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Cinemark Holdings, Inc. (CNK)

Q1 2020 Earnings Call

CORPORATE PARTICIPANTS

Chanda Brashears
Vice President-Investor Relations & Corporate Communications, Cinemark Holdings, Inc.

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

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

OTHER PARTICIPANTS

Eric O. Handler
Analyst, MKM Partners LLC

Alexia S. Quadrani
Analyst, JPMorgan Securities LLC

Chad Beynon
Analyst, Macquarie Capital (USA), Inc.

David W. Miller
Analyst, Imperial Capital, LLC

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Alan Gould
Analyst, Loop Capital Markets LLC

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Mike Hickey
Analyst, The Benchmark Co. LLC

Robert Fishman
Analyst, MoffettNathanson LLC

MANAGEMENT DISCUSSION SECTION

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

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

Chanda Brashears

Vice President-Investor Relations & Corporate Communications, Cinemark Holdings, Inc.

Thank you, Natalia, and good morning, everyone. At this time, I would like to welcome you to Cinemark Holdings, Inc.'s first quarter 2020 earnings release conference call hosted by Mark Zoradi, Chief Executive Officer; and Sean Gamble, Chief Financial Officer and Chief Operating Officer.

Given our circumstances with a reduced workforce and work-from-home policy to protect our employees and their families, we opted to rely upon the relief provided by the SEC and delay the filing of our first quarter results, as disclosed in the 8-K filed May 8.

In accordance with the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995, certain matters that are discussed by members of management during this call may constitute forward-looking statements. Such statements are subject to risks, uncertainties, and other factors that may cause Cinemark's actual performance to be materially different from 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 GAAP financial measures can be found in today's press release within the company's quarterly filing or Form 10-Q or on the company's website at investors.cinemark.com.

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

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you, Chanda, and good morning, everyone. We appreciate you joining us to discuss our 2020 first quarter earnings result on this virtual call. Chanda, Sean, and myself are all at unique locations this morning.

Before beginning with my formal comments, I felt compelled to note all that we as a society are enduring with numerous crises simultaneously: a global pandemic, dramatic economic downturn, unemployment rates mounting to historic levels, and social upheavals sparked by racial justice (sic) [injustice]. It is a most challenging time, and I sincerely hope we're able to find a path forward as a united country and people.

Given the extraordinary circumstances associated with the impact of the global COVID-19 pandemic, we're modifying the standard format of our earnings call. Rather than providing a detailed summary of our first quarter results, as well as an update on our key strategic initiatives, our prepared commentary on these topics will be abbreviated. Instead, we'll concentrate on our liquidity position, as well as our plans to reopen our theaters before we turn to Q&A.

The social and economic effects of COVID-19 have been widespread and hard-hitting in our industry, like many others that have been especially impacted. For context, through February, the North America industry box office was up more than 7% quarter to-date compared to the same period last year, driven by strong performances from Bad Boys for Life, 1917, Sonic The Hedgehog, and Jumanji: The Next Level. However, the severity of COVID-19 increased throughout the month of March, which resulted in a complete shutdown of the industry by mid-month. Box office rapidly declined and the quarter ended down 25%.

One positive detail we felt worth highlighting is that Cinemark modestly surpassed the industry box office performance at 20 basis points, which is the impressive feat, given our comparison of 450 basis points outperformance in the prior period. We've now extended our trend to over-indexing 40 of the past 45 quarters.

Cinemark's consistency has been the cornerstone of our performance over the years: consistency in terms of our financial results, balance sheet strength, operational and strategic execution, capital allocation strategy, and highly experienced management team. Our ability to deliver in these areas year after year in varied economic climates gives me confidence in our ability to continue to excel even as we adapt to an evolving landscape.

Sean will now walk you through our first quarter results and liquidity position with a bit more specificity, before turning it back over to me to cover our reopening plans. Sean?

Sean Gamble

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

Thank you, Mark. Good morning, everyone. As Mark indicated, the COVID-19 pandemic has had a dramatic impact on our industry and has materially affected Cinemark. As a result of the crisis, we temporarily closed all of our domestic theaters on March 17, followed by our Latin American theaters the next day. These closures created a significant drag on our first quarter results, with a sizable distortion to all associated financial metrics and they continue to impact our business today.

Ahead of the crisis, our financial performance was tracking exceptionally well, driven by our continuous improvement program and our varied strategic initiatives. On relatively flat attendance, February year-to-date total worldwide revenue was up 5%, adjusted EBITDA had increased approximately 16%, and our adjusted EBITDA margin had expanded by nearly 200 basis points compared to the same timeframe in 2019.

Unfortunately, however, the effects of the crisis in March were severe. We estimate that COVID-19 adversely impacted our first quarter adjusted EBITDA by almost $90 million. The crisis also drove a heightened level of long-lived asset impairments on account of near-term cash flow implications and depressed earnings per share by approximately $0.70. Furthermore, it negatively impacted our first quarter's cash flow by more than $140 million.

As we discussed during our investor call on April 15, we took swift actions to rein in expenses and manage liquidity as the implications of COVID-19 became clearer and the likelihood of closing our theaters became more probable. While several actions, such as delaying various payments and drawing down $98.8 million of our revolving credit facility, benefited first quarter liquidity and helped to offset the drag on cash caused by COVID-19, the impact of the majority of our actions began to take effect in the second quarter.

All told, we ended the first quarter with total worldwide revenues of $543.6 million, adjusted EBITDA of $66.2 million, and an adjusted EBITDA margin of 12.2%. We reported a net loss of $59.6 million and had an ending cash balance of $479.4 million.

Moving on from the first quarter to present day and digging deeper into our cash position, we thought it would be helpful to describe many of the key actions we have undertaken and continue to drive to increase and preserve liquidity. We covered these details during our April call and they include: halting all non-essential operating and capital expenditures, including delaying newbuild real estate commitments, wherever possible; reducing our workforce and payroll, including laying off over 17,500 hourly theatre employees; taking our CEO's and our board of directors' salaries to zero; reducing numerous other executive salaries by 80%; furloughing over half of our corporate employees also with 80% salary reductions; and reducing the salaries of our remaining staff by 50%.

