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PRESENTATION

Operator

Good morning. My name is Felicia and I'll be your conference operator today. At this time I would like to welcome everyone to the Cinemark's Q4 earnings conference call.

(Operator Instructions)

Thank you. Ms. Brashears, you may begin your conference.

Chanda Brashears - *Cinemark Holdings Inc. - IR*

Thank you, Felicia good morning, everyone. At this time, I would like to welcome you to Cinemark Holding Inc.'s fourth-quarter 2014 earnings release conference call hosted by Tim Warner, Chief Executive Officer and Sean Gamble, Chief Financial Officer.

In accordance with the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995, certain matters that are addressed by members of management during this call may constitute forward-looking statements. Such statements are subject to risks, uncertainties and other factors that may cause Cinemark's actual performance to be materially different from the performance indicated or implied by such statements. Such risk factors are set forth in the Company's SEC filings. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

Today's call and webcast may include non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP can be found in today's press release and on the Company's investors. Cinemark.com. I would now like to turn the call over to Tim Warner.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Thank you, Chanda. Good morning, everyone. Thank you for joining us for our fourth quarter 2014 results call.

The fourth quarter North American industry box office was initially strong with the performances of Gone Girl and Annabelle but ultimately the film product could not compete against the Rolling Stones flight in the prior year period which included Gravity, Frozen and Thor.

While the industry's fourth quarter declined 4.5%, Cinemark's domestic admission revenues over indexed the industry by 140 basis points. Worldwide, Cinemark exceeded the North American industry by more than 600 basis points on a currency adjusted basis. Marking 20 out of 22 consecutive quarters of industry outperformance. A huge congratulations to our entire worldwide operation team for sustaining our outperformance trend.

On a total year basis, following a record setting 2012 and 2013, the North American industry was impacted by the dating shift of Fast and Furious Seven and the absence of a Pixar film and declined 5.2% in 2014. Cinemark domestic operations outperformed the North American industry by 430 basis points for the year and our worldwide operations outperformed by 540 basis points on a currency adjusted basis. Furthermore, Cinemark continued to lead the industry and deliver more than 20% of worldwide adjusted EBITDA margins to our shareholders in the fourth quarter and throughout 2014.

We are encouraged by the diversity and spacing of the 2015 film slate that our studio partners are bringing to the market. The first quarter is off to a strong start and has increased more than 10% over Q1 of 2014 with the successes of American Sniper, Sponge Bob, and 50 Shades of Gray.

We are looking forward to the remaining films this quarter including the Second Best Exotic Marigold Hotel, Chappy, Cinderella and Divergent. The outlook throughout 2015 is very encouraging with the combination of action films such as Furious Seven, Avengers and Bond, adventure films including Star Wars the final film of the Hunger Games series MockingJay in 3D and Jurassic World. And family films; Minions, Inside Out and The Good Dinosaur. And R-rated comedies such as Get Heart, Tattoo and Magic Mike XXL. And lastly, new concepts; Tomorrowland and Pixels.

Looking back on 2014, I'm proud of our accomplishment in strategic initiatives progression. With regard to our technology and product innovation we continue to expand our XD footprint and ended the year with 179 screens worldwide,115 domestic and 64 international.

We also have plans to add an additional 20 to 30 XD screens worldwide in 2015. Our XD footprint comprised roughly 3% of our worldwide screens and generated approximately 7% of the fourth quarter box office. These solid results are powered by our ability to show the biggest film each week on our XD screens with no additional revenue share beyond our standard studio agreements.

The results of the private label premium large format as a whole have been noteworthy. For the past several years private label premium large format screens led by our XD brand has generated substantial growth and gained considerable market share.

We also completed our digital rollout in Latin America and are now 100% digital across our worldwide first run circuit. Likewise, we achieved 100% satellite delivery in the US and are working toward becoming fully satellite delivery capable in Latin America by the end of the year. Satellite delivery allows all content providers one point access to thousands of screens and the expansion of an alternative content.

Lastly, through Cinemark connection we have direct interaction with our guests via 5.3 million smartphone apps downloads and nearly 3.5 million weekly e-mails.

Regarding growth in new and existing markets, we've added 170 new screens worldwide this year including market adapted concepts such as NextGen, Cinemark Reserve, VIP and Cinemark Bistro. Due to various construction delays we are not able to obtain our goal of 100 screens internationally. However, we can assure you that four projects that were delayed in 2014 are on target to open in early 2015.

We consistently seek accretive opportunities and we are excited to announce we'll open a new theater in [Curacao] later this year along with a previous announced opening of our new theater in Paraguay that will also take place this year. Our international presence will expand to 15 countries in 2015.

In addition to new builds, we have repositioned several of our existing underutilized theaters in the marketplace with reclining seats and enhanced features. An example is our theater in Mountain View, California near the Google campus.

When you consider the various market adaptive enhanced concepts Cinemark is bringing to the marketplace, we believe approximately 10% to 15% of our screens will include some version of these enhancements over the next two to three years. Our disciplined investment approach continues to be balanced to achieve both a 20% EBITDA margin and a 20% ROI pretax cash on cash return.

Moving onto our strategic focus on an operational excellence we are proud to be the highest attended worldwide exhibitor with approximately 264 million patrons in 2014. We are also proud to remain number one in screen utilization across our platforms, number one in adjusted EBITDA and number one in adjusted EBITDA margins. Exhibiting both our ability to provide a first-rate theatrical experience while controlling our cost in periods of both vigorous and soft box office demand. It is important to note that Cinemark maintained our adjusted EBITDA margins in excess of 20% each of the last four quarters in a challenging box office environment.

