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PRESENTATION

Operator

Greetings, and welcome to Cinemark Holdings first quarter 2026 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Chanda Brashears, Senior Vice President, Investor Relations. Thank you. You may begin.

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

Good morning, everyone, and thank you for joining us today to discuss our first quarter 2026 results. Our earnings release, executive commentary and 10-Q were issued earlier this morning and are available on our website at ir.cinemark.com. Today's call is being webcast with a replay and transcript available on our website after the call.

Before we begin, I'd like to remind everyone that during this conference call, we will make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

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. The factors that could cause results to differ materially are detailed in our most recent annual form report on 10-K as well as with the SEC and available on our website.

Also today's call will 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 website's most recently filed earnings release 10-Q and on the company's website at ir.cinemark.com.

Joining me this morning are Sean Gamble, President and CEO; and Melissa Thomas, CFO. Consistent with last quarter, Sean will provide some brief introductory remarks, and then we'll turn it over to Q&A. Sean?

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

Thank you, Chanda, and good morning, everyone. The first quarter of 2026 marked our strongest first quarter since the onset of the pandemic across all revenue categories and adjusted EBITDA with meaningful year-over-year top line growth and margin expansion. Worldwide revenue increased 19% versus 2025 to \$643 million. Adjusted EBITDA grew 143% to \$88 million, and our adjusted EBITDA margin expanded 710 basis points.

Our results are indicative of our team's ability to effectively capitalize on a strengthening box office environment, while continuing to derive benefits from our sustained efforts to deliver unmatched entertainment for our guests, build audiences, grow new sources of revenue, strengthen our operating capabilities and optimize our circuit.

As described in greater detail in our executive commentary that we published this morning, we believe our standout first quarter performance is the byproduct of strong operational execution and our advantaged market position, which continues to be reinforced by our ongoing investments and strategic initiatives.

From an execution standpoint, we achieved significant year-over-year box office growth and sustained the sizable market share gains we've achieved over the past several years through impactful programming actions and far-reaching marketing strategies that boosted attendance. As a more compelling slate of films was released into our theaters, we were able to leverage our extensive consumer marketing network and sophisticated scheduling tools to help amplify film awareness and optimize screen utilization to drive ticket sales.

Furthermore, actions we pursued to increase engagement and stimulate food and beverage consumption drove record high concession sales and diligent labor and overall cost management, combined with improved operating leverage contributed to our significant margin expansion in the quarter.

Complementing our execution, the initiatives we are pursuing to drive incremental growth and productivity continue to position Cinemark for long-term success. These initiatives include a wide range of actions focused on sustaining our high-quality theaters, expanding premium amenities and leveraging new technologies to further advance our operating capabilities.

Examples include sustained investments we're making in enhanced screen formats, laser projectors and motion seats, as well as the overall upkeep of our theaters to ensure our guests enjoy a premium experience at Cinemark regardless of which auditorium they choose. Additionally, we continue to actively expand data-rich tools and automation throughout our operating practices to strengthen our decision-making, enhance our customer journey and improve process efficiencies.

As we look ahead, we maintain our confidence in Cinemark's long-term growth prospects on account of our solid financial position, distinct competitive advantages and the multitude of opportunities we have to drive incremental value. Furthermore, we are highly encouraged by continued positive momentum in our industry's core fundamentals, namely sustained consumer enthusiasm for larger-than-life cinematic experiences, strength of upcoming film content and robust studio support of theatrical exhibition.

These fundamentals were recently reinforced by moviegoing results in the first quarter and at CinemaCon last month as filmmakers and studio executives reaffirmed their steadfast commitment to theatrical experiences, and showcased a diverse and plentiful volume of compelling films that will be released over the coming years. Moreover, there's been constructive progress over the past several weeks in expanding the theatrical window which is an important factor in the long-term health of the film ecosystem.

So we remain bullish on our future, and we are thrilled with the strong kickoff to 2026 as well as the promising lineup of films on the horizon, particularly in light of last week's successful opening of Michael, and this weekend's highly anticipated release of The Devil Wears Prada 2.

Operator, we'd now like to open up the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Robert Fishman, MoffettNathanson.