We've negotiated a wide range of modifications to existing and future contractual obligations with landlords and suppliers to delay the timing of payments. From a financing standpoint, we drew down $98.8 million of our revolving credit facility and secured $250 million of new five-year senior secured notes. Along with the issuance of those notes, we also obtained a waiver to suspend the net senior secured leverage ratio covenant associated with our credit facility through the end of 2020.

Additionally, we've temporarily suspended our dividend of approximately $42 million per quarter, and we are pursuing a range of tax-related opportunities provided by the CARES Act, including an approximate $20 million tax refund associated with new qualified improvement property rules, varied payroll tax offsets and delayed payment options, and meaningful potential associated benefits with net operating loss deductions.

As a result of these many actions, we ended the month of May with a global cash balance of approximately $640 million. Furthermore, we continue to see a cash runway well into 2021, even if our theatres were to remain closed. That said, we do not believe such a scenario is likely based on how the industry is currency progressing toward a large-scale reopening in the third quarter.

Mark is going to cover various aspects of the steps we are taking to prepare for that reopening in a moment. And we wanted to emphasize that as we are working through those steps, cash management and heightened safety measures are two of our key focal points. Over the past two months, we've been reevaluating and reengineering numerous aspects of our business to operate leaner and more efficiently, as well as adhere to a myriad of new cleaning and distancing protocols to keep our guests and employees safe in the current health environment.

Doing so has involved accelerating several productivity initiatives that were already in motion pre-crisis, as well as pursuing a range of new actions. At the same time, as our near-term focus will concentrate on must-haves and refortifying our balance sheet, many other capital growth intensive growth initiatives that we were pursuing prior to the crisis will be put on hold for now.

Along these lines, while we are not yet prepared to provide updated CapEx guidance for the year, we do anticipate that our capital deployment for the remainder of 2020 will continue to be limited to essential needs, signed commitments, and select projects that were already in motion ahead of the COVID-19 outbreak.

Fortunately, our active investments over the years in sustaining and improving the condition of our theatres have preserved the quality of our circuit without a sizable backlog of deferred maintenance. For instance, our significant investments in recliners over the last several years, which now constitute over 60% of our domestic circuit, included varied theater upgrades and remodels. Our theaters are extremely well-positioned as the industry gets going again and will not be materially disadvantaged by a tightening of capital expenditures in the near-term.

Over the years, as we have invested in prudent ROI-generating opportunities, like recliner remodels, we have also consistently maintained a disciplined capital allocation strategy that favors a strong balance sheet with low leverage. We believe that one of the most significant reasons we are so well-suited to navigate through the COVID-19 pandemic is because of the financial strength our strategy has afforded us. In this regard, as we emerge from the crisis, our top capital allocation priority will be to refortify our balance sheet to its pre-crisis standing.

With that, I will turn the call back over to Mark, who will provide additional information about how we're gearing up to reopen our theaters.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you, Sean. It clearly goes without saying that we are thrilled to have turned the corner from having our theaters closed to actively preparing for them to reopen. As we do so, there are several important considerations that we're diligently assessing and factoring into our timeline and plans. These include: the current status of the virus, the evolving restrictions imposed by governmental authorities, availability of new film content, new health and safety protocols, and consumer confidence and willingness to return to the theaters.

We are working within these parameters and utilizing consumer research to guide our decisions. You may have seen media coverage of a recent survey conducted by EDO, a leading data and analytics company used by the major studios and other entertainment clients, in which consumers were asked about their likelihood to return to theaters in July. It's noteworthy that respondents' likelihood increased from 40% to 75% when proper safety measures were implemented.

With that in mind, we have been intensely focused on developing enhanced health and safety protocols, understanding that these factors will weigh heavily on the confidence and peace of mind of our employees, guests, and community as we reopen our theaters.

Examples of actions we are taking include: increasing our already stringent cleaning and sanitation measures to levels that meet or exceed the CDC and World Health Organization guidelines; minimizing physical distance at the box office and concession stand, along with the installation of plexiglass screens to create additional separation; frequently and thoroughly disinfecting all high-touch areas; disinfecting seats every morning and again before each show times with products identified by the EPA to be effective in eliminating COVID-19; providing ample amounts of hand and seat sanitizer supplies for our guests; screening the health and well-being of our employees before each shift; requiring all employees to wear face masks and encouraging guests to do the same; staggering show times to minimize crowds; and implementing seat buffering technology within our point-of-sale system that will secure physical distancing between parties when purchasing tickets.

In light of the distancing protocols I just mentioned, it's worth reiterating that we're able to operate profitably in an environment with reduced capacity. The key to doing so in this environment will be to optimize our operating hours and occupancy levels, while minimizing our operating expenses to the greatest extent possible.

To that end, we've been actively reevaluating a wide range of business protocols, as Sean indicated earlier. Both in the field and at our corporate service center, we're modifying various operating procedures to ensure they're aligned with near-term demand and serve an essential purchase.

Some examples include: simplifying and streamlining certain theater practices, such as issuing and checking tickets; concentrating food and beverage offerings on core categories that are less labor intensive; revising all of our theater staff schedule models to align new procedures and optimize requirements, and rationalizing head count in both field and at the corporate level as certain initiatives are postponed for the time being. We also plan on optimizing our hours of theater operations as we reopen, and we'll scale them as consumer demand necessitates.

The revised operating protocols I just described have been developed by a series of project management teams we assembled to develop and implement our theater relaunch strategies for a new norm, as well as make our business leaner and more efficient. The effort has encompassed a vigorous project structure with our cross-functional working groups tasked to identify key actions to successfully ramp up our theaters in the most effective and efficient means possible, as well as various contingency plans to enable us to be nimble and flexible to adjust quickly as circumstances demand.

All of these actions I just described are associated with our cash management objectives and will help to ensure that our operating practices and expenses are appropriately balanced with near-term demand.

In addition to carefully reconsidering our varied operational procedures, we have also spent considerable time working through customer and employee communication plans in conjunction with the timing for our reopening. Our US reopening will take place across four phases beginning June 19 and continue through July 10. As the outbreak of COVID-19 in Latin America trailed the US by several weeks, the reopening of our international theaters will face a similar delay. Though our plans are still evolving, we currently anticipate reopening Latin America sometime in August and we'll continue to assess the circumstances.