Lastly, we routinely invest in our existing circuits to maintain a comfortable and high quality entertainment experience which we believe propels us to the highest attendance per screen in the industry.

In summary, we are proud of all we accomplished in 2014 and we are enthusiastic about the opportunities in 2015. Cinemark continues to deliver a great experience to our customers and generates strong results for our shareholders. Our Latin American operations provide a diversified growth platform while our stable domestic operations fund our $1 per annum dividend yielding more than 2.5%.

Sean will now provide more details on the Company's financial performance for the fourth quarter as well as an overview of our capital structure and information on our organic expansion plans.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

Thank you, Tim and good morning, everyone. Despite the industry box office headwinds we faced in the fourth quarter, we are pleased to have delivered strong overall financial results. Our total worldwide revenues increased 1.2% to $659.9 million and our worldwide adjusted EBITDA grew 11.4% to $156.9 million resulting in an adjusted EBITDA margin of 23.8%. These increases were driven primarily by our healthy international attendance growth, strong global concessions performance and our disciplined operating approach that Tim just addressed. Furthermore, as result of these same drivers we delivered more than $2.6 billion in total worldwide revenues for the full-year generating $596.5 million in adjusted EBITDA and resulting in a robust full-year adjusted EBITDA margin of 22.7%.

Specific to the US, total fourth quarter attendance was 44 million patrons which generated admissions revenues of $312.9 million a 3.1% reduction versus last year. While these results were down versus 2013, as Tim previously mentioned, they still outperform the industry by 140 basis points. Part of our admissions revenues decline was driven by a 1% reduction in our average domestic tickets price to $7.11. This reduction was a byproduct of last year's strong 3D mix that was heavily impacted by the film Gravity.

Conversely, our domestic concession revenues grew 5.3% to $164.2 million with a concession per patron of $3.73, a considerable 7.5% increase over last year. We have now delivered 32 consecutive quarters of domestic concession per cap growth. We believe this success is the direct result of our concentrated focus on driving incremental incidents through combo deals, coupons and offering a wide range of concession options coupled with strategic marginal price increases.

Total US revenues for the fourth quarter were $498.8 million with an adjusted EBITDA of $122.9 million resulting in an adjusted EBITDA margin of 24.6%. Outside the US, the fourth quarter film product translated very well to our Latin American audiences and we generated a 9.6% increase in attendance to 21.7 million patrons.

That said, the strength of the US dollar somewhat subdued the reported financial results of our international segment with an approximate 17% currency headwind. As reminder, the vast majority of our international operating costs are transacted in local currency so the impact of this currency headwinds is predominately translation based and not transaction based.

International admissions revenues increased 2.5% to $91.8 million this past quarter and our average ticket price was $4.23 on a reported basis. In constant currency, our average international ticket price grew 8.2% while facing similar 3D mix pressure as the US. International concessions also had a strong quarter with revenues of $50.6 million. Concessions per patron were $2.33 a 16.9% year-over-year increase in constant currency. Overall, our international segment generated adjusted EBITDA of $33.9 million representing a 21.1% adjusted EBITDA margin in Q4 2014.

Returning to our worldwide consolidated results, fourth quarter film rentals and advertising costs as a percentage of admissions revenues declined 130 basis points to 53.8%. This decline was primarily driven by a reduced concentration in box office revenues from higher grossing films compared to last year.

Concession expenses also improved 30 basis points to 15.4% of concession revenues. As a result of our operating teams continued focus on cost control, combined with the way we structured our Company, fourth quarter salaries and wages and facility lease expenses held relatively flat to last year as a percentage of overall revenue and utilities and other costs improved 30 basis points by the same measure.

G&A for the fourth quarter declined 18.1% to $36.6 million driven primarily by the sale of our Mexican subsidiaries in November of last year as well as the impact of foreign exchange. Collectively, total fourth quarter income before income taxes was $73.2 million in 2014 compared to pretax income of $66.5 million in Q4 of the prior year. Net income attributable to Cinemark holdings Inc was $47.3 million or $0.41 per diluted share.

Our fourth quarter's effective tax rate was 34.9%. With respect to the balance sheet, we ended the quarter with a cash balance of $638.9 million and a net debt position of $1.2 billion.

Shifting attention to the growth of our overall circuit, our US footprint expanded to 335 theaters in 4,499 screens in 41 states and 101 DMAs at quarter end. We built two theaters with 22 screens, acquired one theater with 14 screens and closed one theater with 10 screens during the quarter.

We have signed commitments to open eight theaters with 85 screens during 2015 and three theaters with 36 screens subsequent to 2015. We expect to spend approximately $73 million in CapEx associated with these additional 121 screens.

Our international circuit grew to 160 theaters with 1,177 screens in 13 Latin American countries with the presence in 12 of the top 15 largest metropolitan areas as of December 31. During the quarter we opened two theaters and 17 screens and acquired one theater with four screens. As of quarter end, we had signed commitments to open 10 new theaters and 73 screens during 2015 and two theaters representing 17 screens subsequent to 2015.

Our estimated CapEx is developed these additional 90 international screens is approximately $61 million. Regarding overall CapEx, our initial guidance for 2014 was $275 million to $300 million of planned spend. During 2014, we invested $245 million in actual capital expenditures which consisted of $105 million in new construction and an additional $140 million of maintenance and special projects. Including the digitization of Brazil as well as expansion of our XD premium large format screens. As reminder, our international digitization expenditures will largely be reimbursed by the studios to virtual print fees over time.

