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CNK.N - Q3 2024 Cinemark Holdings Inc Earnings Call

EVENT DATE/TIME: OCTOBER 31, 2024 / 12:30PM GMT

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PRESENTATION

Operator

Greetings and welcome to Cinemark Holding Inc.'s third-quarter 2024 earnings call. (Operator Instructions)

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Chanda Brashears, Senior Vice President, Investor Relations. Thank you. You may begin.

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

Good morning, everyone. I would like to welcome you to Cinemark Holding Inc.'s third-quarter 2024 earnings release conference call hosted by Sean Gamble, President and Chief Executive Officer; and Melissa Thomas, Chief Financial Officer.

Before we begin, I would like to remind everyone that statements or comments made on this conference call may be forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The company's actual results may materially differ from forward-looking projections due to a variety of factors. Information concerning the factors that could cause results to differ materially is contained in the company's most recently filed 10-K.

Also, today's call may include non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the company's most recently filed earnings release, 10-Q, and on the company's website at ir.cinemark.com.

With that, I would like to turn the call over to Sean Gamble.

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

Thank you, Chanda, and good morning, everyone. We appreciate you joining us this Halloween morning to discuss our third-quarter 2024 results. Strong, sustained consumer enthusiasm for shared larger-than-life theatrical experiences was once again on full display in 3Q, as box office results far outpaced expectations for the third quarter in a row this year.

North American industry box office reached $2.7 billion and was up 1% year over year, which is remarkable considering the high bar that was set by last year's Barbenheimer phenomenon. These results also represented the highest grossing quarter since the pandemic and climbed to within 4% of 3Q19.

Propelled by one breakout hit after the next as a steadier cadence of compelling films were released into theaters, the third-quarter results clearly underscore that moviegoing begets moviegoing and further illustrate the heightened level of impact a theatrical release provides all categories of content.

Take, for example, the lengthy playthrough of Inside Out 2, which grew to become the highest-grossing animated film in history during the quarter, generating more than $650 million of domestic box office and nearly $1.7 billion worldwide over its full theatrical run. And then there was Deadpool & Wolverine, which slashed up screens to become the highest-grossing R-rated film in history with over $635 million domestically and an astounding $1.3 billion worldwide, up 70% from Deadpool 2.

Enthusiastic, must-see-on-the-big-screen momentum also drove magnificent results for Despicable Me 4, with domestic box office of more than $360 million that was up 36% above DM3, as well as adventure thrill-ride Twisters and comedic fantasy Beetlejuice Beetlejuice, both of which captured more than $250 million domestically in the third quarter alone.

A strong word of mouth and high anticipation also lifted romantic drama It Ends With Us to nearly $350 million worldwide and elevated suspense thriller A Quiet Place: Day One as well as sci-fi adventure Alien: Romulus, which was up more than 45% from 2017's Alien: Covenant.

Additionally, positive response boosted crime thriller Longlegs to nearly $75 million of domestic box office, which became the highest-grossing domestic release of all time for independent studio NEON.

Third-quarter film results continued to demonstrate how a theatrical release stimulates increased conversation, creates bigger cultural events, and amplifies the relevance of content, strengthening its recallability and staying power, all of which deliver significantly enhanced value to studios, filmmakers, and audiences.

These are the films, like their theatrical predecessors, that have longevity and that people will be talking about and remember for many years to come. Just consider the fact that the original installment of Alien was released into theaters 45 years ago, Beetlejuice more than 35 years ago, Twister almost 30 years ago, and Inside Out nearly a decade ago.

Furthermore, theatrical franchises like the Marvel Cinematic Universe and Despicable Me have grown to massive heights via the big screen. These two franchises alone are recent examples from the third quarter that have been delighting audiences with sequels, spinoffs, consumer products, games, and theme park rides for approximately 15 years now.

And then there's repertory content like Coraline, a film that first hit theaters in 2009, which continues to generate meaningful theatrical proceeds every year and grossed close to $35 million of domestic box office this quarter. These are all examples of the deep and lasting impact that a theatrical release generates through the unparalleled level of emotional connection it creates with stories, characters, and memory-making moments.

At Cinemark, we certainly understand how impactful experiencing stories in a theatrical setting is to the hundreds of millions of moviegoers we serve every year as we strive to consistently deliver unmatched entertainment and service that delights our guests and keeps them coming back for more.

To that end, we were thrilled to see how well the third quarter's film lineup captivated audiences, and I'd like to commend our studio partners for their outstanding work producing and releasing such compelling content that will clearly leave an imprint on moviegoers for many years to follow.

I'd also like to equally commend our sensational Cinemark team for helping to drive the quarter's tremendous box office results through all of their tactical actions to strategically program our screens, stimulate increased moviegoing demand, and deliver an unforgettable cinematic experience that can't be found anywhere else.

Driven by our team's diligent execution and coupled with the continued benefits we are deriving from our strategic initiatives, as well as a film mix that resonated particularly well across our US circuit, Cinemark once again outperformed the industry in the third quarter and delivered exceptional financial results.

Domestically, we exceeded year-over-year North American industry box office growth by over 600 basis points and generated our highest-grossing August and September box office proceeds of all time. Similarly, internationally, we surpassed our comparable Latin American industry admissions benchmark by more than 100 basis points.