Initially upon reopening, we will be showing classic repertory content at very attractive, welcome back promotional pricing. We are appreciative of our varied studio partners for sharing many of their top library hits with us and excited about the campaigns we're creating together that will lean into the nostalgia and emotional connection moviegoers have with these wonderful films.

We're also collaborating with NATO, our trade organization, and the studios on an industry campaign to collectively celebrate the magic of movie going through a multifaceted approach utilizing talent appearances, industry events, and paid media. It's been a remarkable experience collaborating with these groups in unison in support of our industry to reignite the shared immersive theatrical experience.

Along these lines, we have been maintaining close contact with our 12 million addressable customers across our global circuit through our various loyalty programs. This, of course, includes our Movie Club members, who continue to exceed 950,000 members. We're thrilled by the fact that our current membership base remains in-line with the figure we reported back in February, even though our theaters have been closed for multiple months.

We view this result as a true testament to our guests' love of movie going, as well as the strong value proposition we created with Movie Club. Members have consistently provided feedback that they appreciated our proactive approach in pausing their membership when our theatres closed, and they look forward to returning to our theaters for the newest blockbuster films and our freshly popped movie theater popcorn.

The film slate for 2020 continues to develop and we, along with our studio partners, are all looking forward to releasing new, high profile films again on the big screen beginning in the third quarter. As of today, we expect this will kick off with Unhinged featuring Russell Crowe by new studio entrant, Solstice. Warner Bros. Tenet directed by Chris Nolan, who we're extremely grateful for, for his relentless support of the movie theaters over the years, but especially now amidst this crisis. Disney's live action Mulan, SpongeBob movie, and A Quiet Place from Paramount and Warner Bros. hit Wonder Woman 1984.

The third quarter is followed by a further array of big tentpole films with diverse genres and broad appeal in the fourth quarter, such as Marvel's Black Widow, Pixar's Soul, James Bond – No Time to Die, Top Gun: Maverick, The Croods 2, and Steven Spielberg's West Side Story, to highlight just a few.

And we're very optimistic about 2021 and all it has to offer with many significant titles that got shifted from 2020, as well as numerous highly anticipated films that have already been planned for next year. Examples include the long-awaited sequel Avatar 2, which has recently resumed production in New Zealand, The Batman, Jurassic World: Domination (sic) [Dominion] (00:21:17), Spider-Man live action sequel, Minions: The Rise of Gru, The Eternals, Raya and the Last Dragon, The Matrix 4, Fast & Furious 9, Shang-Chi and the Legend of the Ten Rings, live action Jungle Book, and Mission Impossible 7. The list goes on and on.

Our studio partners produce, market, and distribute amazing content year after year. At Cinemark, with our giant screens and heightened sound and technology, we provide an extraordinary and deeply immersive entertainment experience for viewing that content in a shared atmosphere, one which simply cannot be replicated at home. We've consistently seen for decades how the theatrical atmosphere creates and provides an escape for moviegoers, which is something we're all craving and need right now. It's one of the many factors, along with significant pent-up demand, to get out of our homes that we believe bodes well for Cinemark and our industry as theaters reopen.

In closing, I've been in this industry for more than 30 years, having spent most of my career at Disney. I have confidence in this industry and our ability to not only weather the storm, but emerge stronger and leaner company. Yes, it may take some time, but moviegoing is a beloved pastime that spans generations: first dates, long overdue dates, girls' nights out, fanboy get-togethers, and of course, family outings; everyone has fond memories of going to the theater and we believe that tradition will continue.

One last thing before I close, I'd like to say a heartfelt thank you to the Cinemark team. Their cross-functional collaboration, tireless work ethic, and dedication to the company, which is especially valued, given the significant reduced salaries, has elevated to a level during this crisis that is beyond impressive, for which I am extremely grateful. I'm proud of all what we've accomplished to-date and I'm confident in our ability to successfully operate in the new future that awaits us as we reopen. We are all truly excited once again to welcome guests and team members back to the cinema.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question is from the line of Eric Handler with MKM Partners.

Eric O. Handler
Analyst, MKM Partners LLC

Q

Thanks and good morning. Mark, a couple questions for you. First, I wonder if you could maybe outline what's in your four phases for reopening between June 19 and July 10? And also, what gives you confidence that Tenet's the first big movie to launch out of Hollywood? What gives you confidence that New York and L.A. are going to be ready and Warner Bros. will be willing to roll out that movie at that time? And I've got a follow-up question.

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

A

Thank you, Eric. Let me deal with the first part, as I mentioned, a four phase. The first phase is a five-theater test phase in and around the DFW area close to our headquarters and service center, just to make sure we've got all of our systems in place, everything is working technically, all of our operational and health and safety protocols are operating as planned. So that's a one-week, five-theater test.

Then the following week, we will open up approximately one-third of our theaters. Those will be generally in – the larger theaters in larger markets. And then we'll open up one-third of the theaters in the following week. And then the final third will all be opened by July 10. And by doing so, we will have all of our theaters open with lots of tests and opportunities to test out all of our systems. We will have significant amount of promotion with welcome back pricing, welcome back pricing not only on tickets, but also on concessions; big pushes relative to Movie Club; and we'll have everything up and running in those four weeks leading up to Tenet.

Regarding your question on Tenet, we have been in close contact with Warner Bros. They remain extremely optimistic and positive, as well does Chris Nolan, about the July 17 opening. I mean, it does go without saying and Warner Bros. is clear about this too. Of course, it depends upon a continued positive movement relative to the decline of COVID-19 and the government restrictions being reduced across the country.

We do expect that most counties and states will have relaxed their requirements and allow theaters to open up somewhere close to, if not, a full 50%. We're confident that we can operate profitability at 50% with all of the techniques that we've put in place, the social distancing, the models we've run. So, look, I can't promise you, nor can Warner Bros. promise you that Tenet's going to open on July 17. But you have to choose a date to plan to. This is what Warner said they want to do. Disney's followed and kept Mulan on July 24.

However, the key thing is this, we've put this plan in place and it is flexible. And if for whatever reason it might be, whether it's virus related or whether it's regulation related, and we have to delay for a month or four weeks or five weeks. We're fully prepared to be able to do that. We're prepared from a financial standpoint. We're prepared from an operational standpoint. So, the planning that we've put in place allows that flexibility.