Due to project delays, the approximate $55 million in CapEx that was not deployed in 2014 will shift into early 2015. Including this carryover, we are projecting total 2015 operating CapEx of $275 million to $300 million which represents $150 million to $175 million for our organic growth plans, roughly $80 million in core maintenance spend and $45 million for other special projects and cash flow generating opportunities such as the aforementioned expansion of our XD screens and select reclining of under utilized locations. All of which are expected to deliver returns of over 20%.

Additionally, we will be spending another $27 million this year to purchase our current corporate headquarters building with a further $10 million earmarked for remodeling this space over the next couple of years. Our office is located adjacent to our field in theater in a prime real estate corridor here in Plano, Texas as demonstrated by the recent announcements of 32 companies relocating their US headquarters to the area including Toyota, FedEx and Liberty Mutual to name a few. To protect ourselves from future rent increases, satisfy our growing space requirements as we continue to expand our business and to avoid relocation risk, our management team concluded it is in our best long term interest to own this space.

In closing, I'd like to state once more that we are very pleased with the results we're able to deliver this quarter and we commend our entire worldwide operations team for effectively managing the attendance pressure we faced throughout the year and maintaining our industry leading adjusted EBITDA margins.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Townsend Buckles, JPMorgan

Townsend Buckles - *JPMorgan - Analyst*

Thanks. On the impressive margin expansion you saw in the quarter both in the US and Latin America, as we look out to a promising 2015, do feel like your ability to drive positive operating leverage is stronger than it's been in the past? Whether that's through premium pricing and the strong concession gains your seeing or just through managing costs? Thanks.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Thanks, Townsend. We think that Cinemark, the way we've built and designed the companies that our margins performed very well in a down year as it was in 2014. And also in an up year, it allows us to bring a lot more to the bottom line. So we're very focused on delivering great results and expanding the margins.

Townsend Buckles - *JPMorgan - Analyst*

And Tim, your cash balance is near record levels and leverage remains low. As we look out to this year of potentially showing earnings in free cash flow growth, what are your priorities for excess cash? I know you highlighted some areas of special projects and your headquarters purchase, but do you also see M&A opportunities on the horizon? And what does the Board need to see to consider raising the dividend or returning more cash to shareholders in other ways?

Tim Warner - *Cinemark Holdings Inc. - CEO*

Yes, I mean from management's perspective our objective is to continue to invest and grow the company with 20% margins and 20% returns on investment. However, that'll be subject to the M&A opportunities that come up during the year.

Obviously with the amount of cash we have on our balance sheet, the Board is going to -- either we're going to make our arguments to the Board as to where we should be investing our cash or on a quarter-to-quarter basis they look at where we should be going with the dividend. Historically, Cinemark has always just increased the dividend but that is a Board decision.

Townsend Buckles - *JPMorgan - Analyst*

Do you think they're receptive to something like that, increasing the dividend this year later in the year?

Tim Warner - *Cinemark Holdings Inc. - CEO*

I think the Board is very cognizant of our obligation to deliver great results for our shareholders and they will seriously consider all options as we present our plans throughout the year.

Townsend Buckles - *JPMorgan - Analyst*

Okay, thanks. If I could ask a last quick one for Sean? Regal reported a DCIP cash distribution of about $6 million in its Q$ adjusted EBITDA. I didn't see it in your reconciliation, so is that something you received as well and is it in your reported EBITDA?

Sean Gamble - *Cinemark Holdings Inc. - CFO*

We did receive a $4 million cash distribution from DCIP. In accordance with equity income accounting rules we booked it as a reduction to our investment on the balance sheet. And consistent with the way we treat our NCM distributions, we only add back distributions to adjusted EBITDA that flowed through our P&L. So it's not included in our adjusted EBITDA. Incidentally, we recognized an additional $4 million of NCM distribution that also did not get recorded in our adjusted EBITDA.

Townsend Buckles - *JPMorgan - Analyst*

Okay, great. Thanks.

Operator

Eric Handler, MKM Partners

Eric Handler - *MKM Partners - Analyst*

Thank you very much. Just curious when you look at your concession per cap increases, wondered if you might able to breakdown some of the key drivers within that? Particularly alcohol sales or some of the other initiatives you've been doing and how much is just typical pricing increases?

And then secondly, when you look at your G&A expense, your G&A expense have been coming down quite nicely. Is that because you get the -- while FX hurts you on the revenue side you also have the benefit on the expense side. So how much of that was FX and how much of that is cost controls? And how should we be thinking about G&A going into 2015?

And then lastly for Sean, every year there's always an optimism about getting to 100 new screens in Latin America. Now that you've been in the CFO position for several months, now maybe give your perspective on why this 100 screen potential view is feasible?

Tim Warner - *Cinemark Holdings Inc. - CEO*

Eric, I'll take your first questions on our concessions. Cinemark's has driven their concessions primarily by expanding the number of people that buy, and that's always been our focus. Also our self-service concession which we have in, especially here in the US, is probably 30% to 40% of our platform, we also think is very additive, because it creates a lot of impulse buying and people don't run into any lines and we find the self-service stands to be very, very productive.

We've had some minor price increases. The other way we drive our concession sales, and are referred to in my -- in the call to our both our app downloads, which gives us direct communication with our customers, and then also, our weekly e-mails of over 3.5 million, is that we try to drive sales via concession couponing and upselling the customer before they ever get to the theater.

We've also added alcohol in 20 or 30 of our locations and in a lot of our stands we have what we call hotspots, which is a variety of food concepts. But Cinemark from that standpoint, we tend to focus across the entire platform and we have some specifics like bistro concepts or Cinemark Reserve concepts or the VIP concepts. But the big focus at Cinemark has always been across the entire platform.

