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CNK - Q1 2017 Cinemark Holdings Inc Earnings Call

EVENT DATE/TIME: MAY 03, 2017 / 12:30PM GMT

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PRESENTATION

Operator

Good morning. My name is Zatanya, and I will be your conference operator today. At this time, I would like to welcome everyone to the Cinemark first quarter earnings call. (Operator Instructions)

Thank you. I would now like to turn the call over to Ms. Chanda Brashears, Vice President of Investor Relations.

Chanda E. Brashears - *Cinemark Holdings, Inc. - VP of IR*

Thank you, Zatanya, and good morning, everyone. At this time, I would like to welcome you to Cinemark Holdings, Inc.'s First Quarter 2017 Earnings Release Conference Call, hosted by Mark Zoradi, Chief Executive Officer; and Sean Gamble, Chief Financial Officer.

I would like to remind the listeners that certain matters that are discussed by members of the management team during this conference call may constitute forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from the expectations indicated or implied by such statement. Such risk factors are set forth and expressly qualified in their entirety in the company's filings with the SEC, including the most recently filed annual report on Form 10-K. The company undertakes no obligation to publicly update or revise any forward-looking statements.

Today's call and webcast may include certain 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 within the company's most recently filed quarterly report on Form 10-Q and on the company's website investors.cinemark.com.

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

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Thank you, Chanda, and good morning, everyone. We appreciate you joining us for our 2017 first quarter results call.

I'm incredibly pleased to report another record quarter for Cinemark's worldwide operation. This marks 4 consecutive years that we have set first quarter records. Notably, these are not records in 1 or 2 line items, but in each of our key performance metrics, including attendance, admissions revenue, average ticket price, concessions revenue, concessions per cap and total revenue.

Additionally, we reported first quarter records with net income of $79.7 million and earnings per share of $0.68. Even more impressive, our first quarter adjusted EBITDA and adjusted EBITDA margin were both all-time highs at $212 million and 27.2% margin, respectively. This growth yielded an exceptional 100 basis points margin expansion. We're thrilled to continue to deliver robust adjusted EBITDA margins that consistently surpassed other major exhibitors.

Drilling down to the components of our record results. Our international operations set first quarter records in all revenue categories as well as adjusted EBITDA. Our attendance declined modestly relative to prior year, as we are comparing against Brazil's highest attended film of all time with their locally produced title The Ten Commandments. Domestically, the North America industry box office growth of approximately 4.5% bolstered our U.S. results and Cinemark, again, outperformed the North America industry box office by roughly 100 basis points. Moreover, we achieved this over performance despite 106 average screens being closed for Luxury Lounger conversion during the first quarter of 2017 versus 37 average screen closed in the first quarter of last year. This marks 29 out of the past 33 consecutive quarters of industry outperformance.

Investors frequently ask how we're able to over index the industry on such a consistent basis. The 2 overarching objectives that are integral to our results are one, providing a high-quality guest experience and two, our primary and deliberate focus on growing attendance. We outlined several key initiatives last quarter that are fundamental to achieving these objectives and we'll provide an update on a few of these for you today. It's critical that we understand what is important to our guests and adapt to their preferences. Consumers continue to demonstrate that recliner seats are the amenity that is most appealing and influential in their decision-making process. As such, we have been aggressive in our Luxury Lounger recliner seat initiative to respond to this consumer demand.

In the first quarter, we expanded our recliner footprint by 181 auditoriums and now have a total of 1,209 screens, comprising 27% of our domestic circuit that feature recliner seats. We remain on track to end the year with approximately 40% of our U.S. auditoriums featuring Luxury Loungers, which will represent approximately an 80% increase from year-end 2016. Our domestic recliner initiative remains outstanding, driven by attendance growth of roughly 40% for theaters that have experienced more than 6 months of ramp-up. While attendance has been holding at this heightened level to date, we recognize that future conversions may impact this metric as we penetrate deeper into our circuit and convert more highly utilized auditoriums.

Additionally, we have experienced incremental ticket pricing opportunities of around 5%, concession per cap growth of approximately 1.5 to 2x that of a non-reclined theater and a significant shift to advance ticket sales, with about half of our recliner locations transactions purchased online. This positive reception by our guests regarding our recliner initiative is reflected in our financial results and is a key driver of our industry-leading attendance and adjusted EBITDA margin.