But on the other hand, you've got to plan to a date. And until such time as Warners tells us that they're not going to be releasing that movie, we're moving towards that. The last thing I would say is Warners was highly encouraged when they released nationally the second trailer for Tenet tied to Fortnite. It got a tremendous amount of positive reaction from consumers in social media. It was a big encouragement to them to say there is a pent-up demand for people to come see this movie.

Eric O. Handler
Analyst, MKM Partners LLC

Q

Great. And just as a follow-up, you said you've been in contact with your Movie Club members and other people that attend your theaters. I'm just curious, have you been conducting proprietary surveys and maybe some of results – you could share some of the results you're getting from those surveys about consumer's willingness to return?

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

A

We are talking to our consumers and doing it on a regular basis. There is no proprietary research at this point that we're prepared to share with you. But I can say that the key thing that we see in every piece of research, whether it's the research that we're doing ourselves or the industry research which has been done, there's been multiple pieces of research from various companies. The key thing that comes out every single time is the consumer wants to come back to the movies and to the extent that they feel confident in the help and safety protocols that we put in place, it tremendously increases their likelihood and willingness to come back.

So it's really two things. One, to people feel safe to come back and by putting all these protocols in place, and it's why we spent so much time and effort and being very diligent, and now we're going to communicate it very clearly because we know that's the key for the consumer, that along with great movies. And we know we have great movies coming, so our part right now is to, number one, plan the health and safety protocols; number two, to execute them; number three, to communicate them properly to the consumer.

Eric O. Handler
Analyst, MKM Partners LLC

Q

Great. Thank you very much.

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

A

Thank you, Eric.

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

Alexia S. Quadrani
Analyst, JPMorgan Securities LLC

Q

Thank you. I had a couple of questions. I wanted to follow-up on the previous question about Warner Bros. and Tenet's release. I know you can't speak for Warner Bros., but just in your experience in this industry, which I know is very extensive, it's fair to say it gets harder and harder to push out the date when you get further into the marketing process, meaning spending a lot P&A. Can we take some assurance that the more sort of advertising we're seeing and the closer we get, then the less likely it is for them to move it? So that's my first follow-up.

And then I'm just wondering if there's any way you're sort of incentivizing guests due to pricing. And I'd love to hear your thoughts generally on pricing any way if it's changing to kind of get demand spread out throughout the week and not just on the weekends when you reopen.

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

A

Alexia, relative to Warner Bros., I'm glad you recognize that, obviously, I can't speak for Warner Bros. But they have been consistent in very much wanting to do this, as has Chris Nolan from a director and writer standpoint. Yes, the marketing budgets and marketing spends are critical and absolutely, Warner Bros. is thinking about that. So, there's going to come a time where they've got to push their button and say, we're going to go spend hard media to start promoting this.

One of the things – the most recent thing they've done I already mentioned, which was the trailer drop, which was very key. And so they will make that decision absolutely somewhere in the not-distant future. Again, I can't speak for them, but it's clearly going to be during the month of June. It's probably going to be somewhere before late June. But not speaking for them, that's likely in their thinking, because they've got work to do in terms of actually putting paid media behind the social and publicity media that they're currently doing.

And, again, what's critical to us is that we are planning on the 17th, because you've got to pick a date in the sand that makes sense. You put your tentpole down there. We've done that. Warner Bros. has done that. But we've done it in such a way that if in fact they believe they have to change, which they've given us no indication to as of today, we will be prepared to make that change and adjustment along the way, and it will not be a devastating change or adjustment for us. It would be something that we actually anticipated could happen in our planning.

And the second part of the question was about pricing. We're going to have very attractive pricing coming back to the cinema. We're going to do $5 for adults and $3 for children for all of the library product. So, we're very excited about that. We're also going to have highly discounted concession offers as well. So, we're doing a big welcome back campaign, both ourselves at Cinemark, as well as the industry. And when consumers return to first-run product, we will return to standard pricing.

I think you likely know, Alexia, that Cinemark has always been relatively conservative on pricing. Our average ticket price across the circuit in the US was under $9. Movie Club member can come to the cinema any time; Friday night, Saturday night, highest cost for $10. So we've been very careful to continue to make moviegoing an affordable, out-of-home entertainment. So we don't anticipate either a price increase or decrease with first-run product when we come back with that first-run product.

Alexia S. Quadrani
Analyst, JPMorgan Securities LLC
Q

Thank you very much.

Operator: Your next question is from the line of Chad Beynon with Macquarie.

Chad Beynon
Analyst, Macquarie Capital (USA), Inc.
Q

Good morning. Thanks for taking my question, and congrats on the market share and strong margins before the shutdown. I wanted to focus on that, Sean, I guess related to the continuous improvement plan, given the margins that you've put up in January and February. Is it safe to assume that the plan was kind of trending on track with what you originally talked about, I believe, on the last quarter call? And then related to that, is $40 million still an achievable number in kind of a normal environment? Thanks.

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

Sure. Thanks for the question, Chad. Yeah, I mean, a big portion of that performance through February was on account of the progress we were making with the continuous improvement program. Through February year-to-date, we were actually pacing well ahead of our target both for February year-to-date, as well as just for the overall $40 million margin improvement that we were going after for the year.

As mentioned, we're currently accelerating many of those efforts that were already underway as we reassess the business. I think going forward, it's going to get a little bit challenging to kind of discern what's continuous improvement versus what's perhaps process restructuring. But I would say based on some of the actions we already see and some of the potential opportunities we've already identified over the last few months, likely the overall impact will probably be a bit higher in total than given what we were originally targeting.

Chad Beynon
Analyst, Macquarie Capital (USA), Inc.

Q

Okay. And then on the $140 million free cash flow impact to the quarter that you called out in your prepared remarks, was there an imbalance between payments and receivables that was just a little bit more than what we're thinking? And is your cash burn still similar to what you outlined on a continuous – or on the business call last month? Thanks.

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

A

Sure. Yes, just answering that second question first, the cash runway is pretty much in-line with what we had communicated back in April. So there's really not a material change in that projection. As far as the $140 million impact on cash flow that I mentioned, really the biggest driver was the flow-through of EBITDA.