We also set another new domestic concession per cap record of $7.97, which combined with our industry-leading box office growth yielded worldwide total revenue of $922 million, our highest third-quarter revenue of all time. These strong top-line achievements were complemented by comparably robust bottom-line results that were further enhanced by disciplined operating agility and expense management.

During the quarter, despite a marginal decline in attendance versus last year, our worldwide adjusted EBITDA grew 12% to $221 million, which is our highest third-quarter adjusted EBITDA in the history of our company. Furthermore, we expanded our adjusted EBITDA margin 140 basis points year over year to nearly 24% and generated $64 million of free cash flow.

As we've highlighted on previous calls, our solid results, including our consistent track record of industry outperformance, are the byproduct of years of disciplined capital deployment, a highly skilled and resourceful global team that is second to none, careful navigation of our industry's recovery from the pandemic, and the active pursuit of strategic initiatives to build audiences, grow new sources of revenue, and advance and optimize our operating capabilities.

These ongoing areas of focus, combined with a solid overall foundational framework that has been established over the past four decades, continue to uniquely position Cinemark with a wide range of distinctive advantages.

For example, we continue to benefit from our years of strategic investments to maintain and enhance our circuit that has yielded the largest array of high-quality assets in our markets, including nearly 70% penetration of reclined seats domestically; the largest volume of exhibitor-branded premium-large format auditoriums in the world; the highest rollout of D-BOX motion seats globally; and the leading site, sound, and presentation quality in the business.

In this regard, it's worth noting that during the third quarter, we generated our highest quarterly D-Box revenue ever which grew nearly 70% versus 3Q '23, and we generated our second highest quarterly XD premium-large format revenue of all time.

We've been able to make and sustain these investments on account of our solid financial position and compelling free cash flow profile that we have long viewed as a strategic asset for our company. I'm very pleased with the great strides our team has made in refortifying that position over the past four years as we've continued to invest in our future, and Melissa will provide a deeper dive into those financials in a moment.

Beyond the quality of our assets and our financial strength, we also have developed a highly loyal customer base and an extensive marketing reach. Over 21 million members now participate in our global loyalty programs, and we consistently derive approximately 25% of our domestic box office from our paid Movie Club subscription members.

Furthermore, we have an addressable reach to over 30 million customers across our global circuit with whom we can actively communicate to spread awareness of upcoming events, deliver unique and personalized offers, and drive increased movie-going frequency.

The scale and extent of our loyal and addressable consumer base is something that has taken years to establish through a concentrated focus on developing, honing, and continuously improving our industry-leading operating capabilities.

From service levels achieved through field training and protocols that consistently earn high satisfaction ratings from approximately 95% of our guests to technology measures that yield the best and brightest projection imagery with close to 100% uptime.

We've developed sophisticated digital, social, and omnichannel marketing platform capabilities that drive billions of impressions a year to scale audiences, as well as data-driven pricing analytics at an individual feeder level that maximize volume, revenue, and margin.

Our advanced capabilities also extend to the methodical curation of food, beverage, and merchandise offerings that provide a broad array of appealing, high-quality selections with efficient purchase ease, as well as the utilization of enhanced tools and processes that help us optimize our showtimes and labor management. We have consistently invested for years in enhancing the way we run our business to drive growth and deliver exceptional levels of service as efficiently as possible.

Collectively, we expect that the many distinctive advantages we possess today, as well as the ongoing actions we are pursuing to further grow and strengthen our company, will continue to provide us with an outsized ability to capitalize on future market opportunities and drive incremental value creation as we move forward.

One such area of opportunity is the continued rebound of new release volume in 2025 and beyond as film production further recovers following the delays it incurred during the pandemic that were then compounded by last year's strikes in Hollywood.

We are highly optimistic about a strong close to 2024 with fourth quarter releases like Wicked, Gladiator II, Moana 2, Mufasa, and Sonic the Hedgehog 3 on the horizon, as well as the continued momentum they will carry into what is shaping up to be a blockbuster 2025 film slate.

Much like the storyline of an inspirational movie, the resiliency of our industry and its ability to persevere and grow through change and adversity has been proven time and again. Despite a global health crisis, and varied experiments with new release models, the past three years have clearly demonstrated that consumer enthusiasm for theatrical movie-going entertainment is as strong as ever.

Moreover, theatrical exhibition remains an important and stable component of a studio's financial value creation formula, and our content partners are fully leaning into our channel as a way to elevate the awareness, relevance, and impact of their films like only we can.

And within that setting, which is poised for further recovery and growth, we remain acutely focused on delivering unforgettable experiences for our audiences and long-term value for our shareholders, and we believe that Cinemark is well situated to thrive in the years to come.

I will now turn the call over to Melissa, who will share more information about this quarter's results. Melissa?

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

Thank you, Sean. Good morning, everyone, and thank you for joining the call today.

We were extremely pleased with the box office momentum during the third quarter, which significantly surpassed expectations and further reinforced the health and vitality of our industry. This momentum, together with our team's ability to fully capitalize on the strength of the box office through their unwavering dedication and strong execution, led to remarkable third-quarter results.

We welcomed over 60 million moviegoers across our global footprint in the quarter and achieved third quarter record highs for both revenue and adjusted EBITDA. We grew worldwide revenue 5% year over year to $921.8 million. Notably, we delivered $220.5 million of adjusted EBITDA, a 12% increase over the third quarter of 2023. And on similar box office levels, we expanded our adjusted EBITDA margin 140 basis points year over year to 23.9%.

