to create an extraordinary guest experience and strengthen engagement, we're also keenly focused on generating additional growth, both organically and synergistically, while enhancing our core circuit and maintaining the health of our financial position. This includes making strategic investments and advances in expansion, amenities, maintenance and productivity that follow a prudent and disciplined approach.

Over the course of 2020, we'll continue to actively pursue newbuilds and recliners that can confidently deliver our stringent ROI and EBITDA hurdles; opportunistic and accretive M&A where we can establish and maintain a strong market position; other ROI generating opportunities such as food and beverage, projection equipment, as

well as efficiency tools; R&D into new potential growth channels like virtual reality, gaming and dine-in concepts and sustained theater maintenance to preserve the health and quality of our existing circuit, which has been a meaningful competitive advantage over the years.

We'll also continue to aggressively pursue the continuous improvement program that we initiated in 2019 and discussed briefly during our last earnings call. A key goal of this program is to generate meaningful productive benefit through process simplification and improved operating efficiencies. To this end, we have targeted \$40 million of opportunities to derive incremental margin improvement in our core operations that we expect to begin recognizing in 2020.

Now turning our attention specifically to Latin America for a moment. After a couple of years of content related decline, we saw a positive jump in Latin America attendance in 2019. That was up almost 7% as a stronger crop of family and action-oriented films resonated particularly well across the region. On the back of this content, our full-year revenue grew 20% on a constant currency basis. Our 2019 adjusted EBITDA was also up 16% in constant dollars and would have been up 23% excluding the non-operational drag of ASC 842 lease accounting during the year.

While operational results in Latin America rallied for the majority of 2019, unfortunately, the final months of the year encountered a series of challenges that led to an abnormally low 11.9% adjusted EBITDA margin in the fourth quarter.

In addition to the fourth quarters historically being the lowest attended quarter in the region due to holiday and seasonality-driven content release patterns in the southern hemisphere, this quarter was further impacted by the non-operational drag of lease accounting changes and the virtual print fees known as VPFs that are winding down. Underperformance of films relative to expectation along with softer box-office generated by mid-tier movies and local titles and a crisis in Chile including weeks of civil protests and riots that caused a prolonged closure of nearly all our theaters throughout the country.

While some of these factors are one-offs, it's worth noting that the non-operational impact of lease accounting and VPF wind down will be ongoing. As a result of these changes, we expect the reported adjusted EBITDA margin for our international segment will most likely hover in the mid-teens going forward, with the potential to reach the high teens when attendance is strong.

And while our reported margins will be impacted by these factors, I'd like to be clear that we are not compromising any international ROI or margin investment threshold. We remain prudent in our investment approach in Latin America, targeting opportunistic and accretive growth.

We have not in the past nor will we in the future grow simply for growth sake. As such, the scale of our future international screen growth will remain contingent upon the political and economic environment as well as the intricate nature of each individual real estate development prospect.

And that's a nice segue into my next topic of capital allocation. As we think about capital allocation, we target a balanced and disciplined approach to maximize long term shareholder value with the following priorities. One, maintain our balance sheet strength to preserve flexibility and risk management. Two, actively pursue strategic and financially accretive investments to grow and secure the long term viability of Cinemark, which I outlined during the strategic initiative discussions a moment ago. And three, distribute excess cash to shareholders.

With that I am pleased to announce our fifth consecutive increase to our dividend with a 6% increase or \$0.08 to \$1.44 per annum. With this latest bump, we've now grown our dividend by 33% over a five year period which demonstrates our Board's and management's ongoing confidence in the strength of Cinemark, as well as the industry in which we operate. In that vein, we remain very optimistic about the long term prospects for theatrical exhibition.

I mentioned in my opening remarks, but it's worth highlighting again in three of the past five years, the North America industry box office has reached new all-time highs and that is in the midst of a significant expansion of in-home streaming content. We continue to believe that we predominantly compete for consumers' time once they decide to leave their home and that streaming and theatrical movie going are in many ways complimentary to one another, much like TV and theatrical moviegoers have been for years. This notion was evidenced once again by the latest Ernst & Young research which showed a linear correlation between people streaming and movie going behavior. People who love movies simply enjoy and crave them in all formats.

As such, Cinemark will continue to focus on creating an elevated theatrical experience that cannot be replicated in home. In doing so, we'll be well-positioned to continue to capitalize on the strength of content, such as January's breakout hit *Bad Boys for Life*, this past weekend's big success of *Sonic the Hedgehog*, and the myriad of diverse films still to come in 2020; including *No Time to Die*, the next in a long series of James Bond hits, *Fast and Furious 9*, *Wonder Woman 84*, *Tenet* from Chris Nolan, *Maverick*, the long awaited follow up to *Top Gun*, the return of those *Minions*, Disney's *Jungle Book*, and in addition two films from Marvel and two from Pixar, and that's just to name a few.