Regarding your Q&A, we do pick up some benefit as you translate -- just like it hurts us the other way when we translate revenues back, we get some impact, some benefit as we translate expenses back. And Sean can expand on that. And then I'll let him take a shot at the 100 screens because that has been a challenge for us. We remain committed to delivering on an average 100 screens per year in Latin America and I'll turn it over to Sean.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

Just to build further on your G&A question, for this particular quarter, fourth quarter, we had about $2 million of that favorability in G&A coming from foreign exchange. Really the rest was driven by the sale of our Mexican subsidiaries last year, so if you were to normalize for that it would be about flat. As you kind of look forward and we just think about overall G&A management we do face some pressures in 2015 with minimum wage increases across-the-board, but that will be actively working on where we can to continue to try to manage those costs and hold G&A and as flat as we can.

With regard to your question on the international screens and not getting to the 100 screens specifically, I can say, as I've toured around Latin America and dug into this question. I think I'm reassured by the fact that the projects are real and they're there. The delays have largely been a byproduct of just issues with getting these malls opened. In some cases it's just general construction delays. In other cases it's permits. But the projects are progressing. They've just in certain instances taken a little bit longer than we would ideally liked.

I think as we look forward, particularly to 2015, I'd say we're still targeting that 100 for 2015. There is a strong pipeline, but based on the unpredictability of mall openings and I guess I suppose you could say our track record to a certain degree, I think the safest bet is to continue to assume that. We do have some of the carryover from 2014 but I would still kind hold to that 100 assumption in 2015.

Tim Warner - *Cinemark Holdings Inc. - CEO*

The other thing I'll add and then we'll get off of that is that we were building in some of the most dense urban markets in the world. Like greater Sao Paulo is 18 million to 20 million people, Rio is 14 million plus people, Buenos Aires is 14 million to 15 million people, Lima is 14 million people. It's like in a lot of these markets we're building like in a New York on steroids in for people that live in New York you can see how difficult it is to get projects built and constructed. That remains our objectives and our entire team down there are very committed to trying to deliver it.

Eric Handler - *MKM Partners - Analyst*

Thank you very much

Operator

Robert Fishman, Moffett Nathanson

Robert Fishman - *Moffett Nathanson - Analyst*

Good morning. Tim, given the recent trend of nontraditional film releases and windowing strategies, would you consider having conversations with your traditional studio partners, as well as some of these new film studios to come up with an alternative windowing strategy for non-tentpole movies that is potentially a win-win for all parties?

Tim Warner - *Cinemark Holdings Inc. - CEO*

Cinemark thinks that the studios via electronic sell through have come up with, we feel, solution that is gaining traction to return some of their in-home windows. We're very committed, and we think it is best for the creative community, the content providers and the overall industry, that the theatrical window remains a priority for film. And also, we think that it would be unfair to try to hold the major studios to one window in standards and then try to say other people can have a different standard. It's way too complicated or unfair to where -- we think right now the whole windowing model is working both for the studios to recover their in-home markets, and also working great for the theatrical space.

Robert Fishman - *Moffett Nathanson - Analyst*

Thanks and for Sean or Tim, can you share with us an update on the progress of Flixmedia and how quickly you plan on rolling it out to other territories in Latin America this year and beyond? And lastly, when we can start to see the results in the reported financials? Thanks a lot.

Tim Warner - *Cinemark Holdings Inc. - CEO*

First off, from a rollout standpoint it's been rolling out for a couple years in Brazil. We, and as we reported, we have the second largest exhibitor in Brazil, Rebarro, as a client and we're adding some other clients this year. We also have the technology to disburse the content very efficiently roll out and establish in Brazil. We've expanded it to Argentina and our Hoyt circuit is now Flix-developed and enabled. And in Chile, at the first of the year after our screen advertising contract was up we launched Flix in Chile and we bought a small advertising company called Imperica that will help us roll it out not only to Cinemark but to other aspects in the community. And we're now focused on getting it rolled out into Columbia and Central America and Bolivia and Peru and Ecuador.

And you're already seeing some results. Obviously, it's -- we don't single them out, but they're showing up in our results in Brazil, and they'll start to show up in our results in some of these other countries as it becomes more established. Now from a long-term basis you should think more on 3 to 5 years before we have -- because satellite is another piece of this. Is that we'll have this here one point access to thousands of screens to where we can say to an advertiser that hey look, here's this network and here's your satellite delivery system and it's all digital and here's this one point access to thousands of screens. That's probably a 3 to 5 year goal, but to have that type of network in place.

Robert Fishman - *Moffett Nathanson - Analyst*

Okay, thank you.

Operator

Ronnie [Infestal], Morgan Stanley

Ronnie Infestal - *Morgan Stanley - Analyst*

Thanks, good morning. Two, if I may? First, is there any more granularity you could provide on the domestic admission outperformance? Obviously it was a strong quarter. I don't know if there was anything regionally or anything you could point to there?

Tim Warner - *Cinemark Holdings Inc. - CEO*

You know Cinemark has always focused on attendance. I mean that's always been our driver, and so we've obviously have a lot of programs in place to that really encourages our customer to go to the movies. But when you look back over Cinemark over the years it's always been focused on the entire platform.

We do have, as we talked about, Cinemark Bistros, Cinemark Reserves or VIP or recliner concepts but our focus is always been on driving the entire platform. And like when we come up with a concept like XD, which we introduced into the industry or the private label premium large format the idea was to be able to spread it across the entire platform.