In the US, we entertained 37.6 million guests, flat with the third quarter of 2023. We grew our market share 80 basis points year over year and maintained significant share gains compared with pre-pandemic levels.

Our market share benefited from a content mix that skewed more heavily towards family and horror films, which were particularly well received by our audience base. It was also supported by limited capacity constraints due to box office success that was well distributed throughout the quarter and the ongoing impact of our strategic initiatives.

During the third quarter, we generated $375.2 million in admissions revenue and grew average ticket price 7% year over year to $9.98. The increase in our average ticket price was primarily driven by strategic pricing initiatives, a higher mix of premium format tickets, and the absence of National Cinema Day, which occurred in Q3 of last year and offered patrons $4 tickets to celebrate and encourage theatrical moviegoing.

We delivered $299.6 million of concession revenue in the third quarter and achieved a new all-time high concession per cap of $7.97. Our concession per cap was up nearly 12% year over year, driven by higher incidence rates and an increase in merchandise sales, both of which benefited from the favorable content mix in the quarter, as well as strategic pricing measures.

Other revenue was $66.6 million, up 4% year over year, primarily due to higher promotional and events revenue. Altogether, our domestic operations delivered $741.4 million of revenue and $180.7 million of adjusted EBITDA, yielding a robust 24.4% adjusted EBITDA margin.

Turning to our international segment, we hosted 22.8 million patrons in our theaters during the third quarter, a 7% decline from the third quarter of 2023, as films like Twisters, Beetlejuice, Beetlejuice, and Alien: Romulus did not resonate as well in Latin America as they did in the US. However, we grew our market share across the region.

Our international segment delivered $85.2 million of admissions revenue, $67.7 million of concession revenue, and $27.5 million of other revenue in the third quarter. In total, we delivered $180.4 million of international revenue and $39.8 million of adjusted EBITDA, resulting in a strong 22.1% adjusted EBITDA margin. International adjusted EBITDA was negatively impacted by FX devaluation, particularly in Argentina, with inflation largely offsetting these dynamics.

Our third quarter and year-to-date results demonstrate our local team's ability to continue to adeptly navigate the complex economic and political landscape across our Latin American footprint. Shifting to global expenses, film rental and advertising expense was 57.7% of admissions revenue, up 180 basis points compared with the third quarter of 2023 due to an increased concentration of high-grossing titles and the overall mix of films.

Concession costs as a percent of concession revenue were 17.6%, a decrease of 90 basis points year-over-year, driven by strategic pricing measures and favorable concession rebates, partially offset by inflationary pressures on certain concession categories as well as a higher mix of lower-margin product offerings, such as merchandise and candy.

Global salaries and wages were $109.9 million, up 2% compared with the same period last year due to higher wage rates, as the benefits from our labor productivity initiative more than offset the expansion of our operating hours in the quarter. As a percent of total revenue, salaries and wages were down 40 basis points year over year.

Facility lease expense was $85.9 million, an increase of 2% year over year, largely due to higher percentage rent. As a percent of total revenue, facility lease expense decreased 30 basis points. Utilities and other expense was $127 million, down 2% from the third quarter 2023, primarily driven by the reduction in attendance and foreign currency impacts, partially offset by inflation. As a percent of total revenue, utilities and other decreased 100 basis points.

G&A was $56.4 million in the third quarter, an increase year over year due to wage and benefits inflation, higher incentive and share-based compensation, and increased professional fees. These impacts were partially offset by foreign currency dynamics.

Globally, we delivered net income attributable to Cinemark Holdings, Inc., of $187.8 million in the third quarter, and diluted earnings per share of $1.19. Net income included a $42.7 million tax benefit, primarily related to the partial release of valuation allowances previously recorded in the US.

Turning to cash flow, we generated $107 million of operating cash flow and $64 million of free cash flow in the third quarter. Despite working capital headwinds associated with film rental payments made during the third quarter related to the strong June box office.

With that, we ended the third quarter with $928 million of cash on the balance sheet, which benefited from the stronger box office environment, as well as the upsizing of our July unsecured notes issuance to $500 million. We continue to anticipate our cash balance will remain elevated in the near term, as we intend to leverage cash on hand to repay the principal amount of the $460 million of convertible notes upon their August 2025 maturity. As a reminder, the notes do not have a provisional call feature.

More broadly on capital allocation, we have three pillars to our capital allocation strategy. Strengthening our balance sheet, investing to position the company for long-term success, and returning excess capital to shareholders, with a near-term focus on the first two priorities.

As it relates to the first pillar, we successfully refinanced our $405 million unsecured notes due in March 2026, with the issuance of $500 million unsecured notes due 2032. We also repaid our remaining $6 million of COVID-related debt in Latin America.

We concluded the third quarter with a net leverage ratio of 2.8 times, which remains within our target range, and surpassed our expectations, driven by the unanticipated outperformance of the third quarter box office. Our strengthening balance sheet is a strategic asset and affords us the flexibility to invest in long-term growth and the health of our circuit, which is a key competitive differentiator for our company.

This brings me to our second capital allocation pillar, making strategic and financially accretive investments to grow and secure our long-term success, including maintaining a high-quality circuit and pursuing high-confidence ROI-generating opportunities, such as new builds, theater enhancements, and accretive M&A.