And speaking further to the long term prospects for theatrical exhibition, we're excited to already have a line of sight to a very strong range of product of 2021 releases including *Jurassic World 3*; the next *Thor: Love and Thunder*; the next *Mission Impossible*; the *Batman*; a new *Indiana Jones*; *Fast and Furious 10*; and of course the long anticipated next installment of *Avatar*.

In closing, as I reflect in our business, we remain very optimistic about the stability and long term viability of our industry. I have lived and worked in this industry for 35 years, most of those years at Walt Disney Studios, helping to develop their video, cable, television, DVD, and theatrical motion picture businesses. And the last five years at Cinemark, helping to enhance the out of home movie-going experience and deploying upgraded guest experiences. This perspective affords me a long-term view over the course of in-home technology evolution. The movie-going consumer has remained the most important component in this mix and has demonstrated time and time again a desire to experience the magic and wonder of larger than life immersive cinematic experience that can only happen in a large darkened auditorium among fellow moviegoers enthralled in the on-screen action.

Cinemark remains committed to providing that exceptional movie-going experience, while planning and operating our company in the most prudent financially stable manner. That concludes my prepared remarks. I'll now turn the call over to Sean to address a more detailed discussion of our fourth quarter financial performance. Sean?

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

Thank you, Mark. Good morning, everyone. Before getting into the details of our fourth quarter results, I'd like to again remind you about the impact on our financial statements of accounting pronouncements ASC 606 and ASC 842. While we have fully lapped the implementation of ASC 606's revenue recognition changes, ASC 842's lease accounting transition continues to distort our 2019 year-over-year comparisons. As mentioned in prior quarters, ASC 842 has zero impact on net cash flow and minimal impact on net income. However, it does create a slight nonoperational drag on our adjusted EBITDA and operating cash flow metrics.

Again, ASC 842 is purely an accounting presentation change and does not impact cash rent payments, obligations to landlords or any other underlying business or operating fundamentals. Additional information about these changes is available in the footnotes of our 10-Qs and 10-K as well as the 8-K we filed on May 7, 2019, in tandem with our first quarter earnings release. While the effects of ASC 842 will be ongoing, this is the last quarter that we'll experience a year-over-year comparison differential as we fully lap its implementation in the first quarter of 2020.

Shifting now to our fourth quarter results. During the quarter, our global company generated total revenues of \$788.8 million and consolidated adjusted EBITDA of \$178.3 million. Our adjusted EBITDA margin was 22.6% which included a 70 basis point drag caused by the ASC 842 accounting changes as well as a 190 basis point lift from the incremental DCIP distributions that we outlined on our third quarter earnings call.

In the U.S., admissions revenues declined 1.3% to \$364.9 million. While down slightly compared to last year, this result exceeded North American industry performance by 70 basis points which is on top of last year's outperformance of 290 basis points when we set a new fourth quarter high.

Attendance of 43.3 million patrons declined 6.7% as sizable results from this quarter's top films couldn't fully match the combined strength of last year's mid-tier titles. Conversely, our average ticket price of \$8.43 grew 5.8% primarily driven by strategic price increases that benefited from opportunities created by recliner conversions.

Domestic concessions for patron achieved an all-time record of \$5.35 and increased 7.4% versus 4Q 2018. Likewise, we generated new fourth quarter record for concessions revenues of \$231.5 million despite this quarter's decline in attendance. Concessions growth was driven by increased sales of traditional concession products, continued expansion and diversification of new offerings, and selective strategic pricing actions.

Domestic other revenues increased 6.3% to \$53.7 million driven primarily by promotional and transactional related income. Overall, our U.S. operations generated total revenues of \$650.1 million, adjusted EBITDA of \$161.8 million, and an adjusted EBITDA margin of 24.9%.

Internationally, as Mark previously described, on top of what is typically the lowest attended quarter of the year, the fourth quarter faced a series of additional challenges which included softness in volume and performance of mid-tier films and local content which adversely impacted attendance and our film rental rate, a political uproar in Chile that negatively affected movie going for weeks in that country, adverse expenditure timing associated with a series of newbuilds that opened in December, and the non-operational drags of ASC 842 lease accounting and virtual print fees winding down.

Collectively, these factors put significant pressure on our fourth quarter international results despite positive overall results for the full year. During the quarter, international attendance declined 2.4% to 20.5 million patrons. International admissions revenues were \$69.3 million which declined 8.1% versus last year as reported, but were up 2.9% in constant currency. Our as-reported average ticket price of \$3.38 translated to a constant currency increase of 5.6%, which was predominantly driven by inflationary price growth and partially offset by reduced 3D mix.

International concessions revenues were \$43.5 million, which declined 6.5% as reported but increased 3.2% in constant currency. Our as reported international concessions per patron was \$2.12, which translated to a 5.9% increase in constant currency. International other revenues were \$25.9 million, which increased 2% as reported

and 16.1% in constant currency. This increase was largely driven by growth in screen advertising, promotional activity, and transactional related income.