In terms of attendance, we strive to find the optimal balance between attendance and pricing to maximize box office revenue. In our experience, it is challenging to replace one lost attendee to incremental pricing. As such, we place greater emphasis on driving the attendance, as it has a more substantial impact on the generation of total box office revenue.

In addition to maximizing box office, we have an equivalent focus on further monetizing our attendance into concession sales. We are focused on 4 key initiatives in order to drive concession revenue and continue our trend of 41 consecutive quarters of concession per cap growth. One, we attain -- we attempt to sustain our growth of core product categories; two, new concepts and innovations, such as expanded food, beer, wine and mixed drinks offerings; three, operational execution; and four, strategic pricing initiatives.

Today, I will elaborate on the sustained growth initiative. Over the past 3 years, we've grown our core concession revenues, defined as popcorn, candy and all beverages, excluding alcohol, by more than $100 million, an increase of nearly 20%. We've achieved this growth through the following efforts: regionalizing our product offerings, promotional initiatives and working directly with our vendor partners for a product mix and size optimization, just to name a few.

Now shifting to our loyalty program initiative. Since launching Connections, our U.S. app-based program, just over a year ago, our guest response has been tremendous, and our membership base continues to grow considerably. During the first quarter, we merged our online communication and e-commerce profiles into our Connections loyalty program, resulting in more than 5 million accounts worldwide. This consolidation of our customer database expands our insights into guest transactions. We can now utilize this data to track and segment consumer behavior, enable personalized marketing efforts and more effective communication with our audiences, all with the end goal of increasing guest frequency to our theaters. Looking forward, we're eager to continue to develop our consumer insight initiative, allowing Cinemark to further engage with our guests and enhance their entertainment experience.

Of course, film content is critical to our business, and we maintain our enthusiasm regarding the film lineup from our studio partners for the remainder of this year. The North America industry's second quarter box office is up more than 3% to date. Likewise, the North America industry year-to-date box office has increased approximately 4% over the record-breaking year of 2016, with strong titles upcoming, including the release of Guardians of the Galaxy tomorrow as well as Wonder Woman, Despicable Me 3, Spider-Man, Dunkirk, Justice League, Coco, and of course, Star Wars VIII all yet to come.

In closing, we generated record first quarter results and I would like to commend and thank our entire worldwide team for this achievement. We remain focused on delivering an outstanding guest experience, maintaining our disciplined operational and financial approach and executing on our strategic initiative.

That concludes my prepared remarks. I will now turn the call over to Sean to address a more detailed discussion of our financial performance. Sean?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Thank you, Mark, and good morning, everyone. As Mark already addressed, it was an outstanding quarter for our global company with total revenues up 10.6% to $779.6 million, adjusted EBITDA growth of 14.7% to $211.9 million and adjusted EBITDA margin expansion of 100 basis points to 27.2%.

Strong film content, coupled with our continued focus on enhancing the experience we provide to our guests, drove a 4.5% year-over-year growth in domestic attendance during the first quarter that far outpaced the North American industry. Our average domestic ticket price of $7.66 increased 1.1%, driven by strategic price increases that were meaningfully offset by unfavorable 3D and ticket type mix. Collectively, our growth in attendance and ticket prices propelled our U.S. admissions revenues up 5.5% to a first quarter record of $356.2 million.

By way of the ongoing concessions initiatives that Mark previously referenced, we were able to further capitalize on our first quarter's box office strength to grow our U.S. concessions per patron 5.8% to $4.37. This per cap increase lifted our total domestic concession revenues 10.5% to $203.4 million, which yielded another first quarter record. Conversely, domestic other revenues declined 6.3% as a result of nonrepeating promotional benefits we realized from 3Q '15 through 1Q '16 that created a challenging benchmark. We have now fully lapped these promotional benefits and they'll no longer create a drag on our year-over-year variance going forward.

Overall, our U.S. operations delivered total revenues of $577.6 million and adjusted EBITDA of $164.7 million, which were all-time quarterly highs. Furthermore, we achieved our highest ever adjusted EBITDA margin of 28.5%, that grew 190 basis points from the previous record we set in the first quarter of 2016.