And then on top of that, from a working capital standpoint, really the additional large driver was just the lack of collection of admissions revenues that we had through most of the month of March. So particularly the last two weeks when we were closed, that created a significant drag just on working capital.

And we pursued a range of other payment actions to offset that to help boost our cash position by the end of the quarter, but the driver of that $140 million was largely the EBITDA flow-through and the impact of the lack of admissions revenue collections.

Chad Beynon
Analyst, Macquarie Capital (USA), Inc.

Q

Okay. Thank you very much.

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

A

Thanks.

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

David W. Miller
Analyst, Imperial Capital, LLC

Q

Hey, guys. Sean, can you talk about – I'm curious on a couple of things. Where were your admissions revenues domestically as of March 1? I'm just curious where things stood before, obviously, activity fell off a cliff, and then I have a follow-up. Thanks.

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

Give me a second on that one. I think as of the end of February, I believe – I'm going from memory here – we, along with the industry, were about 7% up – hold on a second.

[indiscernible] (00:38:03)

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

But I believe that's where – we were up – year-to-date we were collectively up about 7% heading into the crisis.

David W. Miller Q
Analyst, Imperial Capital, LLC

Okay. That sounds about right. And then where do you guys stand right now with rents? I mean, actual physical rents, not film rents. But where do you guys stand right now with rents with your landlords? Do you plan on paying any rent when you reopen? And how should we model rents, say, in 2021, where let's assume the crisis is over by then and you're probably going to have to remit what you [indiscernible] (00:38:42) landlords sometime in 2021? How should we model that?

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

Sean, let me start and then I'm going to let you finish it up, if I could. David, our landlords, we've contacted literally every single landlord and we have had success with negotiations with many of them for rent delays, and they've been very cooperative. Some were for three months delay, some were six months, some were nine months. Every one was a different deal and negotiation, and most were willing to do some form of a deal with us; not everybody, but most were. But our real estate department has done a very, very good job.

And the paybacks on some of those, some of them will be towards the balance of this year, some of them will fall into 2021. There's not a specific schedule that we're going to be able to share with you on that. But let me just say that we've been able to effectively negotiate and work with our individual landlords across the board. And we have not taken a position across of – in any kind of significant where we said, we're just not going to pay. Rather, we went into active discussions and negotiations with all of our landlords.

David W. Miller Q
Analyst, Imperial Capital, LLC

Okay. Sean, were you going to add something or...

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

Well, I think Mark kind of explained it. I mean, the specific modeling of cash associated gets complicated, because the shape of those negotiations takes all different kinds of forms. I'd say, a majority of the payments from discussions to-date have been shifted within year for 2020. There are some that have pushed into next year. And dependent on kind of how things continue to progress with the status of openings and movement, there could be subsequent actions that are taken. So, I guess, it's hard to just give kind of a simple answer on how to anticipate kind of the cash timing of that flowing through over the rest of this year and next year, because it's a range of different results.

David W. Miller
Analyst, Imperial Capital, LLC

Q

So, let me just make sure I'm clear. So there are some scenarios around the country and you're not going to detail that, but there are a few scenarios where you will be open, but you will not have to pay any rent for 2020, but may have to pay a portion of that back in 2021. Is that the right way to think about it?

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

A

That's correct. There are all different kinds of deals. Some of the deals are just based on delayed timing, so there's kind of extended dates when they're due that aren't always connected to a reopening date.

David W. Miller
Analyst, Imperial Capital, LLC

Q

Okay, perfect. Thank you.

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

A

So some – yeah. But just to be clear, David, because I know this – from an accounting standpoint what we'll reflect in our EBITDA on the P&L will be the full expenses for our rent expenses, even though the cash timing for paying those will vary from that. So what gets reflected in EBITDA on a go-forward basis, month-to-month, quarter-to-quarter, will be the full rent amount that we're obligated to, because we have to recognize that expense as it takes place.

David W. Miller
Analyst, Imperial Capital, LLC

Q

Okay. Thank you.

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

A

Thanks, David.

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

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Good morning, guys. So, I wanted to get a little bit more color on the way you'll be pricing. You talked about $5 for adults, $3 for children. But are you going to be adjusting the prices for the weekends so that you drive more attendance into the weekdays since there's likely more demand on the weekends? I don't know if that's the expectation going forward. And then, how do you expect the premium large format screens to be priced? Are you going to be trying to optimize for that?

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

A

Thank you, Meghan. We decided that during our ramp-up stage when we're showing repertory library product leading up to Unhinged and Tenet, that we're going to make it very simple for the consumer. Very simple marketing message, very attractive pricing, $5 for adults, $3 for children and seniors; no change on the weekend. Just very simple. We don't think, based on the research we've done, that a $5 and $3 is going to keep anybody away. What is going to attract people to come is, number one, the movie; and like I said, number two, confidence that we've taken all the health and safety protocols. So, no, so we made it very simple, very clear, easy consumer message, welcome back, and then did the same thing relative to concessions.

And your second question was...

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Q

The premium large format screens will be priced at the same price.

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

A

And again, what we decided to do is make it very simple. So during library product, there's no incremental charge for XD as well. We believe that we will not have a capacity issue for the library product, because, obviously, these are movies that have been out there. They're available to people with multiple formats and have been for many years. So, we're doing this just to get people comfortable in coming back to the cinemas, and that's why the attractive pricing and that's why the no upcharge for XD. Now, once Tenet and Unhinged are released, we will go back to normal pricing with normal upcharge for XD.

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Q

Got it. And do you believe that your theatre staff is ready to come back? Are you in contact with them? Are they prepared?

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

A

Yeah. One of the things that we did, we did have to lay off thousands of people. We did not lay off our general managers. And we also kept [ph] seconds (00:45:06) in our larger theaters as well. So each one of our general managers is still in place. They still remain in contact with their theater staff. We will have an expedited, easy hire-back process for anybody that left Cinemark in good standing, which was the vast majority of our employees, so we'll be able to bring them back relatively quickly.