Overall, total international revenues were \$138.7 million as reported, with adjusted EBITDA of \$16.5 million. Our adjusted EBITDA margin was 11.9% and was adversely impacted by the factors previously described, including the non-operational transition to ASC 842 lease accounting that lowered the rate by a 160 basis points.

Foreign currency pressures remained heightened during the fourth quarter delivering an approximate 11% translation headwind, which led to an approximate 18% unfavorable impact for the full year. Looking forward, if current rates continue to hold, we would expect a percentage drag from currency devaluation in the low-teens for 2020, with the first half of the year experiencing the most significant impact. As a reminder, the vast majority of our international operating expenses are transacted in local currency, including film rental and facility lease expenses so the impact of currency exchange is predominately translation based and not transaction oriented.

Shifting back to our worldwide consolidated results, fourth quarter film rental and advertising costs as a percentage of admissions revenues increased 190 basis points to 56.2%. This increase was driven by a higher concentration of blockbuster films, increased promotional expenses during the quarter and a reduced offset from international virtual print fees that are winding down as costs associated with our Latin American digital projector conversion fully recoup.

Concessions costs as a percentage of total concessions revenues, increased by 120 basis points in comparison to the prior year. This increase was driven primarily by the impact of expanded food and beverage offerings as well as merchandise sales that help drive concessions revenue and per patron growth, but created an adverse mix effect on our global COGS rate. Salaries and wages were 12.9% of total revenues and increased 60 basis points compared to the fourth quarter of 2018. This increase was driven by reduced leverage over our base level of fixed labor that resulted from this quarter's decline in attendance, as well as escalation of minimum wage rates and additional labor to support our varied concessions growth initiatives.

Facility lease expenses as a percentage of total revenues increased 70 basis points primarily due to new theaters as well as a \$5.4 million year-over-year presentation increase associated with the adoption of ASC 842. Similarly, utilities and other costs as a percentage of total revenues increased 110 basis points driven by reduced leverage over fixed costs as well as increased credit card fees, property taxes and volume related revenue share payments to Flix affiliates and third-party ticket and gift card sellers.

And G&A for the fourth quarter increased 70 basis points as a percentage of total revenues. Our G&A metric was also impacted by reduced leverage over fixed costs in addition to incremental investments in personnel, consulting, and cloud software to support our varied strategic growth and productivity initiatives, as well as variances from year-over-year fluctuations in incentive compensation accruals.

Collectively, fourth quarter pre-tax income was \$42.6 million. Net income attributable to Cinemark Holdings, Inc. was \$26.3 million or \$0.22 per diluted share. Two additional anomalies that adversely impacted this quarter's net income were an incremental charge of \$9.6 million associated with our NCM interest expense and a higher than normal effective tax of 37%. Our NCM interest expense included a catch-up entry in the fourth quarter associated with adjusting an assumption in the calculation of the significant financing component related to NCM's exhibitor services agreement. Further information about this topic is available in our 10-K.

Our elevated fourth quarter effective tax rate was impacted by two noncash items that had distorting effects on our international tax accounting. On a full year basis, our effective tax rate was 29.2% and we continue to expect

our annual global rate will be somewhere in the mid to high 20% range excluding any future discrete tax items or revisions to global tax laws. With respect to our balance sheet, we ended the quarter with a cash balance of \$488.3 million and a net debt position of \$1.5 billion.

Shifting attention to our US footprint. We operated 345 theaters and 4,645 screens in 42 states and 105 DMAs at quarter end. During the quarter, we opened two theaters and 24 screens and closed one theater with nine screens. We have signed commitments to open 7 new theaters and 84 screens during 2020 and 6 theaters representing 70 screens subsequent to 2020. We expect to spend approximately \$108 million of CapEx on these 154 domestic screens.

Internationally, we operated 209 theaters and 1,487 screens in 15 countries across Latin America. During the quarter, we opened five theaters and 35 screens. We have signed commitments to open six new theaters and 66 screens during 2020 and four theaters and 23 screens subsequent to 2020. We anticipate spending approximately \$42 million in CapEx on these 89 international screens.

For the full year, we grew our global circuit by 13 theaters and 127 screens for a cumulative total of 554 theaters and 6,132 screens. Looking ahead, we will continue to target strategic and accretive newbuilds and acquisitions that meet the stringent investment approach that Mark previously described.

With regard to overall CapEx, we spent \$117.1 million in the fourth quarter including \$32.9 million on newbuilds and \$84.2 million on existing theaters. For the full year, CapEx was \$303.6 million which came in at the low end of the \$300 million to \$325 million guidance we've provided throughout the year as several newbuild projects originally slated for 2019 shifted into 2020 due to construction timing.

As we've evaluated our future pipeline of investment opportunities, we expect 2020 CapEx will hold roughly in line with 2019 at around \$300 million as a result of the project shifts just mentioned, as well as our ongoing execution of the strategic initiatives Mark outlined earlier.