Internationally, attendance was relatively flat at 27.8 million patrons. As Mark already mentioned, this was a tremendous feat given the challenging comparison we faced in Brazil, considering last year's massive success of local film, The Ten Commandments. International admissions revenues were $120.3 million, which grew 22.4% versus last year as reported and were up 11.1% in constant currency. Our reported average ticket price of $4.33 translated to a constant currency increase of 12% that was primarily driven by inflationary price increases and partially offset by ticket type mix similar to the U.S. International concessions revenues were $64.8 million, which increased 28.4% as reported and 10.2% in constant currency. Our reported concessions per patron was $2.33, which translated to a 10.9% increase in constant currency.

Overall, total international revenues grew 23% to a first quarter record of $202 million as reported. Adjusted EBITDA was $47.2 million with an adjusted EBITDA margin of 23.4%. While foreign currency has created significant translation headwinds on our reported financials over the past few years, in the first quarter, these headwinds turned around and delivered an approximate 10% tailwind. While future currency fluctuations are obviously difficult to predict, if current rates continue to hold, we would expect a continued slight tailwind throughout the remainder of 2017.

As a reminder, the vast majority of our international operating expenses are transacted in local currency, including film rental and facility lease expenses, so the impact of currency exchange is predominantly translation-based and not transaction-oriented. Furthermore, our operations throughout South and Central America are largely self-sustaining with regard to both operational cash requirements and organic growth needs.

Shifting back to our worldwide consolidated results. First quarter film rental and advertising costs as a percentage of admissions revenues declined by 30 basis points year-over-year to 53.1% due to a reduced box office concentration of blockbuster films. Conversely, concession costs as a percentage of total concessions revenues increased by 60 basis points in comparison to the prior year. This increase was primarily due to the impact of expanded food and beverage offerings across our global circuit that carry slightly higher costs, and while the expanded offerings create a slight drag on our concessions margin rate, they continue to drive incremental purchase incidence and sizable growth in overall concessions revenues and income.

Salaries and wages were relatively flat in the quarter at 10.8% of total revenue compared to the first quarter of 2016. Facility lease expenses and utilities and other costs as a percent of total revenue both declined slightly by 40 basis points and 20 basis points, respectively. These reductions were driven by the largely fixed nature of these costs relative to increased global attendance in revenue. Similarly, G&A for the quarter also declined by 50 basis points as a percentage of total revenue. Collectively, first quarter pretax income was $124.6 million compared to $92.5 million in 1Q of the prior year. Our first quarter's effective tax rate was 35.6% and net income attributable to Cinemark Holdings was $79.7 million or $0.68 per diluted share. With respect to our balance sheet, we ended the quarter with a cash balance of $584 million and a net debt position of $1.5 billion.

Shifting attention to our U.S. footprint, we operated 337 theaters and 4,541 screens in 41 states and 102 DMAs at quarter end. During the quarter, we closed 2 theaters and 18 screens that were either at or near the end of their lease term. We have signed commitments to open 4 theaters and 38 screens during 2017 and 8 theaters representing 87 screens subsequent to 2017. We expect to spend approximately $86 million in CapEx for these 125 screens. We also anticipate closing around 10 to 20 additional screens during the remainder of 2017.

Internationally, our Latin America circuit grew to 188 theaters and 1,353 screens across 15 countries. During the quarter, we expanded by 1 theater and 9 screens. As of quarter end, we have signed commitments to open 3 new theaters and 25 screens during 2017 and 4 theaters representing 19 screens subsequent to 2017. We anticipate spending approximately $16 million in CapEx for these 44 screens.

Considering the challenging political and economic environments within certain countries in which we operate across Latin America, we may experience a modest near-term impact on our growth efforts. That said, consistent with our prior comments, we continue to anticipate adding between 50 to 75 international screens during 2017, and we believe that long-term growth prospects across Latin America remain intact, even if they slow slightly in the short term.

Regarding overall CapEx, we spent $91.2 million in the first quarter, including $16.8 million on new builds and $74.4 million on existing theaters with a concentration on recliner conversions. We continue to anticipate spending between $325 million to $350 million of CapEx during full year 2017, of which $70 million is designated for new builds, both domestically and internationally, $80 million is for core maintenance of existing screens and in line with our historical run rate, approximately $15 million is associated with the continued renovation of our headquarters building and the residual $160 million to $185 million is for cash flow-generating projects that include our Luxury Lounger theater conversions and varied food and beverage initiatives. We continue to expect that our annual depreciation and amortization will increase to approximately $230 million to $240 million in 2017 as a result of this CapEx spend.

