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# Cinemark Holdings, Inc. (CNK)

**Business Update Call** 

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### MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by and welcome to Cinemark Liquidity Strategy and Impact of COVID-19 Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I'd now like to hand the conference over to your speaker for today, Ms. Chanda Brashears, Vice President of Investor Relations. Thank you, ma'am. Please go ahead.

### **Chanda Brashears**

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

Thank you, Catherine, and good morning, everyone. At this time, I would like to thank you for joining us to discuss Cinemark's liquidity position and provide an update on COVID-19 hosted by Mark Zoradi, Chief Executive Officer; and Sean Gamble, Chief Financial Officer and Chief Operating Officer.

We will be referencing a presentation during our commentary this morning, which is available on our website at ir.cinemark.com. The purpose of our call today is to provide further context and clarity to Cinemark's liquidity position and the impacts from COVID-19 global pandemic. Our plan is to focus on these specific topics during this call and we appreciate your cooperation.

In accordance with the Safe Harbor provisions 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 annual filing on Form 10-K, and on the company's website, investors.cinemark.com.

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

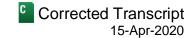
### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you, everyone, for joining us from across the country in your home offices. We have an interesting presentation for you today and a Q&A session to follow. Sean will get into the impact of COVID-19 and several of the actions that we've already taken in a moment, but I wanted to kick things off by highlighting some of the key attributes that we believe are noteworthy and distinguishing about Cinemark for any of you that maybe just a little less familiar with the company.

First, on slide 4, we have one of the most geographically diverse footprints of any global exhibitor with 554 theaters worldwide, 345 in the US and 209 across 15 countries throughout South and Central America. In the US, we're the third largest exhibitor with approximately 14% market share. As you can see, we're well represented across the US with theaters in 42 states, 105 DMAs. We've strong presence in Texas, California, Ohio, and we're

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number one or number two in 80% of our 25 top markets. We generate the highest screen utilization with an average of approximately 46,000 patrons per screen. It's worth mentioning that our domestic box office results consistently outperform the North America industry, with our US operations having delivered 10 of the last 11 years year-over-year growth outperformance. Lastly, our US operations fund the debt, domestic opportunities and our dividend.

On the bottom portion of the slide, you can see our international operations. It's interesting to note, we were the first modern movie theater throughout Latin America. We're well diversified across South and Central America, located in 15 countries with presence in 14 of the top 20 metropolitan cities in the region. Furthermore, with more than 25 years of operating experience throughout Latin America, we've seen time and again that our business is most closely tied to film content strength rather than economic or political cycles as evidenced by the consistency of our long-term results. I should also note that while foreign currency has created significant translation headwinds on reported financials over the years, this does not have an impact on our overall operations as we predominantly transact in local currency including theater leases, film rentals, and of course, salaries and wages.

On slide 5, we have a highly experienced management team, starting with our Founder and Executive Chairman, Lee Roy Mitchell, who has been in this business more than 30 years. He started the company with a handful of theaters and helped grow into the company and global leader that we are today. Myself, I've spent over 30 years at The Walt Disney Company, most recently serving as their President of the Motion Picture Group. A few interesting notes from my career is the first employee hired back in Walt Disney Home Video when the Home Entertainment business really started to grow. While we started distributing content across international markets theatrically, Cinemark was also expanding their theater base in Latin America. So, I know the business and management team extremely well from both sides of that fence. I was also on the board of directors for Rave when they were acquired by Cinemark in 2013 and part of the Cinemark board prior to joining as CEO nearly five years ago.

Sean Gamble has more than 10 years of experience in this industry. Prior to joining Cinemark nearly six years ago, he was CFO of Universal Pictures with NBCUniversal. He also provides a tremendous amount of knowledge in operations and process improvement from his tenure at GE. Valmir Fernandes has been with Cinemark more than 20 years, with 10 years as President of International prior to that as the General Manager of Brazil. He is well-versed on the dynamics and complexities of operating in Latin America and has navigated through complex economic and political environments. Mike Cavalier, who has been with Cinemark for more than 25 years and helped guide the company through numerous transactions including M&A, our IPO and numerous lending agreements. Additionally, we have many executives with more than 20 years of industry experience, including our general managers in Latin America countries, as well as key department heads such as films, operations, theater technology, real estate construction, and purchasing.