In the third quarter, we had $43 million of capital expenditures, and we are on track to spend $150 million for the full year to maintain and further enhance our fleet. As box office and cash flow rebound, we continue to anticipate normalized capital expenditures in the $200 million to $250 million range.

Moving to our third capital allocation pillar, returning excess capital to shareholders, which has historically been a key part of our capital allocation strategy and remains an important consideration for us as we look forward.

Given the significant progress we've made on our near-term capital allocation priorities and our positive outlook regarding our recovery and the industry's rebound, we are currently reevaluating our capital allocation priorities in connection with our 2025 budgeting process. As we conveyed on our second quarter earnings call in August, we intend to provide a more fulsome update on capital allocation during our fourth quarter earnings call in February.

Overall, Cinemark's steadfast commitment to balance and discipline capital allocation with an emphasis on maximizing long-term shareholder value creation has positioned us well. I would expect us to maintain that prudent approach as we look forward.

In closing, I'm exceptionally pleased with our team's ability to make the most of the successful third quarter box office, as well as their progress in advancing our strategic initiative, which continues to yield strong operating and financial results for the company, as evidenced by our third quarter and year-to-date performance. We remain keenly focused on continuing to execute our strategic priorities and striving to deliver industry leading results.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Karnovsky, JP Morgan.

David Karnovsky - *JPMorgan - Analyst*

All right, thank you. Sean, I know you said in the past you don't really get full visibility on next year's supply until current year end, but if you have any update on 2025, that would be great.

And then you've discussed an expectation in the past for streamers to ramp their theatrical output. We did see a film get pulled off the slate in Q3, though, and there's been some talk in the trade press about a rethink here, at least by one of the streamers. So I wanted to see how you're thinking about that contribution as we go forward.

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

Sure. Thanks for the questions, David. You're right. We're still a little bit early to fully assess 2025, just based on the timing of when the studios announce their full slates. But we do continue to expect that overall volume next year will spring back somewhere between 2023 and 2019, following the impact that the Hollywood strikes had on the recovery trajectory this year.

Obviously, the studios tend to plant their larger films with dates a bit early, but the smaller titles will continue to fill out over the coming months and into next year. So we'll be able to provide a more fulsome look at that on our next call. But we do remain, based on what we know of and what we continue to hear from the studios, we remain very optimistic about that nice rebound next year on the way to pre-pandemic recovery.

Specific to your question on content from streamers, yeah, we're obviously a little disappointed by one of those titles shifting. We were referencing, too, in the case of Wolves, I believe, is a situation where they're still learning their way into the business. It's still early stages. We're optimistic that in time they'll kind of find their footing. They've got a big movie coming next year with F1 that we're really all excited about.

But at the same time, you've got Amazon, who has really leaned heavily into investing in distribution team, films. They just recently indicated that they could get up to 16 releases by 2027, as they've taken on revitalizing United Artists in addition to MGM. So they're leaning more significantly at this stage than we anticipated, and I think they're on track to have something in excess of 10 films next year.

So I think between those two things, we continue to be optimistic about further growth from content from streamers. And then also, you didn't mention it, but what we'll continue to see with nontraditional content, multicultural films, anime, and things of that sort.

David Karnovsky - *JPMorgan - Analyst*

Great. Maybe just one for Melissa. On the concession call side, as a percentage of revenue, that figure was the lowest we've seen in some time, comes as commodity prices are steady. You even mentioned inflation. So is there a mixed factor to consider here, and how should we think about the sustainability of this percentage going forward?

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

Sure. Thanks for the question. So on our COGS rate for the quarter, there were a couple factors driving that, primarily strategic pricing actions, as well as favorable concession rebates. That was offset partially by some inflationary pressure on certain concession categories, mainly candy and non-alcoholic beverages, as well as a shift towards some lower-margin products, including, again, candy and merchandise, as well.

Now, the one call-out that I would make is, on the favorable concession rebates, that was around one point of benefit in Q3 came from those concession rebates, and that's mainly just a timing item. So the year-to-date COGS rate is going to be a better proxy for our COGS rate than Q3.

In terms of, you know, how we're going to be able to think about the full-year COGS rate, we continue to expect our COGS rate may reflect a modest step-up from last year's levels due, again, to those inflationary pressures, as well, as product mix.

And then beyond 2024, as we think longer-term, again, we do expect inflationary pressure to persist while we've had easing on some commodities in the last year, there are other commodities, namely cocoa and palm oil, which are key candy ingredients that do continue to rise. So we'll continue to look to offset those impacts where possible through our efforts around strategic sourcing, pricing, and proactive category management. But I would say Q3 with the favorable concession rebates, there is a timing element there to keep in mind.

Operator

Eric Handler, Roth Capital.

Eric Handler - *Roth Capital Partners - Analyst*

Good morning. Thanks for the question. I wonder if you could sort of give some perspective or metrics on when you look at your concessions revenue, how much of that is coming now from non-food items, meaning, like, these popcorn buckets or any type of other merchandise?

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

Thanks for the question, Eric. You know, that continues to grow. We haven't broken that out in terms of the split of merchandise. And we tend to look at it in two buckets. There's just the pure merch, and then there's the cups and tubs that also include food in it, with popcorn and typically fountain drinks inside of that. So we haven't split that out at this stage, but it is an area where we continue to see nice growth.