In closing, we are pleased to share yet another quarter of record-setting results, driven by the ongoing execution of our strategic initiatives as well as strong film content, and we remain optimistic as we look forward to the balance of the year.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Julie (sic) [Julia] Yue of JPMorgan.

Julia Yue - *JP Morgan Chase & Co, Research Division - Analyst*

The international attendance this quarter was much stronger than we expected, as you guys mentioned, especially given such difficult comparison. Were there any regions or films in particular that contributed to these results?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

I would say that the Hollywood film content, in particular, played a bit stronger than perhaps what we originally expected. I mean, it was fairly in line with the strength of content last year. So if anything, I would say that was probably the biggest driver. Films like Beauty and the Beast, Logan and Moana skewed towards the family and kids genre as well as kind of the more human action genres and that was similar to Deadpool, Batman v. Superman and The Good Dinosaur of last year. So those are really the big drivers of attendance in the first quarter throughout Latin America.

Julia Yue - *JP Morgan Chase & Co, Research Division - Analyst*

Okay, got it. And then you mentioned in the prepared remarks that with some of the new recliner conversions, they might not be as productive as what you've seen thus far. At this point, are you seeing any differences in the initial results for the theaters that you're converting now or I guess, in the past couple of quarters compared to the ones that you've first converted?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Julia, no, I mean, I think mentioned in those comments that we're still seeing a 40% attendance lift for those that have been open for more than 6 months because it takes somewhere in the 3 to 9 months to ramp them up. But we've been -- we continue to be so aggressive that we're not thinking necessarily that we will see that level go forward. But to date, we've been very pleased and they've been all in that averaging that 40% attendance increase. But as we go deeper and deeper and get closer to the 40% range, we think that, that could be mitigated somewhat. But be that -- by saying that, I also want to emphasize that in no cases, are we approving or going forward with recliners that aren't at least hitting or significantly exceeding our ROI and EBITDA margin.

Operator

Our next question comes from the line of Eric Handler of MKM Partners.

Eric Owen Handler - *MKM Partners LLC, Research Division - MD, Sector Head, and Senior Analyst*

Two questions for you. First Mark, when you look at your -- the loyalty program Connections, granted it's only been a year, but are you seeing any noticeable change through some of the push marketing programs you've instituted of Connections members going to the theater more often than non-Connection member? Or what happens once someone becomes a Connection member? Is there any sort of uplift in attendance, because of the connection you have to them? And secondly, when you think about mall development in Latin America, particularly Brazil, it's easy to see the slowdown because these small projects take multiple years to plan, then build. So you had a pretty good indication probably 18 to 24 months ahead of time about the slowdown. I'm just curious, are you seeing any inklings of mall development projects beginning to accelerate at this point?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Okay, I'll take the Connections question and, Sean, you can take the mall question. Relative to Connections, you asked about a comparison to Connection members and non-Connection members. It's difficult to be able to compare to non-Connection members, because we don't necessarily have that data in terms of how many times they're coming. And what we're looking at on Connections members is an engagement. So are they coming to the theater? Are they buying concessions? Are they sharing socially afterwards? We're seeing a very strong engagement connection relative to people who have signed up with Connections. Relative to are they coming to the theaters more at this time, I think it's a little early to be able to give you stats on that. But as we are into this now for a second year, we've just now completed the first year, the first year was a tremendous ramp-up along the way. So what we were really measuring is, is engagement with people coming and experience either buying or sharing socially and we will have data to be able to share with you in the coming quarters of attendance uplift.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

And then on the mall development front in Brazil, I would say that the pipeline still is there. So we still have a robust pipeline of projects. That said, the actual development still remains slow. We haven't yet seen indications of kind of an acceleration back up to some of the historic levels. I think really kind of what's going on is there's still a desire to build more confidence about a turnaround and the -- that hasn't fully happened yet. So at the moment, it's still kind of slow pace, but, again, I will just reiterate that the pipeline is still there, it's just not moving as briskly.

Operator

The next question comes from Robert Fishman of MoffettNathanson.