Of this spend, approximately one-third is designated for newbuilds, both domestically and internationally. Another third is for core maintenance, which includes expenditures associated with the laser projection program that Mark discussed. And the remaining third is for cash flow generating projects that include additional Luxury Lounger theater conversions and varied food and beverage initiatives.

We continue to believe that investing in long-term growth and stability through ROI generating initiatives that enrich our guest experience, drive consumer engagement and improve productivity is a prudent use of capital.

In closing, active investments that are being made not only by our company, but across the exhibition industry at large are serving to enhance and further invigorate the theatrical movie-going experience. We believe that these investments coupled with the sustained pipeline of strong film content should provide optimism about the long-term outlook for both Cinemark and the broader exhibition in general.

At Cinemark, we'll maintain our balanced and disciplined approach as we continue to build our business, pursue future growth opportunities and strive to further extend our consistent track record of financial health and results.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Chad Beynon with Macquarie.

Chad Beynon

Analyst, Macquarie Capital (USA), Inc.

Q

Good morning. Thanks for taking my question. First, I wanted to unpack Mark your comments on the international margin expectation a little bit more. You called out Chile in the quarter, which is about 10% of the circuit, but looking into 2020, can you kind of elaborate a little bit more in terms of if you're expecting to see margin pressure across each of the countries that you operate in LatAm or was this mainly kind of a Chile or Brazil issue? Thank you.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

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Thank you, Chad. I think, it was two things. One, there was obviously the one-time effect that we had in Chile and just to put a little more color on that, we had nearly all of our theaters closed for two weeks and then a lingering effect throughout the month. And during that time, of course, we were paying salaries and rent and other things, and effectively getting no income. So, it did have a material effect on the quarter.

And then also we pointed out that there are some ongoing things like the effect of VPFs declining and the accounting rules that we talked about. So, there are some ongoing issues and I think what I said is that we expect somewhere in the mid-teens for a go-forward Latin America margin and in the better years with good product, we can get that up into the high teens. But I think that's what you should be looking and planning for as you go forward.

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

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And Chad, just to add to that. The impact of lease accounting which we expect will be an ongoing close to 150 basis point drag, that's going to continue and as Mark touched on virtual print fees winding down, we derived about \$10 million of margin from that in 2019 that we think that's going to drop to close to \$3 million, \$10 million in 2019 and \$3 million in 2020. So that also is going to be just a future impact on margin rates which is part of what gets to the few forward-looking figure that Mark described.

Chad Beynon

Analyst, Macquarie Capital (USA), Inc.

Q

Okay. Thank you. That makes sense. And then I wanted to shift to XD because I feel like you've been extremely successful there. You talked about rolling out a number of kind of second XD screens at theaters. When you're doing this, are you seeing – A, are you seeing the 20% returns that you called for? And then secondly, are you cannibalizing your own non-XD screens, is it just driving higher ATP and CPP or could you kind of walk us through the economics of what you're seeing when you perform that? Thank you.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

When we invest in an XD, Chad, we are trying to get the – we're moving towards that 20% margin and that's what our target is. So, the answer to that is yes. As it relates to cannibalizing other attendance, what happens is we

take a screen in that theater, we make it an XD and what we look for is for incremental attendance into that theater. With big high profile movies, typically what sells out first is your XD auditorium. And when people are buying XD they're paying somewhere between \$2.5 and \$3 upcharge. So to the extent that we're taking attendance moving it in to XD is a very positive thing because we're getting an incremental box office on it. And so I mean, I would say it's not necessarily incremental, but what it is, is it is shifting from standard to a premium format and typically that's the format that sells out first.

Chad Beynon

Analyst, Macquarie Capital (USA), Inc.

Okay. Thank you very much. Best of luck.

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Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you.

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Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

Thanks, Chad.

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Operator: Your next question comes from the line of Alexia Quadrani with JPMorgan.

Alexia S. Quadrani

Analyst, JPMorgan Securities LLC

Thank you very much. Just two questions. First, following-up on your comments on the domestic film rent expense in the quarter, it was up relative to Q4 2017 when the last Star Wars film came out which I think did better than The Last Jedi. I guess is it the other factors that you highlighted or other films in the quarter I think you mentioned that could have influenced it or can we assume the splits have gotten a little bit less favorable? And then my follow-up question is also on XD. Just given the success for the XD and the marketing effort behind it, would you ever consider licensing the brand to smaller circuits that lack their own premium format or just don't use IMAX?

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Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

Thanks for the question, Alexia. This is Sean. I'll take the first question. Mark will take the second. The film rental profile for the fourth quarter, it was really just a derivative of the mix factor. So, year-over-year, I'll start there, last year fourth quarter and really the second half was driven heavily by a strong crop of mid-tier titles. That led to a little bit more advantageous film rental and we just look at one stat that the amount of box office that was generated from films that grossed over \$300 million in the fourth quarter was 47% in the fourth quarter of 2019 compared to 7% in fourth quarter 2018. So, as you know, the hot films the larger they do, they creep up on the scale of film rental. So, that was the big factor year-over-year from that vantage point and that also kind of played into a comparison against 2017.