Robert Fishman - Moffettnathanson LLC - Analyst

A couple for you guys. Sean, we've been debating windows for many years now. So I just would appreciate your updated thoughts after talking to all the studios at CinemaCon about the value that they see in 45-day windows. And do you expect a return of consistent minimum windows to help improve the overall moviegoing habits and how we should think about the impact to film rental costs, would be the first one to start with, please.

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

Sure. Thanks for the question, Robert. As we've kind of talked about before in the past, and following all the evolution that's taken place with the theatrical window and both the length and variability over a pretty short period of time following the pandemic, there has been a lot of ongoing discussion between studios and exhibitors as we've been evaluating the impact of that on consumer behavior.

So your question on the value they see in 45 days, I think there's recognition that the shortened window has been creating headwinds in full attendance recovery, particularly for smaller titles and more casual moviegoers. So I think this is a big step in terms of course correcting what may have over-indexed in terms of reducing beyond 45 days and now shifting back to that.

So we see all these announcements as a really positive step forward. I think, again, there's recognition not only by studios, but by the wider creative community as well that this is a necessary step to help sustain long-term industry health. I think the impact of that change still remains to be seen. It's like we have to watch what that does over time. It's not a precise science trying to measure how much of that opening weekend attendance has been affected by the window, but we all believe that this will have a meaningful improvement in moving the needle in a further positive direction. So it's something we will be watching to improve.

As far as film rental rates go, I mean, there's a lot of factors that go into film rental discussions. The short answer is we don't expect it to impact film rental. Again, I view the recent shifts in windows as an important reset in the right direction based on the sizable reductions that may have gone a bit too far over the past few years. While this progress definitely represents significant improvements even at 45 days, the window is still down approximately 40% from the pre-pandemic norm. So we don't have -- and those -- most of those film scales were kind of predicated on an environment that preexisted before the pandemic.

So we don't expect a material impact as a result.

Robert Fishman - Moffettnathanson LLC - Analyst

Okay. Maybe, Melissa, your Movie Club now drives about 30% of your box office. So just wondering how do we see the demographic breakdown of Movie Club and the frequency of returning to the movies for your members and how that might differ from just regular moviegoers? I know you referenced that The Global Cinema Federation study, the success of the younger moviegoing habits, but what can Cinemark or the industry do to bring back older moviegoers?

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

I'll take that one, Robert. I mean, as far as the profile of our Movie Club members, I would say it largely is consistent with just general demographics of moviegoers on the whole. I think it is a program that is one of the examples that helps not only for younger audiences, but older audiences alike.

And your question on what can we do to bring other audiences back. We continue to see that as we get new members into the program, their moviegoing frequency increases, and that spans all age ranges, which is part of the reason why it's such a valuable program and guests find tremendous value in it. So not only do they come more, they upgrade more, they buy more food and beverage and are some of our most satisfied guests. So that's one of the things.

Beyond that, and this goes beyond the Movie Club question, I think it extends into the profile of films that are getting released. I think this year, it's probably one of the most diverse slates we've seen for a while. So as more of that content come that appeals to other types of age ranges and that's more sustained, that should help.

And then our marketing efforts, too. I mean, we continue to increase the sophistication of our marketing efforts to really target market, different consumer categories and really speak to what is motivating to them. So certain things that may appeal to younger audiences, we will craft messages one way and other we'll craft them differently for older audiences. So there's a range of things like that. But we're thrilled with the movie -- back to Movie Club, we're thrilled with our Movie Club success.

And again, it really spans all age brackets.

Operator

David Karnovsky, JPMorgan.

David Karnovsky - *JPMorgan Chase & Co - Analyst*

Maybe following up on the first question. Sean, I wanted to see if kind of post CinemaCon, you see any traction in terms of getting the studios to space out their releases and getting more back to a pre-pandemic pattern, just kind of noting some of the still kind of large gaps in programming like in the winter or late summer.

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

Sure. Yes, it's another great observation, David. And it's probably the next piece of the puzzle to continue to make progress on. I think, we've seen volume continue to recover. So that's made leaps and bounds from where we were a few years ago. We've obviously just had the recent news on Windows, which we think is great progress there in terms of supporting a healthy theatrical exhibition ecosystem.