Robert S. Fishman - *MoffettNathanson LLC - Senior Research Associate*

I have one for Mark and one for Sean. Mark, while I understand you're unlikely to comment on the progress of specific terms of your negotiations with the studios on the window changes, can you at least help us think about whether you expect to see any resolution during 2017? And whether you're confident that you can reach an agreement that's actually incremental to your existing record-setting businesses?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Well first, Robert, I -- you're right. I'm very hesitant to put a timing on that, because they are active discussions/negotiations. But clearly, for us to conclude any of these negotiations/discussions, we will have to see that it is incremental to us. We're not looking to go backwards relative to our revenue and all the investments that we've made in these theaters. So that would be an issue that would be absolutely critical to us. So I don't anticipate that we would conclude any deal that wouldn't have that. Relative to timing, that is just very difficult to say, because there's, obviously, a lot of exhibitors and there's a lot of studios and we're trying to deal with each studio uniquely, and we need to and each studio is trying to deal with each exhibitor uniquely. So it's also so important for the studios to get this right as it is for us. As, I think, you and I have discussed in the past, nearly 50% of a movie's revenue is now coming from worldwide box office. So the studios are appropriately very cautious and concerned about upsetting that applecart in order to look for incremental revenue in any kind of accelerated VOD window. And we're, obviously, in that same situation. So neither party wants to make a mistake here, because the theatrical revenue has become so important over the last few years, not that it wasn't before, but the percentages have gotten larger. So putting a timing on it is just really difficult at this stage.

Robert S. Fishman - *MoffettNathanson LLC - Senior Research Associate*

Okay, fair enough. And for Sean, just as a quick follow up to the earlier question. I'm curious, can you be more specific on the ROI for your recent recliner upgrades? And how those have trended compared to the recliners that have opened in 2015? And then any additional color on how your non-recliner core screens have been performing compared to the U.S. industry?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Sure. I would say that we obviously -- we target our 20% ROIs as kind of base hurdle rate and to date the aggregate results have been well in excess of that. Obviously, many of the early conversions we performed were lower-hanging fruit that had off-the-charts results similar to what Mark said; however, as we look forward, we expect as we go deeper into our circuit that those returns will come down. We haven't seen huge indications of that yet, it's just an expectation we have. We haven't stated a specific ROI figure, as we feel the landscape is still evolving and we don't feel that the current results necessarily represent a longer-term sustainable level. But consistent with our overall balanced and disciplined investment approach, we will continue to pursue this initiative to the extent we're confident we can deliver that, that base hurdle rate, but we're going to be careful in that, that confidence becomes less certain. It's the same reason why we haven't necessarily provided a definitive target on how far we're going because we're not exactly clear on where that endpoint is as of yet. And I'm sorry, Robert, your kind of second question was -- oh and then...

Robert S. Fishman - *MoffettNathanson LLC - Senior Research Associate*

Just about the non-recliners, yes.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Yes. And then the non-recliner on core circuit, that's obviously still over 70% of our circuit. I'd say when you look at that core circuit, we've seen that, that tends to generally outperform the industry relative to other non-reclined theaters. It's one of the things like the rest of our circuit that is kind of propelling our better-than-box office outperformance results.

Operator

Next up is David Miller of Loop Capital.

David Walter Miller - *Loop Capital Markets LLC, Research Division - MD*

Just 2 housekeeping items for Sean. Sean, what was the free cash flow number in the quarter? I didn't hear you call it out in your prepared remarks and I don't see anything in the press release. And then just more strategically, just sort of looking out over the next half year and maybe even to the next 1.5 year, if you're willing to, do you see anything in Brazil, either politically or economically or anything that's sensitive to interest rates and/or sensitive to currency? If you were to prognosticate on currency in any way, whether just topically, anything that we should be looking for over the next half year or 1.5 year?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Sure. On the free cash flow, our first quarter's free cash flow was $59 million, which was up $39 million year-over-year versus first quarter of 2016. And then, as far as your question on Brazil goes and anything sensitive to interest rates, I'd just say there are so many moving pieces in Brazil right now across the whole political landscape and kind of what's just ongoing with the efforts to turn around the economy and some of the historic lawsuits and investigations that are going on. I think there's a lot of other factors at play that could kind of influence that landscape perhaps even more than interest rates. So that would certainly have some influence. I'm not -- I can't necessarily point to any specific things that I'd say we're going to be highly sensitive on that or more highly sensitive on that than any of the other variables.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

David, as it relates to currency, we're very pleased with what's happened to the local currency in Brazil. It's recovered and as we look forward into coming quarters, we don't -- we see a relatively stable currency for the balance of this year.

Operator

Next we have Michael Ng with Goldman Sachs.