And when we start up and beginning with library product, it's not going to be like we're going to turn the switch and the theaters are going to be full. This has been planned out so that there's a rolled ramp-up ability for both our staff and our employees. And that's why we decided to do this in a four-week cycle to be able to bring everything back up instead of just trying to flip a switch and bring them all back at one day. And we're very confident in our general managers. We have an outstanding group of general managers. We've not lost our general managers, and they're prepared to bring back their assistant managers and hourly people, and if necessary, hire new people.

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Q

Got it. Thank you.

Operator: Your next question is from the line of Alan Gould with Loop Capital.

Alan Gould
Analyst, Loop Capital Markets LLC

Q

Thanks for taking my questions. I've got a few. First, Mark, you mentioned in the opening remarks about having [indiscernible] (00:46:33), assuming the governments will allow 50% capacity. I thought with 6-feet social distancing, theaters only were close to the 30% capacity. Are you expecting to be able to sell 50% of your seats?

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

A

Alan, that the maximum number of seats that we would be allowed to sell, if in fact that's the case. But we can operate our theaters, as we've indicated before, very, very profitable even below that level. And in the beginning, especially when you have Tenet, will be the single big movie on the 17th. We're going to have plenty of seats and we're going to have plenty of showtimes to be able to satisfy demand. What's critical and which we're monitoring all the time is all the time we're getting an additional state and additional county starting to relax their requirements.

So, a perfect example is our home state, which is our second biggest state in the union, and that's Texas. Traditionally, for the last several weeks, the requirement there has been 25%. We fully expect that 25% to go to 50% sometime this week or next. That's the indication that we're starting to get out of the government there. And we also expect that the vast majority of states and counties will be at that 50% level by the time we open up Tenet on July 17.

Alan Gould
Analyst, Loop Capital Markets LLC

Q

Okay. Second question is, what's your expectations be in terms of concessions per patron? Are you going to be able to have pre-ordering, just the whole process? I know you're staggering movie opening times a little bit more. But with social distancing, should we expect the same amount of concessions per patrons?

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

A

I think, we're going to focus on the core, as I said in the prepared remarks. So, one good thing about focusing on the core is the margins are going to be higher, because those tend to be the highest margin concession items we have. They take the least amount of labor. They have the least amount of spoilage on them. We don't expect on day one that our concession per caps will be at the same level they were with the close. First of all, we're going to do some significant price reductions, welcome back price reductions during the month of June leading up to Tenet's opening, again, to encourage people to come back.

So, there'll be some level less than what we ended with in terms of per caps. But I think, over time, as we move into the third quarter and we start offering additional concession items, that we will build back up to that per cap level. I think initially it won't be there, but I think there's no reason as we continue to get more and more consumers in and we bring back all the various items. Initially we won't be selling Pizza Hut, but it won't be long – we're not talking about half a year.

We're talking about months, and we're going to be back up with Pizza Hut and burgers and the more complicated things to buy beyond coke, candy, and popcorn. We will be offering limited alcoholic beverages as well in the beginning, and then we'll expand that to the full level as time goes.

Alan Gould
Analyst, Loop Capital Markets LLC

Q

Okay. And then for Sean, you ended March 31 with $730 million of cash pro forma for the debt that you took on. I guess, May 31 we're at $640 million. Is $45 million per month a good cash burn rate for us to assume?

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

A

That's a fairly safe assumption. I mean, we will fluctuate up and down a little bit just based on the timing of certain items, such as our bond payments, as an example, that come in due November and December. But in general, we're probably hovering around that level, give or take a bit. That does not, obviously, include – that does not include any incremental ramp-up costs to restart the business as well.

Alan Gould
Analyst, Loop Capital Markets LLC

Q

Okay. Last question. Sean, I know your costs internationally are all in local currency, but the Brazilian real and the Argentine peso continue to get weaker and weaker versus the dollar. Is there anything we have to worry about with covenants or balance sheet items or anything as the currencies hit new lows?

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

A

We're not concerned about the effect of those currencies on any covenants or anything debt related. As we've said in the past, the majority of our activity in those countries, everything's transacted in local currency and they're fairly self-sufficient. So, I mean, the short answer is, no, that's not a concern. The biggest concern for us is just simply the effect it has on the translation of their results back into US dollars.

Alan Gould
Analyst, Loop Capital Markets LLC

Q

Okay. Thanks for taking my questions.

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

A

Thanks, Alan.

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

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Thanks. Mark, you've clearly thought out this plan very well and I was wondering if everything went as close to perfectly executed and envisioned, what would be the earliest month you feel you might be able to achieve sort of a normal-type operating environment or at least the new normal. And how might that be different for domestic versus LatAm ops? Is it same, several-week lag?

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

A

Thanks for the question, Jim. There's clearly going to be a transition period in this, because we've had so much product movement both within the year of 2020, also with a number of movies in 2020 getting pushed to 2021. And there's been production delays, where studios thought they were going to have movies done in 2021 that are going to get pushed to 2022. So, as we look at what's a new normal, we'll start to feel it towards the end of the fourth quarter and into the new year of 2021.

But the reality is I don't think we're going to get into really a full-on rhythm again of product cycle and all that we had prior to COVID until 2022. And that's more production-related than our operation-related, because as studios have had to adapt to not being able to actually do filming and do post-production, they've had to move their schedules; therefore, we're going to adapt as well.

We think that 2021 is going to be a nice recovery year, obviously, off of 2020, because we've been closed for so long and because some of the movies in 2021 came from 2020. But there's a longer tail to this as it relates to when do you get back to a new normal. I think we're going to operationally get back to a new normal for us somewhere in the late fourth quarter into the first quarter of 2021. But from a pure industry product flow standpoint, I think that's going to fall. I think that tail is going to go into 2022.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. And a couple other things. One is, you have provided a lot of encouraging statistics about your ability to operate fairly close to normal with the 50% limitation on seating capacity. Your theaters tend to be in suburban or smaller markets relative to couple of the other bigger players. And I wonder if you do have some exposure in urban areas, L.A., for example, where perhaps you might have tenancy to have sell-outs all the time. What share of your mix might be more impacted by the 50% seating limitation than others? I assume that would be a bigger problem if you tend to sell out more. And what would be the impact on you?