The other piece is just the cadence of movies because this does tend to be a momentum business where people go, they have a good time, they see what's coming up, they come back. And when there are those gaps that can disrupt that momentum and then we got to reboot the engine again and again. So this year, I'd say we have a little bit of that kind of clumping going on in the summer months and at year-end.

I think probably coming out of CinemaCon, at least beyond just talking about it, when we looked at what is currently lined up for first quarter of next year, I think what -- at least for now, assuming that the release dates hold, the first quarter looks far more robust than we've seen in prior years, the first quarter of 2027, I mean. So we've seen some of that kind of clumping and we had wished that some of the stuff that's

been programmed in the summer would have spread earlier in the year. We saw more of that this past CinemaCon. So hopefully, that will continue to stretch out over the full of the year, and that will be something else that will be beneficial to the industry.

David Karnovsky - *JPMorgan Chase & Co - Analyst*

Okay. And then in the prepared commentary, you spoke to marketing and the resonance of some of the direct-to-consumer brand programs. I'm curious if the traction here changes your long-term view at all of market share gains, per caps or even other revenue, right, assuming customers might be kind of more inclined to buy tickets through Cinemark rather than a third party. And then just for Melissa, like given the marketing runs through film rent, I don't know if it's possible to quantify at all some of the added expense you've incurred here.

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

Yes. Thanks for the question, David. So on the marketing front, we have leaned in there. We've stepped up our investment post-pandemic. And we have seen some nice successes there, and our marketing efforts do span across both the admission side as well as the food and beverage side.

We do think that we have been seeing benefits there. And our market share, we do believe is reflective of those benefits. And you saw us even in Q1, maintain elevated market share in the quarter, and that was flat year-over-year despite a challenging comp.

There are a number of factors that we're doing across our business, so beyond just marketing that are really driving growth across market share, average ticket prices and our per cap. So it's a combination of all of the efforts across marketing, loyalty, our showtime optimization as well as our investments in our circuit that we've been doing on an ongoing basis. So I wouldn't call out one area specifically, but we have made significant progress on the marketing side, and I do think you're seeing that in the results.

And from an investment standpoint going forward, not only have we had a step-up since 2019, but as you look at full year 2026, I would expect our marketing as a percent of revenue to increase year-over-year just based on the returns that we've been seeing to date. Now we continuously calibrate that spend as we're monitoring our returns and adjusting our mix based on what we're seeing in the data, but feel really good about the progress we've been making there.

Operator

Eric Handler, ROTH MKM.

Eric Handler - *Roth Capital Partners LLC - Analyst*

Thanks for the question. Sean, Cinemark has always prided itself on having a wide range of offerings across premium and baseline pricing. I'm curious, with this week's Wall Street Journal report, having a competitor charging \$55 for IMAX film screenings for Dune 3 in this opening weekend. How do you feel about price sensitivity from consumers? And do you have a \$55 ticket presale for Dune 3?

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

Well, the short answer is we don't have that for Dune 3. As far as pricing more broadly, the way we look at it is kind of on the unique profile of each theater and expectations of our guests with the kind of overarching objectives of maximizing attendance and box office and food and beverage incidents and total revenue, while at the same time, ensuring that our guests perceive strong value in their experience to encourage repeat visitation. Through all our pricing team and analytics, we found that, that approach has served us well.

And when you look at our attendance recovery compared to the industry and our growth in concession per cap year-over-year, we think that's really working. To the extent we were to pursue something in that direction, we would do so very cautiously just to gauge the impact it has on guest value perception as well as visitation frequency as well as our overall Cinemark brand proposition.

Eric Handler - *Roth Capital Partners LLC - Analyst*

That's helpful. And secondly, looking at your concessions line, you've seen really good increases in per cap spending. Merchandise, I'm seeing more and more of in my local Cinemark. So I'm curious how much of the lift is driven by merchandise versus sort of the core food and beverage product?

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

Thanks for the question, Eric. So on the per cap side, for domestic per caps, break down our 7.5% growth year-over-year. That's largely driven by strategic pricing. That's the majority of it, followed by higher incidence and then a shift in product mix.

Now the product mix this quarter, the favorability there was actually predominantly driven by a shift into larger sizes within our core offerings, so specifically fountain beverages and popcorn. That was actually offset in part by a lower mix of merchandise. And that was really just driven by the film content in the quarter. If you look at the relative mix year-over-year and what lended itself to movie-themed merchandise, we did have a lower mix of merch in the quarter. So there are other factors that are driving per cap.