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Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Alexia, relative to your question on licensing XD to smaller exhibitors that don't have it. We have done that on occasion. We've done it on – in two specific occasions. We're open to it. The qualifier is we want to be absolutely

A

certain that the quality level will be at the level that we're talking about. So, we're not aggressively out marketing it, but we have done it on occasion.

Alexia S. Quadrani*Analyst, JPMorgan Securities LLC*

Q

Thank you. If I can squeeze in one more. I think it's only been a few months, but have you seen any impact from NCM's new ad format in terms of how your attendees are sort of reacting to it, and have any influence on there?

Mark Zoradi*Chief Executive Officer & Director, Cinemark Holdings, Inc.*

A

It's generally not been a problem. There's been a few comments, but in the scheme of are they significant in terms of numbers, the answer is no. One of the things that we did to try and mitigate that as well is we took one last trailer pack that we were doing post show and we moved it pre-show, so that we tried not to add too many minutes to the post show time period, and I think that's been effective. So there's been a few comments, but again not to a material effect.

Alexia S. Quadrani*Analyst, JPMorgan Securities LLC*

Q

Thank you.

Mark Zoradi*Chief Executive Officer & Director, Cinemark Holdings, Inc.*

A

Thanks, Alexia.

Operator: Your next question comes from the line of Meghan Durkin with Credit Suisse.

Meghan Durkin*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hi guys. I wanted to ask a few for Sean on margins. Given your comments around 4Q 2019 film rentals, I wanted to know if you could give us a little help with thinking about film rental expense this year given the comp against the bigger films from Disney in 2019, any help you can provide would be helpful? And then can you give a little bit more color around the \$40 million in margin opportunities Mark called out for 2020, where would we see those flow through and when?

Sean Gamble*Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.*

A

Sure thing, Megan. Thanks for the questions. You know ultimately on the film rental question, you know, film rental rate is going to – it'll obviously play out based on how the size and scale of films work out through the course of 2020. I would say going into the year based on what we're expecting from the year, we do think we'll see more of the box office being driven by a range of content versus just mega breakout blockbuster hits. So if that were to happen that would actually create a slight positive mix factor on film rentals, so we should see that rate creep down a little bit in 2020. Again, that's kind of based on an estimate, it'll all play out to how things come through actually but we could see that shift. If you look over the course of the last five years or so, you know our film rental rate – really closer to almost 10 years, our film rental rate hasn't kind of gone beyond the range of 200 basis points. It would have been at the higher end recently. We think that will creep down somewhere within that band over 2020.

With respect to the margin actions that we're pursuing that Mark described, in terms of the different line items, that's going to hit a wide range of areas. The types of projects that we are focused on are really focused on streamlining labor practices. We're going to get some benefits derived from the laser projection transition that Mark mentioned. There's a whole slew of cost deflation actions we're pursuing in varied other margin initiatives, most are costs. There are a few revenue actions there as well. I would say the bulk of those would affect our gross margin. A few of them would be G&A oriented.

Meghan Durkin

Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. Great. Thanks.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks so much, Meghan. Appreciate it.

Operator: Your next question comes from the line of Robert Fishman with MoffettNathanson.

Robert Fishman

Analyst, MoffettNathanson LLC

Q

Hi. Good morning, guys. I have one for Mark and one for Sean. Mark, I appreciate your prepared remarks on the balance sheet. I'd like to ask if you can provide some more color around the Board's recent discussion on capital returns in light of the dividend raise. And I fully understand how the company sees the strength of its balance sheet as a key differentiator versus your peers. But I'm curious if there's any desire at the Board level to be slightly less conservative and consider a share repurchase program given where your stock is trading?

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks for the question, Robert. We discuss all areas of capital allocation with the Board. And at this time, the Board felt comfortable with an additional increase in dividend. It's been very consistent now as you know, five consecutive years. There's always discussion about a stock repurchase, but we try not to make knee-jerk reactions to that even if the stock is trading at its lower-end. And we think that a stock repurchase program is only effective if it's very, very meaningful in quantity and over an extended period of time and in order for us to preserve the strength of our balance sheet the strength of our cash position, we chose not to do that and to continue down the road of consistent and stable returns relative to our dividend and therefore the fifth increase in a row. It is discussed, it was discussed and we chose to go the dividend route as opposed to stock buyback.

Robert Fishman

Analyst, MoffettNathanson LLC

Q

Okay. Thank you, Mark. For Sean, can you share with us both the strategic and financial benefits of owning theaters in the U.S. and Latin America, and whether you'd ever consider spinning off or selling the LatAm assets for the right price?