We see it in terms of in-theater consumption. Obviously, some of those popcorn tubs have gone viral recently, and that has prompted an increase of sales. We've also been expanding our e-commerce channel and having the option to actually sell those types of goods beyond our theaters, which has been also a nice incremental source of growth.

So it's something that we do see as just part of one of the many areas that are carrying forward our per-cap growth year over year, and we think we'll continue to do so. That's something that we'll look into providing more color on in the future.

Eric Handler - *Roth Capital Partners - Analyst*

Okay, thanks, Sean. And just some follow-up questions. So look, we at Wall Street, we're acutely aware of all of the big movies that are coming out in 2025 and 2026. How aware do you think your audiences are of this, and how can you maybe take advantage of improved awareness of big titles coming to maybe push Movie Club sales sort of ahead of the big wave?

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

It's a great question and something that we've actually been discussing at a NATO level, in our industry trade association, of how to continue to create better awareness and, you know, counter some of the negativity, negative media articles that are sometimes out there which just aren't always entirely accurate, you know, about movie going.

So there are certain things that we're exploring, like the concept of an awareness day that provides more color to upcoming films. Clearly there are the trailers that we are showcasing with movies in theaters, but there may even be more that we can do.

We have a tremendous amount, like we talk about all the volume of communication we send out to our 20 million-plus loyalty members, and we have access to over 30 million addressable consumers, just we have connectivity to.

So we're sending them that out, but how we can continue to do that more effectively is an ongoing conversation, because you're right, the content both next year and 2026 is just very compelling, and it's good to try to build some of that hype early.

Operator

Omar Mejias, Wells Fargo.

Omar Mejias - *Wells Fargo - Analyst*

Good morning. Thank you for taking my question. Maybe first, Sean, market share performance was very strong and came in above historical levels, despite capacity constraints from having a strong overall box office quarter. Can you maybe unpack the drivers of the outperformance, including mix of films and PLF performance versus organic charging? Thanks.

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

Sure. Thanks for the question, Omar. Yes, you're right. While we definitely saw some of those capacity constraints, you know, hit us a bit more than we've seen in the past as volume grew in July, one of the things that really helped us overcome that was certainly the benefit of the initiatives we've been pursuing to expand our audiences and connect more with our consumers, but also a mix of films, especially in the US that really resonated particularly well across our circuit.

Family, horror, nostalgia films, like those all really connected, and I would say were the probably the biggest component of that incremental outperformance in market share relative to the approximate 100 or so basis points that we talk about versus pre pandemic levels in this quarter in particular.

Omar Mejias - *Wells Fargo - Analyst*

Thank you. Thank you so much. Maybe one more for Melissa. You guys have talked to about actively capitalizing on market opportunities and potentially adding new assets. As you exit this period of uncertainty and still looking to potentially reinstate a dividend in early 2025, do you see any attractive M&A opportunities to continue to expand the footprint, especially in North America, with some assets becoming potentially available or even South America? Any color there would be helpful. Thank you.

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

Sure. So I'll just talk first broadly from a capital allocation standpoint. So ultimately, we have our, our three pillars that I mentioned in my prepared remarks of strengthening the balance sheet, investing in accretive opportunities, as well as returning excess capital to shareholders with the near-term focus on the first two pillars. Certainly within the investments in long-term success, M&A is a consideration as we evaluate those capital allocation priorities and as the industry rebounds.

Sean, do you want to take some specifics on the market side?

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

Yeah. I mean, as far as particular assets, we're consistently evaluating the landscape of what opportunities might come available or are available. Thus far, the limited types of opportunities that have come to market really haven't met our investment thresholds in terms of like the quality assets and the expectations of the sellers.

But that said, we do think that now that our industry continues to turn the corner and rebound a would-be seller who is able to make it through kind of the tougher period, you don't want to sell in a down market. We think there's certainly the potential for higher quality assets to start to surface probably more so in the US than international. I know you mentioned LatAm.

LatAm, it tends to be a more concentrated market amongst the, the major operators in each country. And those operators are very financially well to do. So there's not necessarily a need for them to sell. But I do think in the US, we could start to see more attractive opportunities surface in the next year or so.

Operator

Chad Beynon, Macquarie Asset Management.

Chad Beynon - *Macquarie Group - Analyst*

Hi, good morning, Sean and Melissa. Thanks for taking my question. Sean, you kind of give us a preview into the 2025 blockbuster slate, which we're all well aware and excited about. As we think about the Latin American market, thinking about what you noted in some of the underperformance this quarter, which is some movies that didn't resonate as well, do you think there'll be stark differences in terms of attendance levels or interest in the content that we're aware of from a Hollywood standpoint down in Latin America? Thanks.

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

Thanks. Great, great question. I think across the totality of the year, it will likely be relatively balanced. When you look at films like Avatar 3 and Jurassic World and How to Train Your Dragon, Minecraft, Zootopia, like all those films, obviously Paddington in Peru, in that country. All those films we expect will resonate very well in the market.

On the flip side, a film like Wicked part two, the next Mission Impossible to a certain degree, even like a Captain America, those may under index a bit relative to the US. So you could see a little bit of fluctuation quarter to quarter, depending on when those titles release, but on the whole of the year, we think it'll be relatively balanced in comparison to the types of performances we'd see in the US.