When we were talking several years ago about classic films, we introduced that to the industry and spread it across not only our platform, but you're starting to see it spreading throughout the industry both here and also into our Latin American countries. Also alternative content: we made some good progress along with AMC and Regal as we expand Fathom. But the focus of Cinemark is screen utilization and we really expanded another very successful initiative we have is our CineArts program. We're also tend to be the number one or number two Indian film company in the marketplace. And so it's that focus on screen utilization that allows us to one, to get great attendance, but also to expand our margins.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

I would just add, I think our sustained investment in our core circuit to provide a quality theater to all our patrons with a top notch presentation from the technology we provide on our screens coupled with our pricing strategies to make it an affordable offering. All those things combined with the content offerings and varied content offerings, that Tim mentioned, that all plays together and is what's helped to deliver those 20 out of 22 consecutive quarters of outperformance domestically and worldwide.

Ronnie Infestal - *Morgan Stanley - Analyst*

Okay, thanks. Maybe following up on the screen utilization point. What's your outlook? Are there any levers you can pull for this coming year? I think you mentioned that domestically you're now 100% satellite delivered. I don't know if that's a catalyst for alternative content. And I think we saw this quarter there was a test with Game of Thrones in IMAX screens. I don't think you participated. I might be wrong about that, but any opportunity for things like that to expand this year? Thanks.

Tim Warner - *Cinemark Holdings Inc. - CEO*

No, we didn't participate in the Game of Thrones on IMAX. We held American Sniper on our IMAX screen which was performing really well on our marketplace. I mean I think you're going to see continued expansion of alternative content and that's why we created Fathom not only for us but for the industry. I think DCDC which is the satellite delivery company is we're 100% satellite delivery. Other circuits besides the founding members are also being added to it. But I think it's going to be a great benefit because you can think of the industry more as a network now than as a platform. And so, I think you're going to see both an expansion of live and store forward content.

And I think as the studios get more engaged in this that they'll be bringing us a lot of that content. That we have a test going right now in the LA area with NBC Universal on the ice hockey tournament between the Northern and Southern California, which I think will be a nice little test for as to how you add product to this mix.

We also had a very successful test of League of Legends, which we streamed it from South Korea into some of our theaters in the US. In Brazil, for example, we ran the Super Bowl in 15 of our theaters and we ran about 80% to 90% occupancy in those theaters in Brazil. And so, again the focus continues to be as to how do we take programs across our entire platform and enhance utilization of the entire platform, not just one or two theaters.

Ronnie Infestal - *Morgan Stanley - Analyst*

Alright, thank you.

Operator

David Miller, Topeka Capital Markets

David Miller - *Topeka Capital Markets - Analyst*

Hello. Obviously the result of Regal's strategic review was that they've decided to go upmarket with this whole luxury component. Essentially copy what AMC is doing. Could you just refresh our memories on where you stand with that and integrating any type of sort of luxury component to various assets? It feels to me like your dabbling in it but it's not necessarily a priority at this time.

And then, if memory serves I believe you guys overlap somewhat with AMC's footprints in some markets. It looks like they're going to go to a subscription model, which looks actually quite compelling. Tell me a little bit more about what your thoughts are about dabbling in that. Appreciate it. Thanks very much.

Tim Warner - *Cinemark Holdings Inc. - CEO*

First off, I would say on a luxury component, Cinemark has always been involved in that segment. When you look at Latin America we've had VIP recliner auditoriums for years. When you look in the US or we've had several what I'd call luxury. When you look at anybody that's been to our Boka theater would say hey, that's sort of a luxury format. When you look at our Cinemark Bistro that would be our restaurant type format.

When you look at Cinemark Reserve, which we just opened in Townsend and in fact, you're going to see we open in Playa Vista on March 12. Anybody that goes to that theater would, I think, would deem it a luxury theater.

And so, we've always been in that segment. However, we -- and in our reports we're saying that we think right now it's about 10% of our screens that would fall into that category with the different concepts we're bringing to the marketplace. We think that grows over the next two or three years. We're saying 15%. It might even grow a little bit beyond that.

Cinemark's focus has always been on the entire platform and back to my previous remarks, you know we focus on the utilization of the entire platform, and we've always felt that attendance is the key driver because it drives all the incremental income, so that remains our focus. And then, our XD theaters we led the premium large format initiative, which I think speaks very, very well for us.

On the subscription model, Cinemark has tested that in the past. We tested it probably 10 or 15 years ago with limited results, and it's not that we won't also may be doing some testing in that area. It hasn't worked very well, but we'll just have to see how it develops. Obviously, if it's a popular thing with our patrons, we're in a position, because we've had our own point-of-sale systems and that in place for over 15 or 20 years.

David Miller - *Topeka Capital Markets - Analyst*

Tim, do you recall why it didn't work very well at the time?

Tim Warner - *Cinemark Holdings Inc. - CEO*

For the pricing that we felt you had to charge, I think that the patrons just didn't see it as a value. Or they didn't want to commit to that monthly fee, because they didn't see it as a value. Because you're also dealing with the studio per cap requirements here in the US. So you have to balance those two and I'm sure the studios are going to be watching that also to make sure that they're getting their per cap requirements.

David Miller - *Topeka Capital Markets - Analyst*

Thank you.

Operator

Ben Mogil, Stifel

Ben Mogil - *Stifel Nicolaus - Analyst*

Hi, good morning. Thanks for taking my question.

I just want to delve a little bit into the reclining seats and the theater upgrades. So of the 45 that you're spending for XD and for reclining seats, can you break out how much you is for physical theater improvements and what that works out to be per screen? And more broadly, are you doing a screen it each complex or you doing the whole complex? Trying to get a sense of the magnitude of the investments.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Ben, thanks. We don't break it out, but we do say it's 10% or 15% of our circuit. But also, we aren't hiding anything. Like you can go to our theater in Hazlet, New Jersey and you can see a fully converted recliner theater. You can go to our theater in Centerville, which is part of the greater DC area, and it's a total recliner. You can go to our theater in Mountain View, it'll be 100% converted. I still think they got a few more auditoriums to convert.