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

A

Sure. You know, just touch on the concept of spin-off, it's not something we've seriously considered to-date. I mean, while the region itself is somewhat depressed at the moment, given some of the heightened levels of economic and political challenges and foreign currency and so just the macro global trade worries, we're still optimistic about the long-term prospects of Latin America. Latin audiences they still have a very strong appetite for movies and theatergoing. The region is still pretty underpenetrated with regard to overall screen count. To your question on the benefits, we think we derive a range of benefits by the combined nature of our Latin American domestic operations including sharing best practices, we derive some overhead synergies by having them together, and obviously it gives us some geographical diversity.

So it's not something that we can necessarily consider like a spinoff. I'm not sure that would be the path to generate the most value for our long-term shareholders. If anything, a sale would be probably more lucrative. Just to be clear, we're not suggesting that we're looking at selling our assets, but obviously, as a public company, if we were to receive an attractive offer, it would be something we have to look at like we did with Mexico several years ago.

Robert Fishman

Analyst, MoffettNathanson LLC

Makes sense. Thank you, both.

Q

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thanks, Robert.

A

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

Thanks, Robert.

A

Operator: Your next question comes from the line of David Miller with Imperial Capital.

David W. Miller

Analyst, Imperial Capital LLC

Hey, guys. I have one for Mark and one for Sean. Mark, on your comments about XD, it would seem to me that what really works with XD and I've seen this in your Playa Vista theater over here in Los Angeles are the event-driven films, the tentpoles, the action films, the action adventure films, but not necessarily the romantic comedies from a genre perspective.

So, with your comments about XD expansion, was – I would think I mean correct me if I'm wrong, part of that analysis was making sure that you had enough supply to justify the investment. So, looking out over the next three years, do you think there's enough sort of action adventure tentpoles, really high octane franchise films to justify that investment? I just want to hear your commentary there.

And then Sean, by my calculations, admissions to concessions conversion ratio was 63.3%. That's I think a record for the fourth quarter. Just a fantastic number. Was that due primarily to just price hikes on existing concessions or did you introduce a new food concepts in the quarter? Thanks very much.

Q

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

David, thanks very much. I'll take the XD question. Let me just say the reason we're putting additional XDs in is because there's demand for them. I mean, they are – the number one thing that the studios and our distribution partners want every week, and it's not just your big action adventure, you know, Tom Cruise and Top Gun and Wonder Woman, it's literally every week I'll give you couple examples. Crazy Rich Asians, which I would call a romantic comedy, did gangbusters in our XD. Last summer, Lion King was through the roof in XD, first ones to be sold out and even as recently as last weekend, we held our XDs and we put Sonic into our XDs and again the first theaters to sell out are XDs. The reason we're putting second ones in some auditoriums is because of demand. It's pure and simple. So we're responding to consumer demand and also studio demand to be in the premium theaters. They love it because their movies are number one seen in the absolute best format possible with the sound coming from all directions and wall-to-wall screens and secondarily they like the increased box office. So, it's a win-win.

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

A

And on the concessions question, David, it really was another quarter of just content that played very well to concession purchases, and we're able to take advantage of that. We've seen strong character driven lineup which played well to merchandise and some of the other tactics we utilize. So, about two-thirds of the per cap growth we saw in the quarter was really associated with incidents driving initiatives including new categories and distribution techniques in general volume growth overall, and the other third was just from pricing. So, it really was more just product sales more so than price which drove the concession benefits in the quarter.

David W. Miller

Analyst, Imperial Capital LLC

Q

Okay. Thank you.

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

A

Thanks, David.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks for your questions.

Operator: Your next question comes from the line of Ben Swinburne with Morgan Stanley.

Benjamin Daniel Swinburne

Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Good morning. Mark, I just wanted to hear a little bit more on the deal you did with Cinionic. I guess, one question would be, why do an exclusive deal? What does that do for you guys? And then secondly, just anymore color on kind of the timing of this deployment and how broad it's going to be and when we might see some of the financial benefits that you highlighted?

And then secondly for either of you, do we need to be watching for virtual print fee roll-off in the U.S. circuit? There's some comments in the K about cost recoupment in late 2020 for DCIP. I just wanted to make sure we were sort of paying attention to the right stuff on the VPFs in the U.S.?

Mark Zoradi*Chief Executive Officer & Director, Cinemark Holdings, Inc.*

A

Okay. Ben, let me take the first one, which is the question on Cinionic. First, I should say obviously we're under an NDA with them. But let me speak to what I can can.

Benjamin Daniel Swinburne*Analyst, Morgan Stanley & Co. LLC*

Q

Okay.

Mark Zoradi*Chief Executive Officer & Director, Cinemark Holdings, Inc.*

A

The reason for an exclusive deal from the strategic standpoint for us is we have what I think could probably be recognized as the absolute best team of people in our theater technology. And they did an extensive research, I mean, extensive of every potential provider of new laser technology projectors for us, brought Sean and I into it, brought our film people into it. We did test. We opened them up. I mean a lot of work was done. And it was our analysis that they had the best overall technology and cost – and long-term cost of ownership. And so, we chose to do a deal with them which was financially beneficial for us and allowed us all the various items we needed to be comfortable in doing a long-term 10-year deal with them with every kind of flexibility that we may or may not need.