Chad Beynon - *Macquarie Group - Analyst*

Okay. Thank you. And then just thinking about Movie Club here with, with all the content in the next 12 to 24 months, how frequently are you adjusting prices? And you talked about the communication with the members right now. But I guess my question is, are there opportunities to grow this because of the content? And then secondly, are there opportunities to maybe raise prices just because of how good of a deal members are currently getting?

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

Sure. Well, I mean, I'll speak broadly. We continue to be really pleased with the performance of movie club and the degree of value and satisfaction that our members derive from it.

And the increased movie going frequency we see because of that, as we’ve mentioned it's consistently now accounting for approximately 25% of our box office in the US. We get great feedback from our members and we're constantly looking for ways to add enhanced value into the club with surprise and delight types of events and things like that.

In terms of your specific comment or question on pricing that we do look at that obviously over time to time. And we're focused on kind of what's the parity of the pricing relative to our base level ticket prices. So we want to make sure that that stays in line. So we're conscious of that staying in an appropriate place.

And at the same time, not having too frequent of price increases that can potentially agitate our consumer base. So we have a whole team that is looking at pricing on the whole at a theater level and using a ton of data to drive a lot of that decision-making and it applies to movie club as well. So it's something that we do look at. We'll continue to look at, we had a price increase not too long ago, which went very smoothly. And I don't know, Melissa, if there's anything to add to that.

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

I would just reiterate the way that we're -- we think about it is looking overall at the value proposition for the customer within movie club, trying to continue to grow that subscriber base, which we still think we have runway there. So it's really balancing those dynamics again, as Sean said, also with our base pricing and the benefits that consumers receiving, but we've been really happy with the results we've seen today.

Chad Beynon - *Macquarie Group - Analyst*

Thank you both. The agitation is definitely less than what we see from the streamers personally.

Operator

Daniel Duran, Morgan Stanley.

Daniel Duran - *Morgan Stanley - Analyst*

Hi, Sean. Hi, Melissa. Thank you for taking my question. How do you assess the attractiveness of buybacks versus dividends as you get back to returning capital to shareholders in 2025?

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

So in terms of our capital allocation strategy and dividend versus buyback. So that's something, as we mentioned, we're looking at re-evaluating our overall capital allocation priorities as part of our 2025 budgeting process.

And as part of that, we will be evaluating our third pillar as well, which is returning excess capital to shareholders, dividends and site stock buybacks. As you would imagine, we're taking a comprehensive approach, and we will evaluate both of those. There are certainly different considerations in both of those, but what we're ultimately trying to do is maximize long-term shareholder value and return. So that will be guiding the decisions that we make overarchingly on our capital allocation strategy going forward.

Daniel Duran - *Morgan Stanley - Analyst*

Got it. Thank you. And just a quick second one, and you've kind of already talked on market share gains this quarter, but do you believe these market share gains versus 2019 are sustainable? Is any of the market share over performance we've seen due to continued balance sheet stress of the competition? And on a full-year basis, should we assume market share levels change as the box office further recovers in the years ahead? Thank you.

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

Yeah. So I can start with that one. So as we think about -- maybe I'll start with fourth quarter because I think it's important to remember that our market share does fluctuate quarter to quarter dependent upon film mix. And as it relates to Q4 specifically, our market share may trend lower than it's been running year to date due to content mix, as well as possible capacity constraints that you mentioned.

We do expect to have strong performance on the family content during the quarter as that genre tends to resonate well with our suburban footprint. However, some of the content on the slate such as Wicked may skew more metro causing our share to moderate a bit. So we'll just have to see how the box office shakes out, but we do expect there could be some pullback there.

Beyond 2024, we do think on a full year basis that we believe that a hundred basis points of share improvement relative to our pre pandemic results continues to be a reasonable expectation as wide release volume ramps back up. And we start to hit more of those seating capacity constraints that may limit our overall share.

Operator

Robert Fishman, MoffettNathanson.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Good morning, everyone. I'll start one for Sean and then one from Melissa. Sean, following up on the movie club member conversation and your prior answer about the 21 million Cinemark movie reward members. Can you just talk about how the studios partner with you to target these loyal fans? And have you considered even partnering or bundling with any of their streaming services to bring a joint subscription offering to moviegoers?

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

Sure. Well, look, we have a lot of partnership with our studios in both programs. I mean, I think we've been able to demonstrate how -- I mean, certainly in the case of Movie Club, how that leads to increased movie going frequency, increased selection of consumers to upgrade. So they've given us special types of promotions with screenings and things of that sort for our overall loyalty program.

We get different types of movie gear and things and promos and things of that sort that we're able to put into the rewards carousel that consumers can select through. We work with them also just as part of our overall joint marketing efforts when they have an upcoming film.

As an example, if somebody has amassed a certain amount of credits that they haven't used, we can target those consumers if we know it's a piece of content that they like and try to promote that to those specific consumers to try to get them to convert into a ticket sale. So there's a range of things that we do there.

As far as partnering up and kind of marrying it up to their programs. We have done that in the past with our loyalty program with Disney. Not everybody has their own loyalty program like that. So obviously Disney does. So there's are things that we certainly have done, and you would consider to do depending on what those types of programs are and what the structure is.

But yeah, I think the studios have been highly encouraged by what they've seen from the impact that those programs of ours as loyalty programs we have do for supporting their content.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Okay. Thank you. And Melissa, NATO put out a big headline last month of the $2.2 billion of investment to modernize and upgrade the theaters. I think it was over the next three years across the eight largest domestic theater chains.