But where we felt it's an underutilized theater and we're converting it, we are converting it 100%. This is all on our website. These are public spaces. You can go and physically see the theaters if people would want to see how we're doing it versus how AMC or other circuits are doing it.

Also as we pointed out, our Cinemark Reserve is opening up in Playa Vista or we have one in Townsend. We also have sort of a model of our as to how we develop that or expanded it you know beyond Boca. There's also some in Toledo, Ohio that people could go to. And then, if you wanted to see our Bistro concept again, these are live working theaters that anybody can visit.

But they're sort of spread and I think even AMC and Regal are calling their different concepts by different names. We're saying that we're calling our Cinemark Reserve, Cinemark Bistro, NextGen theaters, which is a focus on high technology, and we're also doing VIP recliner auditoriums. But all these concepts and we think are more market specific adaptive, and they're throughout the US and they're also part of our global platform. I'm sure that if anybody wants they can go to our website and see specifically where these theaters are being located. That's great, Tim. Thanks for the color.

Operator

James Marsh, Piper Jaffray

James Marsh - *Piper Jaffray & Co. - Analyst*

Great, thanks. Just two quick questions here. One bigger picture and one little shorter term. So the first one on big picture, I just was trying to get a sense for where you think you are in your ultimate investment down in South America? I think you are in the 14 and 15 largest markets down there. But just was hoping you could give us some quantification of that? Maybe where you are from a penetration standpoint to where you could be How many new markets could you move into? And if you want to use the baseball analogy with innings, what inning might you be in there?

And then secondly, obviously the first quarter's off to a strong start here domestically, but was just wondering how some of these R-rated films that have been outperforming like Sniper and Fifty Shades of Gray are playing so far in Latin America? Sometimes these R-rated films don't travel well. So just wondering if those are trending consistently with US theaters or outperforming or underperforming?

Tim Warner - *Cinemark Holdings Inc. - CEO*

I'll start with your second question first. Fifty Shades of Gray had one of our biggest advance sales in Latin America. So Fifty Shades translated well. American Sniper hasn't opened in that many countries in Latin America. I think it opened in Argentina, it performed very well. I think their holding it back to see how it does at the Academies and it's going to get a lot of exposure whether it wins or loses at the Academy. So that will also be beneficial as they roll out internationally. It's a sensational film. I think it will translate well to Latin America.

The other part of your question was?

Chanda Brashears - *Cinemark Holdings Inc. - IR*

South America.

Tim Warner - *Cinemark Holdings Inc. - CEO*

South America, I think to your baseball we're maybe in a lot of these countries only in like the third inning. Because when you look at Brazil, it roughly has one screen for every 90,000 to 100,000 or 105,000 people. Where the US is one for every 10,000 people. Mexico is about one for every 45,000 or 50,000 people. Obviously, we feel I don't think Brazil ever becomes a US ratio but it could easily become a Mexican ratio. And that's a similar ratio in a lot of these other countries. The governor on development in a lot of these countries, and we talked about it in the past, is mall development. Because it's very difficult to develop a freestanding theater and so you only progress as malls expand.

Cinemark's been down there for 20 years now. We feel we're in the best position to capitalize on the great developments and we'll continue to roll it out. It's not going to happen overnight and I wouldn't want to mislead people. We're projecting an average of 100 screens a year and as we talked about earlier, sometimes we have a hard time hitting that one. And so, we continue to be very optimistic about Latin America but it's a long-term growth strategy.

James Marsh - *Piper Jaffray & Co. - Analyst*

Okay, that's helpful. Thanks very much.

Operator

Barton Crockett, FBR Capital Markets

Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Thanks for taking the question.

I was very interested in the concession per cap trend for the industry. I mean the numbers that you put up for the past couple of quarters, high single digit. Regal's been similarly up high single digit. AMC's been high single low double digit. Those are pretty impressive numbers and very unusual in the history of the industry.

I know you have talked about your particular initiatives, but is there something bigger going on here? I mean is the consumer maybe buying more food in theaters because they feel wealthier maybe because of the lower gas prices? Is it just that everyone's hit on the magic formula of mix and offerings that people prefer to just having popcorn, or is it film mix? What explains the strength industry wide do you think?

Tim Warner - *Cinemark Holdings Inc. - CEO*

Film mix has always played a role in it to start with that; and different films do perform very well better with concessions than other films. But also, I think all of us are trying to come up with innovative programs as to how we up sell the customer or how we approach the customer and also the concession mix and the type of products to where we're offering the consumer a lot of variety.

All circuits are doing that and even in the VIP space you'll see companies that just -- iPic is if you went to an iPic theater, they have probably some of the best restaurants in the marketplace, because their focus is more on a restaurant concept and it's probably the high end of the luxury space. But also you have Cobb has a great bistro operation. You have Marcus very focused. You have Alamo Draft House, Studio Movie Grill.

There's a lot of people that are in this here ballgame or space as the industry. I think it's good for the overall industry and it's good for the movie goers, because they're seeing some great options out there as places to attend and I commend all my peers that I think we've all tried to improve our game or up our game to really go after the customer aggressively.

I think we all see it as that we're competing with that in-home experience. Not that we don't compete sometimes directly or indirectly in the marketplace, but at the end of the day, we're trying to get people out of their house and into the theaters. I think that everybody has upped their game as to how do we reach out to our customers to get them to come to the theaters.

Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Okay. And if I could follow up just quickly? It is noted that the R films are really working well this quarter and last year, Lego worked really well in the first quarter. Does that put up a headwind for concession? Is the R-rated movies less concession friendly and the kids movies more concessions friendly?