Michael Ng - *Goldman Sachs Group Inc., Research Division - Research Analyst*

Thanks for the additional disclosure on screens net of recliner closures in the press release. Based on my math, I think the U.S. admission revenue per screen net of recliner closure is increased by 6.5% during the quarter. First, is that correct? And second, how should we think about the pacing of recliner screen closures and reopenings during the rest of 2017?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

First of all, Mike, your calculation is correct. It is a 6.5% increase on actual open operating screens. For the balance of this year, we're going to continue to see 100 or 100-plus screens that are going to be closed through the balance of this year, because we're continuing in a very aggressive reclining effort and so it's one that we manage. We never close an entire theater. If a theater's got 18 screens, many times we'll close only 6 at a time. So it does make an effect, but it's not like we're closing the entire theater, we're just closing portions of that particular theater. But we continue to see 100 to slightly over 100 screens per quarter closed.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

And just want to add one comment that I think, as we've been ramping now, we started to get near those levels beginning in the second quarter of last year. So I think, at least from a comparison standpoint, it'll be more comparable year-over-year in terms of the number of closed screens where at least as of the first quarter of last year, we're still around 37. So we had more of a disparity in the number of closed screens when you compare the 2.

Michael Ng - *Goldman Sachs Group Inc., Research Division - Research Analyst*

Okay. And how much of the U.S. box office was generated online this quarter? And where do you think that should go or can go in the next several years?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Approximately 25% of our box office is sold -- is purchased online, a much higher percentage for those screens that have been reclined and we have reserve seating. So as we continue to rollout additional reclined screens, we will see that percentage of online ticket sales continue to increase. Because we will be adding reserved seats, we'll be reducing the seat count in those auditoriums by approximately 50% and so consumers come pretty quickly to understand that if they want to get a seat on a Friday or Saturday night of their choosing, that it's worthwhile to purchase those seats ahead of time and online. And that's a very positive fact for us and, of course, it helps us with our concessions growth as I pointed out in the prepared remarks.

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

And just to add to that, I'm not sure we have full direct line of sight to the full industry, but I'd gather it's probably somewhere in that 20-ish percent or so range. A lot of it is driven by the reserved seating. So I think, as you see more of the industry move to reserved seating, that'll drive that percentage up. Obviously, there's also a big component that is film-related, too, the higher demand films that yield a bigger opening weekends tend to push those percentages up.

Michael Ng - *Goldman Sachs Group Inc., Research Division - Research Analyst*

Okay. And the last one from me. The other cash distributions from equity investments beyond NCMI were better than I had expected. Was that the tax receivable? Or was there something else in the quarter?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

We had a slight reduction of our NCM distribution this quarter, because actually, the tax distribution, I believe, is scheduled to happen next quarter. Didn't happen this quarter. The bigger driver of that was we actually had a distribution of about $5 million from DCIP in the first quarter. So that helped to offset -- slightly more than offset the reduced NCM distribution.

Operator

Next question comes from Barton Crockett of FBR Capital Market.

Zack Silver - *FBR Capital Markets & Co., Research Division - Associate*

This is Zack Silver on the line for Barton. The first one that I have is, are there any international versus North America comp issues that you would highlight for us in 2Q '17, similar to that of The Ten Commandments comp in Brazil in 1Q '17? And then the second one is, you guys had some nice outperformance on a domestic box per-screen basis versus the industry in the first quarter. I think IMAX that you guys are unexposed to was weak in the first quarter, but is expected to be stronger in the balance of the year. So what can you tell us in terms of your expectations for outperformance, that kind of level to persist over the rest of 2017?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Zack, relative to international films that we have line sight to, we don't see any outliers like The Ten Commandments for the balance of this year. So the answer to that is, I don't think that's going to be a big issue. Relative to the balance of the year on big movies, big tentpole movies, we think that we will participate very strongly in that increase because we have so many of our screens with XD, in which we're able to charge a premium for. On a worldwide basis, we have 226 XD screens that perform very strong on these big tentpole movies. And we're going to definitely see it beginning tomorrow night with the New Guardians movie and into this weekend. So we do participate in IMAX, but for us, more importantly is our commitment and depth of XD screens around the world.

Operator

Next up is Eric Wold of B. Riley.