Now as you think about the balance of the year, however, we do expect, based on the film slate that there are meaningful merchandise opportunities ahead of us, and we would expect that to be an increasing part of the mix and a key driver of per cap growth for the balance of the year.

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

And I would just add, last year, merch was up about 40% year-over-year. So we -- to Melissa's point, we continue to see growth over time. We expect to continue to see further opportunity as it's something that fans continue to embrace and it continues to enhance just the overall experience and event of coming to our Cinemark theaters.

Operator

Mike Hickey, StoneX.

Mike Hickey - *StoneX - Analyst*

Great quarter, guys. Congratulations. Just two from us. Sean, I guess, CinemaCon was pretty exciting this year. Hot topic was Paramount, Warner Brothers. Obviously, there's an industry view that I think most exhibitors are subscribing to. But just curious with David, his presence at the show seemed to be pretty meaningful. And I know he was really messaging to all of you that he's going to deliver on film volume and committed to that 45-day window. Does that you think have sort of any impact on your view of the deal or the industry's view of the deal? And I guess on the concession side, what do you think is really achievable on a deal that everyone kind of thinks is going to get through? And I have a follow-up.

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

I'm sorry, could you clarify that last piece of the question, Mike? I missed that.

Mike Hickey - StoneX - Analyst

Yes. I think there's obviously pushback from the industry, and I think there's the view that it's intended to drive some level of concessions in terms of commitments, whether it's film volume or window or marketing. And so, I was just wondering what's actually achievable there in your view?

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

Got you. So let me start, and then I'll -- you can tell me if I kind of capture that fully. Paramount is a great partner to exhibition. They've been for many years. It was a nice step that David came out to CinemaCon to kind of speak directly to the wider exhibition community.

I think the positive thing is they're saying all the right things regarding their future intentions for film volume and windows in a combined company, which is a great start. I'd say -- that said, us similar, I think, to the wider community, we just like to see those statements backed by firm commitments just to ensure there is, in effect, the follow-through and that leads to the preservation of a healthy and sustainable theatrical and film ecosystem going forward. So I mean, I think that's the big piece. And I may have missed your concessions question. I don't know if I captured it in that, but that's kind of what I think we and the industry at large is really seeking out of this.

Mike Hickey - StoneX - Analyst

Okay. I think that works, Sean. The other is on Netflix. I think that also -- Ted showed up, which was great. Made a statement, I think, post the deal that obviously didn't go his Netflix's direction. Just curious, your conversations with him or the broader Netflix team, whether it's at CinemaCon or before or after. Obviously, they gave themselves sort of an off-ramp from their prior philosophy on how they view theatrical when they were sort of romancing the Paramount, Warner Bros. deal. Now that that's gone, there's still, I guess, the formation of that ramp.

Do you see that Netflix is becoming or wants to be a more constructive partner with exhibitors? Obviously, Stranger Things and other one-offs have been successful. But I guess the key here is the theatrical window. Do you feel like there's some momentum to move in the right direction?

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

Thanks, Mike. I would say it was great to see Netflix and Ted personally take the time and initiative to come to CinemaCon. And I think, I would categorize the discussions as being productive and opening the door to the possibility of greater collaboration at some point down the road. There -- as you mentioned, they're very pleased with the recent successes they've had in theaters with their Stranger Things Finale and K-pop Demon Hunter Sing Along, and they've certainly expressed a desire to explore more of those types of events as well as possibilities for film releases.

So I think that's a step in the right direction. While I don't necessarily anticipate any type of material shift on their part in the near term following that meeting. We do continue to believe there's mutual opportunity in partnering together and remain optimistic that they will pursue a more meaningful venture into theatrical distribution over time.

Operator

Drew Crum, B. Riley Securities.

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

Sean, you highlighted the success of your PLF screens in the last few quarters. As you look ahead and continue to invest, is there an optimal mix of PLF screens versus standard screens you see for your circuit? And what is the time frame to achieving that?

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

Sure, Drew. Good question. I think one of the governors on large screen format and enhanced format screens is just the size of the auditorium and size of the screen. So you got more flexibility clearly if you're building a brand-new venue. But with existing theaters, you got to bear that in mind to make sure that it delivers the appropriate level of enhanced experience.