Tim Warner - *Cinemark Holdings Inc. - CEO*

No, it's in fact like on Fifty Shades of Gray we try to come up with a special drink that's tied into it and it worked really well. I think the R-rated movies, obviously, bring out a different crowd but I don't know if you've seen the trailer on this here Get Hard but that looks really, really funny which starts on March 27. And when you run see the Magic Mike trailer people react to it and of course Ted 2, which with a foul-mouthed talking teddy bear which I wondered how that would translate in Latin America. And the last one translated very, very well.

But I think -- the thing that really drives attendance for all of us in the industry is the diversity of product. That they're not all making the same type of films and then the spacing of product. That they're not going after the same market at the same time. I think that's what happened even on America's Sniper and Sponge Bob and Fifty Shades of Gray, is that diversity of product hitting in the market at the right time and the right type of pictures going after different audiences.

And that sort of continues. You're going to see Marigold Hotel which is a great art movie coming in early March, and then you're coming in with Cinderella, which I think is going to do extremely well. It's going to go after the whole Frozen type of audience. But then you come in with Divergent and so you know it's just that diversity of product, I think, is really going to help us drive attendance.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

Barton, I think on the concessions with family products versus R-rated, part of the drivers as Tim talked about, I think having more placement of concessions throughout the theater has been a help. I think also the variety that we've talked to. Whether it be more offerings for adults but also more offerings for kids.

We've introduced Honest beverages and Honest foods, so there's more health conscious options beyond the standard fare. So I think that broader diversification of offerings plays both to adults and to children, so you shouldn't necessarily see a headwind as some more of the family friendly content comes out later in the year.

Barton Crockett - *FBR Capital Markets & Co. - Analyst*

Okay, great. Thank you very much.

Operator

Tony Wible, Janney Capital Markets

Tony Wible - *Janney Capital Markets - Analyst*

Thanks. I was hoping you could comment on whether or not the drought and blackouts in Brazil are having any effect either on your existing theaters or the new construction? And then also, I know you provide a little bit of comment about Fifty Shades and some of the films here and how they opened in Latin America. But can you give us a sense just quarter-to-date in aggregate how Latin America is pacing up? Just given the third-party sources that generally report that stuff have been widely off.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Well you know the drought in Brazil is serious. It has not impacted our operations in Brazil to date. I know that however it is a serious concern for the entire country and they're trying to address it. But to date we haven't been impacted. That doesn't mean that there hasn't been some brownouts now. Internationally unlike domestically, we also build in our own power sources for our theaters so that -- because when we first went into there, there was sort of a -- not just Brazil but in a lot of the countries, the power sources were unreliable. And so we stabilized them with backup generators, and so that's how we design our theaters in the marketplace. Now on the other question, Sean?

Sean Gamble - *Cinemark Holdings Inc. - CFO*

Your other question was on box office.

Tim Warner - *Cinemark Holdings Inc. - CEO*

How it's translating?

Tony Wible - *Janney Capital Markets - Analyst*

Just in aggregate, the Latin American box office. You commented about the US and we can track that rather closely, but Latin America third-party sources are rather spotty.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

Unfortunately with Box Office Mojo no longer reporting Latin America data, there really isn't a public source to point you to. Without all the circuits providing information, I'd say even our data is less reliable than what we have in the US. So we tend not to provide formal guidance with regard to the industry. That said, I can tell you at a very high level our industry sources show healthy overall growth across Latin America, much like our international circuit results on a constant currency basis.

Maybe to point to at least one specific example that was referenced in some of the trades, to look at the performance of the third Hunger Games, that film grew about 30% to 40% over the second film in Latin America. So, at least one example that reflects just positive overall health of moviegoing in Latin America.

Tony Wible - *Janney Capital Markets - Analyst*

And then the last follow-up here. Is the cost of running those generators, the incremental cost, is it material or not?

Sean Gamble - *Cinemark Holdings Inc. - CFO*

No, it's not. That's been baked into our circuit since we went into Latin America, so it's not a -- if you went back in the history of our Company that's in the numbers.

Tony Wible - *Janney Capital Markets - Analyst*

Great, thank you.

Operator

Jim Goss, Barrington Research

Jim Goss - *Barrington Research - Analyst*

Thanks, I've got a couple plus a follow-up to your prior discussion. First question, I was wondering if you mentioned the various initiatives you had such as the Cinemark app, Cinemode, e-mail and you probably have international versions. I'm wondering if you could talk about how they contribute? Which are most useful and effective and is there any way to quantify any of that?

Tim Warner - *Cinemark Holdings Inc. - CEO*

Well I don't know if you can quantify it but our focus as we develop our version of a loyalty program -- first off, we don't charge for our loyalty program, or our app because we don't think you can charge your best customers a fee to be great customers, so there's no charge in it. The whole philosophy behind our programs is to have that direct connection with your customer and so that you can have a direct communication.

That's why we feel it's important that you're on their smartphone. Although the e-mails I would add, the people would actually request the e-mails. It's not that we're just blanket sending out e-mails. That they are signing up for them and stating that they want the information, or they want that contact. We call it Cinemark connection and so the focus is just to connect directly with the customer.

Jim Goss - *Barrington Research - Analyst*

Okay, and a separate unrelated item. Is there any effort to work with the studios in terms of maybe an impulse presale of DVD or streams at the time of initial viewing at the box office?