So any way to help think about what Cinemark's planned investment will be over that time period? And just maybe more broadly, how do you think about your competitive positioning in future CapEx spending relative to your peers? Like maybe any bigger initiatives that Cinemark is considering to keep you ahead of everyone else?

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

Thanks for the question, Robert. So a couple of things on the NATO report. So they did announce $2.2 billion of investments over the next few years. Within that number, they did include the $200 million -- $200 million a year for us, which was part of our normalized range that we had disclosed of $200 million to $250 million. So that is our share of that.

What -- the other things I would mention there is if you think about our consistent investments that we've made to maintain a high quality circuit and enhance the theatrical experience for our guests, we certainly do feel that that has created a competitive advantage.

And as we look forward, we do expect that our investment levels may continue to over index versus peers, which again, we think will further differentiate Cinemark. So we do expect that over indexing essentially to occur.

As you think about our spending over the next couple of years, we've said on a normalized basis, we'd expect to grow to around $200 million to $250 million. The one thing that I would keep in mind there is while we're still underway with our budgeting process for 2025 based on -- and we can't provide specific expectations yet, we'll do so on our February call.

But based on the ROI generating initiatives in front of us, we do think that it's certainly possible that we get within that range as soon as 2025. Now, ultimately box office expectations as well as cashflow generation will factor into the levels of spend that we do undertake in 2025. But I think it's just important to call out that we could get within that range as soon as next year.

Operator

[Maikiki, Benchmark].

Unidentified Participant

This is [Shanda]. Thanks for taking our questions. Great quarter. Congratulations. First topic on would be a consumer. Definitely seeing some pressure here. I'm just curious if you think you're sort of in the position now of benefiting from the trade down effect.

And you think for the quarter, at least your ticket price domestically was $10 concession per patrons averaging $8, which means, for a $20 spot, I can give my daughter, she can have a great time with her friends. The value proposition of that scenario in this environment just seems pretty remarkable. So I guess that's the first question. Are you benefiting here given the state of the consumer?

And the second one would be given that we're not, how are you thinking about pricing moving forward in this environment and how sensitive do you think your patrons are to ticket pricing here? Thank you, guys.

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

Thanks for the questions, Mike. It's an interesting one. You're right. That is historically something we've seen is theatrical exhibition will tend to buck the trends of broader macroeconomic cycles. So in periods where it's an inflationary market or recessionary market and consumers' pockets are being more pinched, movies, I guess in theory benefit from that because we continue to be one of the more affordable, localized, premium entertainment choices that consumers have at their disposal when they want to get out of the house for some fun.

The extent to which we're benefiting from that is a little bit difficult to tease out. And what we've generally seen in the past of clearly, strength of content is the biggest driver of people coming to the movies. So we've seen when compelling contents in the marketplace that even in those tough periods people are coming out.

And I think what I've always found remarkable, and we continue to see it now, I mean, maybe this is one example of people will elect to come out to the theaters and they continue to indulge in many of the enhanced options we've had.

Like I've always anticipated, oh maybe we'll start to see a little bit of a dip in people in their food and beverage consumption and them electing some of the premium offerings that we have. And we just haven't seen that here in the US or throughout Latin America where some of those ups and downs tend to be a bit more radical. So we're not seeing it.

So, yeah, I do think we kind of benefit a bit from people maybe downgrading on that more expensive vacation, a more expensive type of activity coming in. It's hard to specifically tease out how much that is.

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

And then Mike, I'll take the second part of your question around pricing moving forward. And you asked also around consumer sensitivity to price. So we do know that the number one deterrent to movie going is price. So that is certainly something that we analyze on an ongoing basis. And we're very mindful of given our overarching strategy is to maximize attendance and box office.

So ultimately, we can further monetize with ancillary revenues. So we're very mindful of price. We continue to lean into data and analytics and take a very surgical approach to our pricing decisions.

As you look forward, we do see opportunity to continue to modestly grow our domestic ticket prices. As you know, they do fluctuate quarter to quarter based on film mix, but we do see room for further growth on the ticket price.

Just the one call out I would make this to be mindful of in the near term for fourth quarter is that we are lapping Taylor Swift from last year. So just keep in mind that Q4 pricing might be flat to slightly down, but as we think kind of more broadly beyond 2024, we expect to continue to be able to have modest growth in our ticket prices.

Operator

Jim Goss, Barrington Research.

James Goss - *Barrington Research - Analyst*

Thanks. You've talked more about alternative content options in recent quarters. And while the need may be lessening somewhat since the film flow is improving, IMAX was discussing a improved platform utilization on its own yesterday. And I wonder if you might talk about how this might fit in going forward, both in terms of something unique to Cinemark and, and maybe something in conjunction with others in the industry, Fathom or whatever , that might be a better way to create some initiatives that might be successful.

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

Sure thing. Well, yeah, I personally am thrilled to see some growth in non-traditional content. I've long been a believer that there is a lot more potential than we were realizing pre pandemic in this space and, and a bit frustrated that it had never really taken off as much. And now we're finally seeing that.

On a go forward basis, I think even as more of the larger Hollywood films come back into the fold with further volume recovery, there will continue to be a place for these types of films, just because there's a solid audience response for them.