And the plan that we laid out is over 10 years. We're very fortunate in that we have a very good group of xeon bulb projectors right now 4K digital. And we're going to methodically be able to rollout these lasers over a 10-year period and in process as we put in new lasers and take out the xeons, we have an opportunity to take those projectors and use them for parts as we go forward to extend the life of our existing xeon bulb projectors. So, it really is the best of both worlds for us and we made a commitment to Barco, because we just felt like it was the best technology and the best overall financial deal for Cinemark.

Benjamin Daniel Swinburne*Analyst, Morgan Stanley & Co. LLC*

Q

Got it.

Sean Gamble*Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.*

A

And then on the – this is Sean, I'll take the DCIP. On the DCIP question, DCIP distributions, that whole deal and structure works a little bit differently than our international VPFs. In Latin America, we actually set up the whole financing arrangement for the digital projector conversion and the payments that have been made have been booked as an offset to film rental over the years and those are winding down, they've been more steady stream. The way DCIP obviously was set up, that was set up as a third-party entity. There have been excess just cash distributions that have been made to the various parties in DCIP over the years. For us, that has been about \$5 million to \$6 million a year.

Now that DCIP is kind of coming to the end of its run, the excess cash that's been built up is going to be fully distributed. So, last year in 2019, we saw an increase of that begin where we received about \$24 million in distributions. This year in 2020, we expect that's going to grow to about \$35 million, and then it will drop in 2020

(sic) [2021] to about \$5 million, and then it will be zero thereafter. So, those come to us in the form of distributions and booked as dividends into our company, so it doesn't affect the film rental line, but there will be a spike this year, and then it'll drop down in subsequent years.

Benjamin Daniel Swinburne

Analyst, Morgan Stanley & Co. LLC

Got it. That's very helpful. Thank you, guys.

Q

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

All right. Thanks, Ben.

A

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thanks, Ben.

A

Operator: Your next question comes from the line of Jim Goss with Barrington Research.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Thanks. You outlined earlier the use of capital for – in equal parts for newbuild, maintenance, and cash flow generating initiatives. In terms of the appetite for newbuilds, I was wondering if you could talk about the circumstances in which you'd want to undertake those, like what synergies would be key and other things like branding and distribution, competitive gap, shopping center dynamics, and advantages of starting from scratch or are there other things that are really driving those decisions?

Q

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Jim, I think I'll take that. Let me tell you making newbuild decisions are what Sean and I consider to probably be the most important decision that we make every year because we're investing the company's capital up front and then we're committing the company many times to 15 years of lease payments, if we don't build it in fee. So, it's taken very, very carefully. We have a fantastic real estate team who has the ability and wherewithal and thank goodness the capital to be able to go out and look for very opportunistic places to build theaters.

A

So, we're doing a couple things. One, we're trying to protect the markets that we're in, protect our flanks and population growth. Perfect example of that is in 2019 we built two brand new theaters in the northern part of Dallas because that's where the population growth is going. So we built new theaters up there because population is going there and we went, and then we're constantly looking for new areas that we can go into where either the theatres that are there are not up to par and give us an opportunity or there's been growth in new areas.

So the Sacramento area, the Central Valley area of California, a whole bunch of areas in Texas, in Utah, we built two new theaters in New Jersey last year. So, it really is follow population trends is what we do. And when we see an opportunity, we have the unique ability right now to move very quickly and aggressively, and get the theater built. Relative to shop – your comment on shopping centers, we've gone into a number of sites with old Sears locations, where they were really good malls, it was just they needed a refresh relative to the retailers that were in there. And we've gone ground up by tearing down old auto store centers and putting the theater in the parking lot

of a very vibrant mall just needed a new retailer. We've other places where we've gone inside structure themselves. We have one of those going on in Roseville right now. Great Mall, we're just going on in – we're going in the second floor and big sporting goods stores going in the bottom floor in Roseville California, right side – outside of Sacramento. So, we are actively and aggressively looking for newbuilds in the US because we think there are ongoing opportunities for it.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Q

Okay. And I guess it takes the pressure off of finding acquisition targets too then.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Well, both.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Q

[indiscernible] (01:00:58)

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

I mean, I think, I'm actually glad you brought that up because these are not mutually exclusive. We are looking for acquisition partners – acquisition targets as well. Historically, we have been very disciplined in our approach and so, we're only going to buy and put money down on acquisitions where it is accretive from day one. So, to the extent that we can find those, we can do that simultaneously with building new theaters.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Q

Okay. And then one other thing, to the extent that Latin America is less up into the right as it was in some years past, are there any markets outside of Latin America that have caught your eye as potential places to enter?