On the whole, we still have about 6% of our screens that are kind of in the PLF category. So there's more runway in that with -- and we've even announced more XDs and more Screen Xs, and we're adding a couple more -- a few more IMAXs. So we've got a range of those things going in. So we continue to see opportunity there.

But the overall extent to that, I think it is capped again by how many screens we have that can fit the bill of premium amenities. And then also just the fact that, look, there's definitely a growing appetite for enhanced formats and theaters by certain categories of moviegoers. But what we've seen, too, is there's also those other moviegoers who don't prefer to pay the upcharge for that.

So striking that right balance is important. And by and large, if you look at the amount of box office that is generated by PLFs, it's about 15%. So if you think about it, 85% of the overall box office in the industry is coming from all those other cinematic screens. So it's still relatively small in the whole scheme of things and just got to kind of bear in mind that, that right balance from what we're offering in terms of a range of options to consumers as well as how things get marketed in the marketplace.

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

Got it. Okay. And then, Melissa, you highlighted in the deck call it, marginal 3.5% increase for salaries and wages expense against a much higher attendance figure. As you look at the middle of the P&L and aspire to achieve discipline around spending, what areas do you see where you can achieve or drive further efficiencies?

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

Thanks for the question. Yes, the key areas that we're focused on from a cost management, I mean, obviously, across the full expense line items, we're trying to drive efficiencies. But salaries and wages and the concession COGS are really two key areas that we're looking to drive efficiencies out, and we've seen some nice success. And you see that both in our salaries and wages rate for the quarter as well as our COGS rate for the quarter. So we were on the labor side, pleased with our disciplined management of labor costs.

We aligned staffing levels and operating hours in response to consumer demand. We effectively managed wage rate inflation, and we delivered on our labor productivity initiatives. As you look forward, labor hours and wage rates, I mean, those are going to be the key factors on our salaries and wages. We'll continue to flex our labor hours up or down based on projected attendance and operating hours, though not necessarily at the same rate, and we'll try to drive efficiencies within those hours.

The one thing I would call out, though, Drew, for modeling purposes for Q2 specifically, we did have a significant overperformance from Minecraft in Q2 of last year, which resulted in fewer labor hours than would typically be expected for that level of attendance. So there will be a tougher comp for salaries and wages in Q2 on a year-over-year basis. And wage rate inflation, we do expect will remain a factor. But again, we'll continue to look to try to offset some of that with our labor productivity initiatives.

On the international side, I would just highlight there, we, again, continue to look to drive productivity initiatives. But what you saw in the quarter in Q1 was wage rate inflation really coming into play, particularly just in the Latin American market, we have seen, which is not unusual, but we have seen government mandated wage increases that have exceeded inflation. So that has put some pressure on that line item that we continue to manage and we'll look to manage going forward.

Just a little bit of detail on the COGS side. As you look at some of the things that we're pursuing there, we have been really active on the strategic sourcing front. So we had mentioned in our executive commentary that we made changes to our distribution model, allowed us to not only expand our product selection, but also lower our overall product cost, and you're seeing that play through. We've also been consolidating our vendor base to leverage our scale and continue to competitive source our products. So lots of efforts going on there to try to combat the inflation that we've been seeing.

Operator

Omar Mejias, Wells Fargo.

Omar Mejias - Wells Fargo Securities LLC - Equity Analyst

Sean, maybe first on M&A, there's been recent media reports of potential consolidation activity in the space. Without getting into specifics, how are you thinking about your appetite for accretive opportunities right now? And when you evaluate deals, are you more interested in circuit level pickups or something larger, more transformative?

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

Sure. Well, look, I'd say one of the areas of focus that we think about as we position ourselves for success going forward is optimizing our footprint, and that includes growing and recalibrating and strengthening our circuit as appropriate. And M&A is certainly part of that equation. So it's very much on the table.

I would say with regard to growth via M&A, we do look at all prospective opportunities. And we do tend to highlight -- tend to target high-quality assets that have -- we think have solid assured returns over time. So we do tend to prefer deepening penetration into the markets where we already have some presence because that leverages our established infrastructure and relationships and knowledge of the market. But we also consider other factors such as scale and strategic importance and competitive positioning and margin profile. So there's a range of things that we do look at.