Shifting to slide 6, an overview of our 2019 financial results. During 2019, we served more than 280 million patrons worldwide. We achieved our fifth consecutive year of record revenues with top line growth in both our domestic and international segments. On a CAGR basis, we've grown revenue 4.6% over the past five years. We exceeded the North America industry box office by an impressive 200 basis points, outperforming for 10 of the past 11 years. We increased our global concession per caps by 8.7% in constant currency. As a result of our strategic initiatives, we've now extended our year-over-year per cap growth trend to 13 consecutive years in the US. We generated \$745 million in adjusted EBITDA, representing 3.9% CAGR over the past five years. It's noteworthy that we also sustained our adjusted EBITDA margin of 22.7%.

We also generated free cash flow of \$258 million, a 4.2% CAGR over a five-year timeframe. We maintain the strength of our balance sheet which we consider as strategic asset with nearly \$0.5 billion in cash and 2 times net

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leverage consistent with our results for the past decade. We've also strengthened our circuit and customer experience with another 200 auditoriums Luxury Lounger recliner seats which are the most sought after customer amenity. Cinemark leads the industry with our Luxury Lounger penetration of approximately 60% of our US footprint. We also expanded our unique and highly successful Movie Club subscription program, the first US exhibitor-sponsored subscription program to 950,000 members, which represents more than 2,600 members per theater location, further securing our position as the number one subscription program in the US.

Now, I'd like to turn it over to Sean to do a business update on COVID-19. Sean?

### **Sean Gamble**

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

Thank you, Mark. Good morning, everybody. As Mark just described, because of our consistent focus on maintaining a healthy balance sheet with low leverage, we entered the COVID-19 crisis in a strong financial position and we've been working aggressively to preserve that position. While we're still in the midst of our first quarter close, I can tell you that as of March 31, 2020, Cinemark had a global cash balance of approximately \$480 million and that includes the drawdown on our revolver, and we're anticipating a net debt to trailing 12-month adjusted EBITDA leverage ratio of approximately 2.2 times.

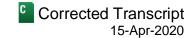
Now, as I think you all know, due to the COVID-19 pandemic, we've had all of our theaters closed both in US and Latin America since March 18. And as we saw that scenario starting to become more of a reality, we very quickly and swiftly started to take actions to preserve cash and ensure we'd have sufficient liquidity to be able to endure the impacts of this crisis, even if prolonged, and emerge in an advantage position. Just some examples of the things that we've done to date, first, we've halted all nonessential both operating and capital expenditures, so those have been brought down to a bare minimum.

Along those lines, we've put in place a formal process, where I personally review all requests for new procurement and outgoing payments multiple times per week. Unfortunately, we had to make the very difficult decision to lay off over 17,500 of our employees, our domestic hourly theater employees. In addition to that, we furloughed over 50% of our head office Service Center employees to a level of about 20% of salary, including benefits, and the remaining staffs have been brought to a level of approximately 50% of salary, and that is domestic.

Internationally, we've been pursuing similar actions. Some of the complexities regarding different government restrictions have limited to a certain degree how deep we can go, but directionally we pursued the similar types of reductions there that we have in the US. On top of that, our board of directors and Mark have both elected to take no salary and several executives throughout the company have volunteered to reduce their salary to 20%. And in addition to those actions, we've been actively working with both our landlords as well as our varied other suppliers to modify the timing of our contractual payment obligations, and in many circumstances, the way those have been getting resolved is to delay payments until such point that our theaters are open again and we're generating cash flow, at which point there would be some form of staggered payment thereafter.