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Jim, we're always looking, but to this point, no. We obviously kicked the tires on everything that was taking place in the Middle East and decided not to enter that fray. We've looked in Asia, and it looks like that's probably not where we're going to go. And Europe seems pretty mature to us unless just a unique opportunity came our way, but right now, we're satisfied in going deeper in the United States and Latin America.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Q

All right. Thanks very much.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Jim.

Operator: Our final question will come from the line of Alan Gould with Loop Capital.

Alan Gould

Analyst, Loop Capital Markets LLC

Q

Thanks for taking my questions. A couple please. First, average ticket prices have been increasing at an increasing rate the past couple of quarters in the US. I'm wondering what's driving that. It's obviously good news.

Second, impairments have increased the past couple of years. Is it getting to the point where if consumers don't have a great theater, they are not willing to go as often? So, should we expect that to continue at this sort of rate that we've had this past year?

And third with respect to the acquisitions following up on Jim's question, is part of the reason the company decided on not to be more aggressive with say a buyback because you think maybe if it is a weaker or tougher year at the box office this year as many have expected or there might be some acquisition opportunities that pop-up in the U.S.? Thank you.

Sean Gamble

Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.

A

Thanks for the questions, Alan. This is Sean, I'll take the first two and Mark will take the last one. On ATP, really the biggest driver that – two things. One, we – looking at the beginning of this year, we saw beginning of 2019, we saw what we believe to be a really strong film lineup and the way we tend to operate towards price is be a little bit more conservative in content years that may be a little bit more questionable and go after catching up in strong years. So, we pursued a little bit more than maybe we would have in the past, but one of the other big benefits we derived was all the recliner conversions we've done we've continued to see opportunities with demand to increase our pricing. There also was a little bit of beneficial mix incorporated in there, but really it was the combination of being a touch more aggressive this in 2019 and the lift from recliners that they kind of drove our upticks in ticket pricing during the course of the year.

As far as impairments go, yes, it's a good observation. I would say really the bulk of the growth over the last few years has been driven by a couple of projects that I would say were a bit more one-off projects and required a couple of write-offs. I think, last quarter, we described at least one of them, which was like a 20 – a high end 21 and over concept that just struggled to gain some traction. So, we tend to have a pretty conservative approach when we look at impairments of the company, and we take a look at future cash flows based on current level of performance. So, in down years, that puts more strain on those theaters and we tend to take a conservative approach towards writing down. So, we could see some more of that as we look forward in the future, but I would say at least I hope as some of those bigger hits that we had in recent years, we won't see them to that scale going forward.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

I would just add one thing on this, Alan, as well. We have also recently increased our price on Movie Club. We've done it in the East Coast, West Coast, now central part of the country as well. So, in about 96% of the country, we've increased the price from \$8.99 to \$9.99. We left a small part of the country out just so we could have a control group.

But thus far, we've seen no negative effect on it because what we found on Movie Club is that the consumer really is purchasing Movie Club for a variety of the benefits, some because of the concession benefit, others because of

the sheer ability and the rollover of it. So, the price increase, the \$1 price increase from \$8.99 to \$9.99 has had almost no negative effect relative to subscribers, especially since we added 100,000 net subscribers since our last earnings call. And we hadn't increased the price since we launched Movie Club in December of 2017. So, that helped a little bit as well.

Relative to your question on capital allocation, I really wouldn't tie those two things together. It wasn't a decision of the Board to say we want to have more capital involved in case of acquisitions. It really comes down to the first thing that we look at is maintaining a strong balance sheet. And then we look and say where can we deploy that internally whether that be with new theaters, M&A or other investments opportunities, and then finally, how can we return the excess capital. And we tend to be relatively conservative there, nothing has changed there we don't anticipate that. So a stock buyback would've caused us to have utilize capital that we'd otherwise wanted to have available for other purposes and we felt like we had better opportunities to do so. So it really came down to that. It wasn't an either/or position.

Alan Gould

Analyst, Loop Capital Markets LLC

Q

Mark, I just have one quick follow-up. Sean said the goal is to be 65% of your domestic footprint being Luxury Loungers at the end of this year, what percent do you think that ultimately gets to?

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

You know that's really difficult to say. Honestly we take that on a year-by-year, even quarter-by-quarter basis, because there's always going to be some theaters where you just want to hold onto the seat count because you need it and there's always going to be some of that, but it's going to slowly creep up simply organically because every new theater that we build is of course reclined, usually the theaters that are coming off their lease and we're not renewing are un-reclined. So, I'll put it this way, it's clearly going to get north of 70%, but I'm not going to take it any further than that just because we reevaluate it on a constant basis.

Alan Gould

Analyst, Loop Capital Markets LLC

Q

Okay. Thanks for taking the questions.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Alan. I appreciate it.

Operator: I'll now turn the conference back over to management for any closing remarks.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

I would like to thank you all for joining us this morning. We look forward to speaking to you all again with our first quarter call. Thank you very much. Bye now.

Operator: Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.

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