Tim Warner - *Cinemark Holdings Inc. - CEO*

There's an effort to work directly with the studios on how we market and sell films, and how we might work with them on a more efficient basis in marketing to where we I would say we have an outstanding relationship with all our studio partners. But regarding their in-home, and Sean because of his background could comment it, their in-home platforms are signed up for years in advance or determined as to how they go to their in-home platforms. And Sean, you might expand on that a little bit.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

I don't have too much more to add to that. As far as those as ideas we are constantly having conversations with studios about different ways we can kind of partner both purely in the exhibition space as well is in the broader landscape. So I guess I would just leave it at that.

Jim Goss - *Barrington Research - Analyst*

Lastly, the discussion earlier about the 100 international openings, that you never quite make, I'm wondering shouldn't at some point you lap whatever -- you had been doing such that whatever you missed this year you might recapture from what you were doing the year before. Just seems like or maybe there should be a lower target overall

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Tim Warner - *Cinemark Holdings Inc. - CEO*

I think that I would agree with your premise that at some point we should come to you and say hey we opened 120 this year rather than 100 since -- and I don't know if this year will be the year. We're obviously doing everything we can to achieve that. These are complicated markets, but I agree with your premise that at some point it would be great if that would happen.

Jim Goss - *Barrington Research - Analyst*

Okay. All right, thank you very much.

Operator

Matthew Harrigan, Wunderlich Securities

Matthew Harrigan - *Wunderlich Securities - Analyst*

Thank you.

You need a Sponge Bob Fifty Shades of Gray movie to drive concessions, which I pay to see. You called out Gravity as being a dampening effect on your North American pricing, but it did very well in Latin America. And your local currency, you were up 8.2%. Was that an anomaly, or do you think you really have a lot of above inflation pricing power down there? With the film mix this year a lot more 3D animation, Bond, Avengers, it feels like you could probably get a lot of pricing down there.

And then my inevitable question on the local production down there and how healthy it feels. And I know you can't really call out particular films this year yet but just that seems like a nice complementary growth factor for your business down there.

Tim Warner - *Cinemark Holdings Inc. - CEO*

The local film varies from year to year, but it can be really dramatic. And I think that is an upside for Cinemark is that you got this great potential 2015 year in the US. And there's a potential for a really strong local film to also really perform at a high level. I think the good thing is as you look at the 2015 slate, other than Tomorrowland or Pixels or some of the new concepts that's coming to the market, these are well known products that are in the market.

And Sean referred to how Hunger Games overperformed 30% to 40% as they become more aware of the concept. The same thing happened with Twilight and to probably the final Hunger Games is going to go into really outperform in Latin America, because they're very aware of the concept.

Fast and Furious, the last Fast and Furious that now I would add it was filmed in Brazil, so it has a Latin theme. But the Fast and Furious concepts really do well in Latin America and are extremely well received. But also Avengers is a well known and Bond is well known in Latin America.

So a lot of the product that is coming to the market is ideally suited and well known in Latin America. I think that the Latin America in 2015 should perform on a very similar basis as the US. And to your point, we have been able to get a little bit above inflation in our price increases and that and that's always our objective.

Sean Gamble - *Cinemark Holdings Inc. - CFO*

And to your point, that 3D mix factor did play through internationally and if anything it would've been higher in the numbers we quoted. But to Tim's point, our objective has been to at least match inflation, if not slightly exceed it and that's what we've been able to do over the years.

Matthew Harrigan - *Wunderlich Securities - Analyst*

It sounds like it's more of an exogenous function of the film mix and whether it's 3D than just consciously saying we're going to go 4% faster than inflation or something like that?

Tim Warner - *Cinemark Holdings Inc. - CEO*

Right. The film mix anymore because of the premium concept elements, the 3D and our XD add to it, have a lot of influence on our average ticket price.

Matthew Harrigan - *Wunderlich Securities - Analyst*

Great quarter, again. Thanks.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Thank you.

Operator

Eric Wold, B. Riley

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

Thank you. Two questions on Latin America. One, I think you said that the currency headwinds were 17% in the quarter. Assuming stable exchange rates from here, what do you think the headwinds look like for the first quarter?

And then, does the strength of the dollar give you an opportunity to push more capital down that market to be possibly more aggressive on acquisitions and opportunities around that? Or do you prefer to have the growth in Latin America be fueled in the overall family by cash flow from that region?

Sean Gamble - *Cinemark Holdings Inc. - CFO*

So to address your first question. If currencies were to hold where they are today, we'd be looking at similar low to mid double digit percentage headwind for the first quarter. Based on what we see right now.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Regarding M&A activity in Latin America, we think there's some very attractive assets down there that we would like to buy. I think we have quite a bit of cash in these various countries and so I don't know if we necessarily have to push it down. But obviously, with the strong balance sheets we have and the strength of the dollar, we're very capable of pushing it down. But Latin America for years now has been self generating and can pretty much handle whether it's acquisitions or organic new builds.

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

Last follow up on that. Attractive acquisition targets down there, what would you say is going to be the main impediment to getting your hands on that? Ongoing sellers or prices that may be too high?

Tim Warner - *Cinemark Holdings Inc. - CEO*

It's more of who the sellers are. They tend to be more family -- and strong family owners of the properties like with Cindy Columbia for example and Columbia's owned by the Santo Domingo family which is very strong family throughout South America. In Peru, you got Cindy Planet, which is a huge banking mall development company where the theaters is just a piece of their company and they might decide to sell it off and have a tenant in their malls operating the theater versus the theaters. And so their motivations for coming to the marketplaces are a lot different.

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

Helpful, thank you.

Tim Warner - *Cinemark Holdings Inc. - CEO*

Well thanks, everybody and we look forward to having you join us on our first quarter call and if the initial results continue for the first quarter hopefully we can report strong results in the first quarter. Thank you.

Operator

Thank you for participating in today's conference call. You may now disconnect.