Some of these movies are doing considerable business at the level of Hollywood films. Even you look at some of the faith-based concert, you look at some of the multicultural content, optimistic that we'll start to see some more concert films as well. When you look at the success of Taylor Swift and Beyoncé last year.

So there's always going to be perhaps a bit of timing, making sure that the scheduling and programming of those don't coincide with a, you know, a week or two-week period in the summer where is already a substantial amount of volume. But keep in mind, most of our theaters, we've got a number of screens and the ability to program these in the midst and in parallel with the big Hollywood content.

So I definitely think it can continue to be a source of box office lift. We've always felt it could represent up to 5% or so of box office. For us last year, it was 14%, Year to date this year, it's still been about 10%. So it's over indexing right now. And again, I think it'll continue to be, to have its place on a go forward basis and hopefully continue to grow.

James Goss - *Barrington Research - Analyst*

Okay. And are there live events that you might make some headway with this big network around the country or will rights offerings still get in the way of getting any of that done?

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

Well, yes. I mean, we have the ability to do live events and we've done that. We broadcast BTS live. We do live Q&A sessions that we broadcast across our network. I mean, we have the ability to broadcast not only within our Cinemark network, but to other theater chains as well.

If you're commenting specifically on sports, sports in traditional sports is a more complicated area because of the rights that you're talking about, like unraveling that. We've had some success in that in the past with Disney and their relationship with -- their ownership of ESPN where we've been able to pierce through that, but it is a complicated and challenging area to navigate.

So there's still work to be done there. But we've done gaming types of events and there's a fantastic consumer response to it. So it's another pocket where I'd say it's been limited in the number of events there have been to date, but certainly there is opportunity there. And there's been phenomenal fan response when we've done those types of things.

James Goss - *Barrington Research - Analyst*

Okay. One last thing, your notable upcoming films are very franchise heavy. So that should give some comfort in terms of future projections, but you've also talked about the breadth of content that's developing. I'm wondering if that breadth of content is creating some demographic shifts you may be experiencing and whether that might also be helping, say, your Movie Club efforts and your proactive push marketing to those members.

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

Absolutely. I mean, we believe that what is most healthy for the industry is a broad range of compelling content that speaks to wide audience base. We tend to talk about and focus more on these calls on the bigger films that will obviously drive a larger portion of the box office, but that by no means suggests that the non-franchise, smaller and mid-tier films are not important. They absolutely are. We look at the potential for some of those original types of films to do big business and support. It's necessary.

And you're right. Our most frequent movie goers, our movie club members, they consume a high amount of franchise films and non-franchise films. So it's one of the things that gives us optimism as we look forward is more of that type of content fills back in. It provides a greater amount of opportunities for specific fans of that -- those types of films, as well as the kinds of fans who consume everything to just see more content.

So absolutely, think that -- and by the way, I would say too, that to a large degree, the more flexible type of release model that exists now, it improves the risk equation for studios on that type of content. And we started to see the opportunity for more of that to come in and studios lean a bit more into that, which was becoming a struggle pre-pandemic with a longer window.

So I'd say it's one of the benefits that has come out of a more flexible window is it allows for a greater opportunity for studios to take chances on that type of film and be able to do so in a profitable way.

Operator

Steven Laszczyk, Goldman Sachs.

Stephen Laszczyk - *Goldman Sachs - Analyst*

Hey, great. Good morning. Thanks for taking the question. Just one for me. Sean, could you give us your latest thoughts on how you expect the competitive dynamic and industry to play out as the slate ramps here in 4Q and into 2025? And just curious to the extent to which competition might be framing the way you're approaching pricing either at the box or over at Movie Club. Thank you.

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

Sure. I mean, I think it probably touches on a couple of the concepts we've spoken to. One just as more compelling films come to theaters and we hit some more of our capacity limits in terms of our maximum seating occupancies that can affect our share.

In some ways, it's a good problem to have in that we're being fully utilized. It's our kind of most profitable type of scenario to have. But from a competitive landscape, we could just see our share come down a tick as Melissa was referencing earlier.

I'd say the way we approach our business, we're continuing just to do a wide range of consumer facing initiatives to enhance the entertainment value that we provide. So I think that's just to stay competitive and try to maintain our edge out there.

Pricing from a pricing standpoint, we use a tremendous amount of data and analytics on a very discreet theater based level to drive those decisions. So some of that's obviously influenced by dynamics in the marketplace of demographics, what's happening perhaps with some of the competition out there. But we are testing things using controls and letting that guide us so that whatever we're doing ultimately isn't affecting the volume of attention.

It also plays into our food and beverage consumption as well. We're not wanting to adversely affect our incidence. So it really trying to optimize the level of that, and it can work both ways up or down. So I would say it's a data driven exercise based on a lot of analytics that kind of guide us there more so than just kind of, -- and it's consumer oriented more so than just thinking about what our competition is doing.

Operator

Thank you. At this point, I would like to turn the floor back over to Mr. Gamble for closing comments.

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

Okay. Thank you, Donna. Just in closing, I'd like to reinforce once more that we believe our third-quarter results are indicative of the meaningful continued impact our team and initiatives are having in advancing our company. And we remain bullish about the future of our industry in Cinemark.

I'd like to thank you all again for joining us this morning, and we look forward to speaking again following our fourth-quarter results. Have a great day.

Operator

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