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

A

Yeah, Jim, I don't have a stat for that off the top of my head, obviously. I mean, that would be something where we would have to go look at that specifically. But let me say this to give you some perspective. Our three strongest markets are the San Francisco Bay Area, Dallas, and Houston. I mean, that's where if you said where is Cinemark the strongest in more urban areas. And we have a lot of theaters in each one of those places and a lot of screens. So, it's the part that gives me confidence that we're going to be able to operate profitably is it is rare that someone would get even close to that on a weekly basis.

So, we're going to have the ability to spread out the consumer demand among a lot of screens and a lot of theaters in our urban environments. And to the extent that we see a problem on a Friday night or a Saturday night, I think it won't be hard for us to make some midcourse corrections, and try and do some things which would spread some of that demand into midweek. For example, we've already done that and we'll come back and do that as well with our Discount Tuesdays. Discount Tuesday is now the second most popular day – pre-closing, it was our second most popular day of the week, because we did strong variable pricing to bring people in there. If we see that we have a problem on a Friday or Saturday night, we could choose to do more such tactics like that.

So, we're very aware of being careful relative to content and I'm just really confident, especially as we relaunch, we will not have a seat capacity issue, simply because in the beginning we're going to have the third week of Unhinged with the second week of Tenet and the first week of Mulan. So, there's plenty of room in our multiplexes to be able to satisfy the consumer demand even on weekend nights on that.

And actually one really good thing too is Mulan is going to play, obviously, to a somewhat different demographic than Tenet. There are going to be some crossover, but Mulan is going to have a very strong family component to it and Tenet is going to have a very strong young male component to it; not that they won't also have other demographics, but I'm just saying the primary. So, we're confident at 50% that we're going to be able to operate.

Plus, there's every likelihood as time goes into the fall that the 50% can become 60%, it can become 75%. We're not going to operate at 50% forever in a day. It's going to be for a period of time when we open, and then we're all going to see that relaxed as the months go forward.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. Maybe one last thing. Every crisis seems to create changes that linger and go on. I'm wondering if there are new protocols you're seeing that you're creating right now that you think will change the way things are done in the future.

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

A

Well, I think, the answer to that is yes. I'll give you just a simple one. The way that we do our tickets in the theaters, we're going to adapt and change. We're effectively going to go to what airports do. So, already a significant portion of our tickets are sold online and people are walking in with their smartphone and they have their ticket. Well, in the past, somebody would have to stop and get a printed ticket at a podium or at a kiosk, and then utilize that printed ticket to get into the theater.

As we reopen, that's no longer going to be the case. It'll be like an airline. If you've bought your ticket online, it's on your phone, you just scan your phone and you walk in. So, we're going to eliminate millions and millions of paper tickets, which will be, obviously, healthy in this environment, because nobody is going to be touching and ripping those tickets, and it's also going to be cost savings, because we're not going to be printing them anymore as well. So that's just one of the simple things that we've done.

The second thing is we were already in process of putting protocols and testing in place for online concession orders. We think that that will be only more important into the future. So, we're not going to open with a fully baked, tested online concession ordering, but we're continuing to work towards that. So in the not too distant future, we'll be able to do so, and this crisis and everything around it has just confirmed to us that we need to continue to do so.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Okay. Thank you very much.

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

A

Thank you, Jim.

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

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

Hey, good morning. Mark, when you look at your expectations for these films coming up over the next several months, I'm curious, do you expect them to underperform what they would have done pre-COVID? I mean, maybe the answer is obvious. But I'm just trying to put ourselves in the position of the studios as they watch these films come out and, obviously, they're very sensitive to box office results. They impact the downstream earnings of these movies. Based on what you know about consumer demand and sort of how you run your theaters in terms of capacity utilization, do you think there's going to be a material reduction in box office relative to had these come out in a "normal environment"?

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

A

I don't think so in a macro sense. It's hard to say exactly what consumer demand is. The studios haven't put these pictures on their traditional tracking yet that we have access to. But we have seen on our own social media a big interest in seeing the first couple, and seeing Tenet, and seeing Mulan and Wonder Woman. So, we expect there to be some significant consumer demand for it. And I don't think that the seating capacity is going to limit these people.

I think that what the research has showed to us that one of the most important things we can do, as an exhibitor, is to provide a very – a consistent health and safety environment, and then to communicate that to the consumers. So I think that is very incumbent upon us to do that. And the research has clearly shown that consumers are much more willing and anxious to come back if they know that we have done all of these things. So, that's why we've put so much effort and time in doing so, and we're about ready to begin the consumer campaign to communicate that to the consumer.

But your overall question, do I think these movies are going to do less in this environment, I don't think there's an absolute reason for that to happen. I think it all comes back down to us creating a safe environment and the studios creating a very strong demand campaign. And thus far, it looks like what Warners has been doing with Tenet has been very successful, and that particular audience is probably the first audience that's going to be willing to come back to the cinema. Again, it's a four-quadrant movie, but there is no question that the young adult demo is going to drive that four-quadrant movie. And I think that young male demo is going to be the first one willing to come back.

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

A

Ben, the other thing just to quickly add on, one of the unknowns, too, is the extent to which some of these films start to play longer than pre-crisis what had happened in near term is lot of films, while years ago they would run a lot longer in the theaters, they've come to a point where they have these massive opening weekends and then start to trail off. Well, with kind of the new dynamic in the marketplace, there's a good chance that films could open a little bit lower, but then run much longer, particularly the way theaters are going to be set up and certainly with these earlier films with less first-run content in the marketplace.

For some of the theaters that have already started reopening in the marketplace, we're already seeing how some of the content that was in the market prior to this shutdown has been holding pretty consistent and we think that's a positive sign as well that we could start to see a little bit of this dynamic as things reopen.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

No, that's a great point. I also wanted to ask – I think, Mark, you listed a whole number of things you guys are doing. You talked about plexiglass and disinfecting the seats, and sanitizers, et cetera. How long is your plan baking in continuing these processes? I think you said the new normal for Cinemark would be through late Q4 into Q1. So, is it your expectation that when you get past that, you won't need to have these additional initiatives? Which seem like they would bring additional costs with them, but maybe I'm thinking about them the wrong way.