Ultimately, our goal is to create value for shareholders. As far as kind of tuck-ins versus more transformative M&A, I think it boils down to the deal. So I wouldn't necessarily limit one, I would just pigeonhole us into any one area. There's probably more, I think, more inclination to potentially move on some kind of tuck-ins that can move a little bit faster, but it really just boils down to the economics and the prospects for a given deal.

Omar Mejias - Wells Fargo Securities LLC - Equity Analyst

That's very helpful. And Sean or Melissa, on Latin America, attendance and results were a bit below expectations. Just wanted to get some color on how much of that was just the slate not resonating versus anything you're seeing on the consumer side? And with the Q2 slate ahead and the rest of the year, how does the slate look for that Latin American audience?

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

Yes. Thanks for the question, Omar. So as it pertains to international in Q1, we did see what you're seeing in our results there is essentially the film content just simply didn't resonate as well in the region in the first quarter. That happens from time-to-time, and it impacted our margin. That said, our team delivered results that were in line with Latin America benchmarks.

As you look forward, we do feel really good about the slate for the remainder of this year for Latin America and do believe that it will resonate well with audiences in the region. Titles like Toy Story 5, Spider-Man, Avengers, Minions, and Michael are all anticipated to deliver strong box office results in LatAm.

We also have another title from the Insidious saga this year, which typically performs particularly well in the region. There are certain films such as Odyssey or Supergirl, Cat in the Hat, Dune 3 that might not index as favorably as they are projected to do in the US market. But we also do have local content in the international side.

Not a ton of visibility there yet into major contributors, but there's always opportunity for a breakout film. But on balance, I would attribute Q1 to really just a film slate that didn't resonate as well with the market. Balance of year, we feel optimistic about the film slate.

Operator

Chad Beynon, Macquarie.

Chad Beynon - *Macquarie Group Ltd - Analyst*

And great to see you all at CinemaCon. Melissa, you've kind of touched on this a little bit throughout the call so far just in terms of some of the cost items, but approaching it from a different angle with respect to the Middle East conflict, gas prices, we saw some big fluctuations even this week. How are you thinking about the impact from this if that continues, either domestically or internationally? And are you starting to see some of your vendors kind of pass through these costs of maybe delivering some of the goods or anything else that goes into the margin?

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

Thanks, Chad. On the cost side, we do benefit from contractual structures that provide some protection for rising gas prices, though there are elements of fuel charges in select agreements. But to the extent higher fuel costs have an impact, it would most likely show up in our cost of goods sold line item. At this point, though, we wouldn't expect it to be material, and we're not seeing those costs come through by and large. So I would say not expecting it to be material or have a big impact.

Chad Beynon - *Macquarie Group Ltd - Analyst*

Okay. Great. And then one of the big takeaways from CinemaCon was around the renewed interest from the Gen Z age group. Outside of just the content that's coming out in the near term, can you just talk about some of the things Cinemark is doing to better attract and retain some of these customers that maybe haven't been as frequent in years past?

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

Sure. I think probably one of the biggest things that we've done recently is at the end of the last year, we launched our first-ever Cinemark brand campaign called It's Show Time. And that was very much structured with an eye toward younger moviegoers to have more showcasing

kind of the freshness and the fun of moviegoing and in particular, at Cinemark. So it definitely was through that lens, and we're using that strategically as part of our overall marketing efforts going forward to try to speak to that audience.

Along those lines, too, clearly, one of the things that we've done in our different social media efforts is we're using a lot of influencers through our -- in our process, which resonates with that audience in particular. So that's a big piece of it. And then just the way we kind of put our different kind of media spots out there, there's different things that we're doing with an eye to that.

And I mentioned briefly in kind of the executive commentary, we mentioned in our executive commentary how also with our emails, we're kind of sending out unique calibrated emails that are personalized based on attributes of our guests, so -- and people who are in our network of direct communications. So all those kinds of things are just examples of how we're calibrating different ways of speaking to those audiences.