Eric Christian Wold - *B. Riley & Co., LLC, Research Division - Senior Equity Analyst*

Couple questions. One, how has the ramp in advance ticket purchases helped with your staffing scheduling? Or is it still too early to have an impact on that? I know you mentioned 25% overall, 50% for reseated. If it's not -- if you're not getting that benefit now, kind of where you expect that percentage needs to go to where you've got visibility to influence staffing scheduling?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

I would say it may help a little bit on the edges, but it's really not a huge component. I mean, we have -- we use a lot of tracking data to try to understand what full opening weekend is going to be and what the performance expected. And we'll use that information as kind of the main driver. We've seen, at least for advance tickets sales, it continues to grow, but it's not always the perfect predictor of what to fully anticipate for that opening weekend. So it's more from the -- it's kind of tracking services of what we believe overall box office is going to be and that's kind of what we use for staffing.

Eric Christian Wold - *B. Riley & Co., LLC, Research Division - Senior Equity Analyst*

Okay. And then, second question, kind of in addition to the Connections loyalty membership numbers you have or members that you have. Can you talk about your entire database including that and others where you've got customer info, e-mails that may not be loyalty members yet and kind of what you're currently doing now to target specific film releases with the studios? And is that thought of more as a, kind of a friendly partnership with the studios because everyone wants overall tide to rise? Or is there some point in the future where those lists can be monetized more directly?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Eric, what we've actually done is we merged those 2 together. So that's one of the reasons that our Connection membership has increased so significantly, is we've merged together those 2 different databases and invited basically -- allowing all of our e-mail subscribers to upgrade into a Connections membership. So it's one of the key things and a very important component in our digital and personalized marketing effort is to get those 2 together and to merge them together and to engage all of those e-mail subscribers into our Connections program. And I just wanted to add one piece of color to the last question as well. Relative to online ticket sales, as we go deeper and deeper in this, we will have technology in the theater so that people can actually come directly to the ticket taker, bypass any box office attendee. So as we go forward into the future, we will potentially see some cost savings there.

Operator

Next up is Jim Goss of Barrington Research.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

Q1 used to be the smallest quarter in box office and that seems to be addressed fairly well recently. And I'm wondering if, given your exposure, Mark and Sean, on both sides of the table here, do you think there is any potential solution to the late Q3 August and September period that might have some potential solution?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Well, one thing that we've been very pleased with, and both Sean and I experienced this on the studio side of the business, is we were expanding -- we were part of the effort to expand big tentpole movies into 12 months of the year. I think the studios have effectively done that in the first quarter. I mean, for Disney to choose to put Beauty and the Beast on March 17 and then of course, what we've all seen that's happened in January and February, that's been pretty transformational to spreading out the business. Relative to August, I think, we've also seen a pretty good expansion into August with a number of pictures. Sony has put in The Dark Tower in July, you had [Suicide Squad] in July and then you've got other movies that are now going into August. Probably the most difficult part of the year still remains that early September when kids are going back into school. So I don't see anything on the horizon for that first week or 2 in September. But I think that's always going to be the case, whether it's going to be 1 week or 2. August, I think, has expanded pretty dramatically.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

Okay. And you opened up talking about the high-quality experience and focused on growing attention. And as you've outlined your expansion of your reseating initiative, you've -- Cinemark has outperformed in attendance despite lagging in recliners up to this point. I'm wondering what you feel were the key drivers? Was it your more conservative pricing status? Or any other things that you think have helped over and above the addition of the amenities you're installing right now?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

I'm not sure that we've really lagged during 2017 or even latter part of 2016, because we got very aggressive beginning in the fourth quarter of '15. So we ended 2016 with 23% of our circuit reclined. And so '16 was a big growth year relative to recliners and was extremely important for us. So I'm not sure that those numbers would necessarily add up the way that you indicated them. Relative to '17, you know what our growth pattern is. So you had a second part to the question?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

It was just kind of just how has our attendance kind of and box office outperformed even before we kind of got ramping up with our recliner effort, if you shift back a little bit further? I was going to say, Jim, I think the answer lies in, it kind of boils down to our, we said this in the past, and Mark mentioned it in the script, our kind of hyper-focus on attendance. You mentioned pricing, that's certainly a component of it. Another component of it is how we have historically invested more on maintaining the quality of our core circuit than our peers. We believe that those are key elements in keeping people coming back. So the pricing boils is a factor of how do we maximize overall box office and that's a balance of pricing and attendance. And then so too is the keeping those theaters in good shape so that you don't lose attendance, because it's been our experience that when you let them dwindle, people stop coming. So it's kind of that overall philosophy on driving attendance and that kind of plays through to a variety of elements of the business.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

Okay. And one last thing, you talked about the Latin American growth potentially slowing somewhat in the short term. Do you have any added insights or definition as to how much and how long their process might take place?