On top of that, we've proactively drew down on credit line, that was performed as a precautionary measure due to some of the concerning macroeconomic uncertainties that were taking place at the time. And we've also expect to derive a series of tax-related benefits on behalf of the new CARES Act that was passed, and I'll speak to that in greater detail in the next page. In addition to all of those actions, to further support liquidity, our board of directors have temporarily suspended our quarterly dividend and that equates to approximately \$42 million of cash per quarter.

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On top of that, we also – as I'm sure you've seen, we also just issued a new \$250 million Senior Secured Notes earlier this week and we've obtained bank approval for a waiver on the net senior secured leverage ratio covenant within our revolving credit facility, which will prevent that covenant from activating to the extent our revolver is drawn until we again perform the leverage calculation following the closure of our first quarter 2021 financials, which likely would take place at the end of April or early May 2021.

So, as a result of all of those actions, we believe that our cash runway was already set to extend through the end of this year, even before including the new \$250 million notes that we just executed, and when those new notes are factored in, our runway pushes well into the second half of 2021. It's important to note that neither our revolver draw nor this new capital raise were pursued out of any immediate liquidity needs, but more so as prudent measures in this current environment to be extra cautious and proactively build what we consider to be more insurance capital to make sure that we're fully able to readily navigate the COVID-19 crisis even if it impacts or prolongs.

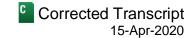
I'm going to mention – we're going to talk more about this in a couple pages but just wanted to also call out that historically the exhibition industry has been fairly recession-resilient and we think that it's going to rebound and benefit from significant pent-up social demand that has been growing with the extended degree of home sheltering. And when that subsides, people will be craving a communal experience again with a return to normal soon.

So if you flip to the next page which gives an overview of the components of the CARES Act that we believe will impact us. I'm not going to go through everything in detail, but we did wanted to highlight several of the areas that we think will be most beneficial to us. One of those that we think is perhaps most beneficial is the section on quality – qualified improvement property. When tax reform was put in place in 2017, as many of you I'm sure know there was a retail glitch that took place which prevented the acceleration of depreciation for qualified improvement property and that would include majority of the reclining activity that we performed over the past couple of years.

In this new bill that glitch was resolved and as a result of that we are anticipating somewhere around \$20 million of tax refunds in 2020 over the coming months related to the expenditures that we executed during 2018 and 2019. In addition to that, there are a couple provisions that, one, allow us to delay social security payroll taxes. That's a provision for companies – qualifying companies that have been affected by COVID-19. The employer portion of social security taxes that are owed can be deferred partially 50% to December of 2021 and partially 50% to 2022 for those wages that are paid between May 27 and the end of the year. We're still quantifying the full benefit of that to Cinemark but we do expect that that'll help us in the form of timing for paying those obligations.

In addition to that, qualified companies that continue to make wage payments and benefits payments to employees during this time are eligible for an additional credit against the employer portion of social security taxes that are owed. So, again, we think that will also provide some support in the course of this year and again we're still quantifying the full benefit of that. On top of impact in 2020, there are a couple other provisions that we think will benefit us potentially in 2021 to the extent the company winds up with a full year net operating loss in 2020 as a result of the current situation with COVID-19. Those tax losses for the year can now be applied to prior year income for a refund when our 2020 tax return is filed. So that remains to – as a to-be-determined, but to the extent we find ourselves in that situation that would provide a benefit for us next year. And finally about \$454 billion worth of grants were authorized in the CARES Act for companies that are in a distressed segment. We believe that the exhibition industry qualifies and Cinemark specifically would qualify for those types of grants. We are still evaluating the full extent that that could be an opportunity for us. We do anticipate that any borrowing we

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were to seek may be limited by the terms of our existing credit facility as well as the new notes we recently issued, but there could be some incremental opportunity there that could come out of that.

So turning the page to what we anticipate as we look forward, as I mentioned a moment ago, one positive data point that we look to is historically, as I mentioned, theatrical exhibition has been fairly resilient to recessions. In fact in three of the past four recessions, box office actually grew. So with a lot of the kind of focus on that as a risk in the economy, going to the movies relative to other forms of entertainment like vacations or more costly types of events, going to the movies still remains a very affordable form of entertainment as well as a means of escapism in tough times.