And then when they're in our theaters, making sure we're offering them the types of things that appeal to them, whether that's food and beverage or that is a category of audience that these premium amenities are resonating with. So as we continue to roll those out, our motion seats, our large screen formats, our Screen Xs, like things like that, all speak to that audience and are working really well. So all those things come together to kind of really help with as well as the film content in attracting that audience more and more.

Operator

Patrick Sholl, Barrington Research.

Patrick Sholl - Barrington Research Associates Inc - Analyst

So following up on an earlier question, do you have like any sense on like the extent of the audience that like with the shortened windows was staying home? Or is that like kind of just hard to pierce out?

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

It's difficult to fully pierce that out. So one thing we've seen is the week-to-week patterns of films release have held relatively consistent to pre-pandemic characteristics. So on that -- in that regard, that's been a positive. But that overall opening that then plays through that pattern is where the challenge has been. And it's -- as we said, we've seen the effect of that across all categories of moviegoers, particularly pronounced in more casual moviegoers who come only once or twice a year as well as on smaller films.

So those are some areas of the audience that have perhaps been a bit more pronounced, but it's kind of cut across the board. And the hard part is like we know there's a big gap that's been unexplained in terms of attendance recovery. And when you kind of start to go through all the different pieces of what it could be, everything points to windows, which is why we're so encouraged by these recent changes, but kind of singling out a specific area of audience is difficult to do.

Patrick Sholl - Barrington Research Associates Inc - Analyst

Okay. And then just on the concession side, could you maybe talk about the -- I guess the breadth of the wide release slate that you offer merchandise for and like how you would expect that to, sort of, trend as film volume increases? And maybe just the overall contribution from that side of the concession spending area.

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

Sure. Let me -- I'll start on that, and you can let us know if we kind of captured what you're asking. As Melissa referenced, merchandise, which has certainly been growing in appeal and has not only represented a revenue opportunity, but helped to eventize going to the cinema, even kind of the talent and the films have gotten into the promotional vehicle of that. It is largely tethered to film content. We do sell a range of other things like we'll sell Cinemark blankets and we sell Cinemark things, we sell kind of nostalgia type T-shirts and things like that.

But the big drivers of what's causing the growth are the new releases. So it kind of boils down to what -- it's the situation that Melissa was having for first quarter where last year, the films that released lended themselves a bit more to merchandise compared to the first quarter of this year.

As we look over the course of the balance of this year, it's quite robust in terms of the opportunities that we see for merchandise. So it's something we're leaning into more and more. And we do expect that to continue going forward. I mean, when we -- with the materials we saw at CinemaCon and just the general trends of what studios are investing their production into, majority of that lends itself well to merchandise. Clearly, there's the main -- the big tentpole blockbuster films, but then you'll get different types of categories, too, that things can resonate, which sometimes can kind of surprisingly be really robust.

Operator

Stephen Laszczyk, Goldman Sachs.

Stephen Laszczyk - *Goldman Sachs Group Inc - Analyst*

Sean, I wanted to get your latest sense and see if you could talk a little bit more about what you're seeing out there on the competitive front in the markets you're operating in. And then specifically within those marketplaces, I'd be curious how what you're seeing is maybe influencing some of the decisions you're making around things like marketing, the pricing at a market-to-market level than some of the strategic investments you're making on the CapEx side?

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

Sure. I mean, look, I'd say the competitive environment continues to get stronger, which isn't necessarily a bad thing. I think this is the type of industry where in certain circumstances, all boats rise and fall together. So to the extent our peers in the industry are delivering consumers a really positive moviegoing experience, that tends to bode well for the impression of the industry as a whole.

So as others are leaning into premium amenities as well and ideally enriching the overall experiences they're providing for guests, that's a good thing. So we're certainly seeing more of that. We're seeing others step up their marketing efforts to attract people to their venues as well as to just help build awareness for upcoming films. All that works well.

I would say we're obviously -- we feel we're in an advantaged position because of all the work we've done for the past several years. We've got a big head start on that. It's part of what resonates in our market share results, in our attendance results and our overall performance results. We obviously haven't stopped. We continue to further advance what we're doing.

There's just a long road of initiatives that we're pursuing to take our programming, our marketing, our pricing, our scheduling, everything to the next level. So for us, it's just a matter of okay, how do we keep that lead and ideally continue to gain it even as competition continues to strengthen.