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Jim, I think, in the remarks that Sean made, he indicated that we are pretty confident that we're going to continue -- that we will achieve 50 to 75 new screens in Latin America. And we really firmly believe that, all indications are that we will do that. As we look forward, we are very bullish on Latin America. However, when countries like Brazil and Argentina have gone through significant recessions and political difficulties, it doesn't turn on a dime. So as we talked to both our teams down there and also to experts in the economic field, we believe that the turnaround is going to be somewhere in the next 12 to 36 months, because mall development takes time and that's where almost all of the growth comes from. And so we think that if you're looking for a time frame, I would say that we're -- that those countries had probably hit their bottom and are on their way to recovery. We've seen it in Brazil with currency. We're starting to see it in Argentina with a reduction in the hyperinflation. And we are bullish because we think that we're so well positioned down there from an operation and also from a financial standpoint that over the next 12 to 36 months, as the mall development comes back, we will just continue to be able to drive that business in a very profitable way.

Operator

(Operator Instructions) Next up we have Matthew Harrigan with Wunderlich.

Matthew J. Harrigan - *Wunderlich Securities Inc., Research Division - SVP and Senior Analyst*

I guess 2 questions that echo somewhat back to the CinemaCon Breakfast. Firstly, I mean, you said that you're pretty much teflonized against declines in the mall traffic. I'd be curious if there is some sort of tipping point where that does kick in. But even apart from that, would you say that this really has the effect of neutering any sort of long-term rent pressure given how vital you are to the U.S. malls and similarly in Brazil? And could we even see possibly rents going down at some point in time? And then secondly, you talked about, I guess, your business and studio business, everyone's looking at big data and you've got your opportunities there. But one of the things that would be really interesting in concert what the studios and the cable companies know is to kind of look at the Venn diagram on movie attendance and VOD, both for the big movies, a little girl goes to see Frozen 6 times and then also buys or does VOD and then some of the smaller movies people might just watch at home versus in the theater. But just in terms of the overlap between those 2 groups, I mean in concert with your studio partners have you done some work as someone like McKenzie probably does some work? Or is that something that is kind of for the next round in terms of analyzing the data?

Sean Gamble - *Cinemark Holdings, Inc. - CFO*

Thanks, Matthew. I'll answer the -- it's Sean. I'll answer the first half and then I'll let Mark add -- answer the second half of your question. Yes, I mean, as far as the economic ups and downs influencing movie going, I mean, we haven't seen that happen yet to date. I mean, I suppose that could. It could always change, but all the way through the first quarter that we just closed, we haven't seen that be a big component of impacting attendance. It continues to be the volume and quality of content that is the driving force of what influences attendance. How those economic factors may influence rents, I think that it's probably unlikely we're going to see that have a big influence. I mean, there still is -- certainly internationally there still is quite a bit of inflation across the region. So those types of factors are going to continue to have an influence on rents. So I think it's unlikely it would go down. The other thing, too, is lot of those contracts are pretty long-term contracts. So the ability to change those would only be when we're renewing them. But again, I think the likelihood of rents going down are probably limited.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Matthew, relative to your second question about data collaboration, we are actively engaged with our studio partners on doing this. We are going to get better and better as we get more data and we're able to segment that. But there is a good correlation between moviegoers, who come to the theater to see a movie, who then like it and they clearly have a greater propensity to either rent it on VOD or purchase it on EST or on DVD. So we will be active in helping studios to do that. The other thing that we'll be very active on is when someone comes to, you gave an example in animated movie, clearly, we will then be able to get back to that person and that family household with notification and a marketing message for the next animated movie that's coming down the road. That's what all this data mining is about. It's both to increase attendance back at the theater for similar genre movies, not unlike which happens on other businesses that you're involved with. And then secondarily, to utilize that data to help our studio partners sell downstream either rentals or sell-through.

Operator

There are no further questions at this time.

Mark Zoradi - *Cinemark Holdings, Inc. - CEO and Director*

Thank you all very much for joining us this morning. We look forward to speaking with you again following the second quarter. Bye now.

Operator

This concludes today's conference call. You may now disconnect.

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