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

A

Ben, of course, it's additional costs. It's not outlandish, but it's additional cost. It really all comes down to what happens with COVID, and what happens with the vaccine, and how comfortable consumers are. So, yes, some of those extra-special disinfecting procedures at some point will start to drop off, but it's too early to know exactly when that is. We're going to be very cognizant to make sure that we don't stop too early. And we're going to be cognizant to make sure that we don't continue and spend money we don't have to.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

Makes sense. And then lastly, just for Sean back on the accounting stuff, so thank you for the help on the cash burn. I just wanted to confirm, we will see a gap between rent expense on the P&L and the cash paid for rent as we move through at least Q2 and probably into Q3. Is that accurate?

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

A

That is accurate, yes. We'll continue to have delays of cash payments in the second quarter, but we will recognize the full expense of those rent payments and, to a certain degree, other expenses in full in the quarter.

Benjamin Daniel Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Thank you, guys.

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

A

Thanks, Ben.

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

A

Thank you. Thanks, Ben.

Operator: Your next question is from the line of Mike Hickey with Benchmark.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

Hey, Mark, Sean, thanks for taking my questions. I guess the first – I mean, you guys are, obviously, a solid operator here with meaningful sources of capital and you'd certainly maximized your liquidity for a couple of years here. But when you look at, I guess, the broader US market sort of total screen count, do you get a sense of the sort of magnitude private operators could be shuttering or your view, I guess, of potential reduced US capacity and total screenings from the shutdown?

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

A

Mike, thanks for the question. That's really hard for us to gauge and, honestly, it's not something that we're that focused on at this moment. And maybe what you're asking is the sub question there, is there going to be opportunity for us. There potentially could be. Right now, our primary concern is getting the theaters open and the consumer is confident to come back. Secondarily, our own cash security position, so that we're secure even in the downside contingencies that may happen. And it's just really hard for me to answer about other local exhibitors and their particular worry relative to cash flow and liquidity.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

Fair enough. Thanks. The second question would be Latin America. You noted the virus, there's a lag. It sounds like reopening is in August, but I imagine your reopening plan in Latin America, your profitability assumptions given less flex in labor and maybe lower screen count would be different than what you're experiencing in US, curious on that.

And then more broadly speaking, I guess, when you sort of look at the risk/return profile in Latin America, do you still think that's consistent with your desire to operate in that region? Thank you.

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

A

Let me deal with the second one first, because it's the [ph] sentinel (01:08:53) issue. Yes, we're very much interested in continuing to operate in Latin America. We think it's a very good, profitable, ongoing business for us. Nothing has changed in the material aspect relative to that.

Relative to the virus, yes, they're several weeks behind, probably the current hotspot there, more than anywhere else, is Brazil. We're very much attuned to that. We have outstanding teams in each one of those areas, plus they were going to have all the learnings that take place in the US, because the US is several weeks in front of it.

So, we anticipate being able to open there during the month of August. We think it'll probably be on similar guidelines. The question mark there is we operate in 15 different countries. So, now you've got – now you complicated it, because it's not just dealing with one country, but it's 15 countries, and states and counties within those countries. So, it's complicated. We think that we're going to be able to use a lot of the learnings out of the United States to be able to open it up and we do think we have an ongoing profitable business in Latin America.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

Thanks, guys.

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

A

Thanks, Mike.

Operator: The final question is from the line of Robert Fishman with the MoffettNathanson.

Robert Fishman
Analyst, MoffettNathanson LLC

Q

Hi. Good morning. I have one for Mark and one for Sean. Mark, you touched on it already with Warner Bros., but can you provide more color on Cinemark's relationship with your other major studio partners right now? And given yours and Sean's prior studio experience and all the relationships you have there, are you planning to take a different approach to dealing with window experiments after reopening?

And just on a last front there, is there any creative way potentially to be more flexible to certain movies or genres to help these movies stay in the theater first instead of potentially just skipping over the theatrical window and going right to streaming?

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

A

Thank you, Robert. I did mention Warner Bros., but I'm glad you asked the question, because we have equally good relationships, really, across the board and let's start with Disney and Universal and Paramount and Sony and Lionsgate. We're in regular contact with each one of them about our plans and their plans. I would say that either Sean or myself or our head of film is on with the studios on at least a weekly basis.

I feel very comfortable in that world. I know the players. I know what it feels like to be in their shoes, as does Sean, because Sean was CFO at Universal for years. So, I think we're kind of unique there, the way that we've negotiated with the studios on windows and release dates. We've tended to do that in business settings as opposed to press settings, and we're going to continue to do that, because we think these are private negotiations between us and our content providers.

And, yes, we are open to alternative ways to distribute films. We're going to be very – we think the exclusive window is very important to the theatrical experience, and so we're going to be extremely careful about any undue change to that. But as it relates to lower grossing titles and small titles, we're open to talk with our studio partners about what are some alternatives that we might consider. I don't want to give the wrong impression here, Robert. We think the exclusive theatrical window, which is currently 74 days, is a very important one and for especially all your big important blockbusters, we fully support that.

Robert Fishman
Analyst, MoffettNathanson LLC

Q

Okay. Thank you. And, Sean, understanding this is a difficult question to try and put more color around, but assuming a more normalized level of attendance in the months ahead, any way to help us think about what type of range of CapEx spending we should think about for 2021? I understand there's a lot of unknown still, but...

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

A

Yeah, it's – I agree, yeah, that is a tough one. I think we are still kind of working through the details. I mean, I mentioned in the prepared remarks, we do expect that that will continue to hover at a very low level. We're going to be very limited in what we will spend CapEx on. It'll be really the essentials and things that we're committed to and even those committed items, we've been working on delaying some of the timing that's required for those. So, I think we'll aim to give more clarity to that in future calls as we kind of firm up some of those plans. But, for the time being, it's going to continue to be a fraction of kind of what our original guidance was.

Robert Fishman
Analyst, MoffettNathanson LLC

Q

Okay. Thank you, both.

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

A

Thank you, Robert.

Operator: I will now turn the call back over to Cinemark for any closing remarks.

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

Thank you very much. We really appreciate all of you being on this call this morning. We know that it's not the easiest of times. You're all working from home. We look forward to speaking with you again following our second quarter. And that concludes our call. Thank you all very much.

Operator: That concludes today's Cinemark's first quarter earnings conference call. Thank you for your participation. You may now disconnect.