Stephen Laszczyk - *Goldman Sachs Group Inc - Analyst*

Great. And then maybe just a follow-up for Melissa. Just wanted to see if you could unpack with any more detail the drivers around utilities and other and SG&A expense increases in the first quarter. And then just as we think ahead to the balance of the year, how we should be thinking about modeling those line items across the rest of the quarters?

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

Sure. From a utilities and other standpoint, that was up primarily driven by the increase in attendance as many of those costs are variable or semi-variable in nature. So credit card fees, janitorial repairs and maintenance, electricity costs. So you will see that uptick happen, and it is primarily attendance related in the quarter.

And as you think forward for utilities and other, there's a couple of things that I would call out outside of the variable and semi-variable nature of our expenses. I mean, we do expect those to scale with the anticipated growth in attendance that we're expecting for the balance of the year. But from a rate perspective, I would just call out that we do continue to expect electricity costs to be higher, just reflective of market rates, and that's more a macro level dynamic that we're seeing.

And then on the repairs and maintenance side, just as a reminder there that we do expect our repairs and maintenance to remain elevated as we continue to address deferred maintenance needs across the circuit. So we don't expect that to have a meaningful year-over-year impact because we started those efforts last year. However, there could be some timing kind of quarterly within the year there.

And then other factors, we do have fixed costs like property insurance and real estate taxes that those would be subject to the broader insurance market and changes in property values. But we continue to focus on disciplined management within that line item and in particular, usage as it comes to electricity costs and the pressure we're seeing there.

From a general and administrative expenses, on the G&A side, for the quarter, what you're seeing there primarily excluding stock-based compensation, G&A was up about 2% globally, and that's driven by wage and benefit inflation and some targeted investments in headcount and capabilities, including our ongoing shift in cloud-based software to support our strategic initiatives. Those impacts were partially offset by lower professional fees.

As you think about the go forward, we do expect to continue to have an impact from merit increases and some investments that we're making in talent and capabilities. We do expect variability in the areas of professional fees and incentive comp may somewhat offset those increases. So we'll, again, continue to be disciplined on the expense side within G&A line item as well. But there's puts and takes. However, we're not expecting meaningful increases there.

Operator

Eric Wold, Texas Capital.

Eric Wold - *Texas Capital Securities - Analyst*

Maybe just want to take that last question on kind of individual expenses maybe to kind of a higher kind of broader level. I guess knowing that recovery in attendance in box office and the associated kind of concession spending are kind of the biggest drivers to pushing your margins higher and back towards kind of pre-pandemic levels ex obviously, DCIP and the other kind of things that were back then. I just want to get a high-level sense of where you see margin leverage this year on that kind of revenue growth as we get back towards a \$10 billion box office environment given all the labor, utilities, inflationary headwinds that may be pushing back on that versus maybe what you may see in a more optimal recovery environment?

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

Yes. So where we -- thanks for the question, Eric. So where we expect to gain the most leverage is going to be against our fixed expenses, and that's going to be in the US side, our facilities lease expense primarily being fixed in the US as well as our G&A expenses. So those are kind of primary areas that we expect to get leverage.

Beyond that, we've talked about some of the different expense impacts across the P&L. But I would kind of step back and take a look at overall margin profile and what we have been able to deliver because we've been seeing inflationary pressures across these various expense categories for some time, but we've still been able to deliver really strong margins because of the offsets we've been able to provide, but also the top line growth that we've been able to deliver from a food and beverage per cap, average ticket standpoint -- average ticket price standpoint, as well as maintaining our market share gains relative to pre-pandemic.

So we'll continue to focus on growing the top line, and that will give us leverage as well as trying to mitigate expense pressures that we see. But overarchingly, we do expect the box office and attendance levels to improve year-over-year, which does support margin expansion. And then we'll continue to focus from an execution standpoint on gaining the most leverage that we can out of that growth.

Operator

At this time, I'd like to turn the floor back over to Mr. Gamble for closing comments.

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

Okay. Thank you, Donna, and thank you all for joining us this morning. We appreciate you taking the time to participate today. And we look forward to reconnecting in a few months to share and discuss our second quarter 2026 results. I hope you all have a wonderful weekend. Thanks.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines or log off the webcast at this time, and enjoy the rest of your day.

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