Furthermore, we do think that the demand for out-of-home entertainment will be significant as people exit this home sheltering limitations that we've been under for several months or potentially several months. On top of that, we think that there clearly is a strong backlog of content building all of which bodes well for exhibition. In our current modeling, we are anticipating that a return to normalcy could take a couple of months to fully get going, as a result of potentially staggered theater openings from ongoing governmental limitations, a reduced operating hours and potentially ongoing social distancing needs. In our base case, we've been modeling an approximate four months ramp up anticipating a July 1 reopen and that falls fairly in line with how the studios have started lining up their content. That would take the shape of probably one month of staging in June, where we'd start bringing back employees in terms of hiring and training and starting some of our marketing efforts to attract consumers back to our theaters and then a three-month slow build of operations and we would ramp up our operations and our expenditures tied to demand we see and confidence in sustained levels of attendance.

One important data point that we'd like to mention which we don't often talk about but is very relevant in this current environment is that even at peak periods of time in a normal environment, our occupancy levels on average typically range between 20% to 30% and we can operate very profitably in those scenarios, so we wanted to flag that to the point that to the extent we either have to or elect to maintain some degree of social distancing, whether that be 50% of our seats being sold, or certain spacing limitations between seats that are sold, we can execute that and do so very successfully and very profitably.

Over the past five years, our lowest attended month, still we had occupancy levels of approximately 10%, we still operated very profitably in that scenario. So we can right size our degree of operations and our staffing to function very well. Typically it's only on those large opening weekends of the release that we're selling out our auditoriums and even in those circumstances we often find that a lot of that attendance will spill over into other dayparts either matinees or other days of the week. So again we think that to the extent those requirements for social distancing remain, we'll be able to function very well.

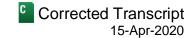
So with that, I would say, we're having great discussions already with the studios about a range of different tactics to get the theatrical exhibition engine restarted. And I'm going to turn the call back over to Mark who's going to tell you a little bit about that and what we see in the shape of content looking ahead.

#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you Sean. I just like to reiterate one key point that Sean made and that is from a financial standpoint we have really planned for the long-term and we have a financial plan that takes us, as Sean mentioned, well into 2021. However, as we look at the environment, and talking to the studios on a regular basis, it's our hope that we can start to operate again sometime during the month of July. And that would be beginning with some of the large studio product, but probably two weeks prior to that, we would be doing things where we'd be showing library

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product, high profile library product in an opportunity to get the theaters back up again and running. So we might start that as early as last weekend in June depending on the health situation throughout the country.

We have maintained a very strong relationship with 12 million addressable consumers. Our Movie Club response has been completely maintained because we put those Movie Club members on pause and they completely appreciated that. And so when we come back out to launch those will be the first customers that we'll go back to, as well as our loyalty members. There'll be an extensive marketing campaign both within the overall industry and specifically the Cinemark to bring people back to the movies as we slowly ramp it back up. How long that will take? We're not completely certain but we're planning on anywhere from one to three months to light up that engine again and then to begin with higher profile new product beginning on July 17 with Chris Nolan's Tenet. Chris Nolan as well as many other talent are completely supportive and want to be helpful in re-lighting the engine of theatrical.

So it looks at this point that Warner's Tenet will come out on July 17 followed by Disney's live action Mulan on the 24th, SpongeBob on August 7, a follow-up to Warner Bros.' big hit of Wonder Woman, Wonder Woman 1984 in August, A Quiet Place II in early September and Conjuring on September 11. So we feel like the third quarter beginning, in that July timeframe, has got some very strong movies lined up and into the fourth quarter in October with Halloween, Disney Marvel's Black Widow in early November, Disney Pixar's Soul on November 20 right prior to Thanksgiving, the next Bond movie No Time To Die right at the Thanksgiving holiday, Steven Spielberg's West Side Story the week before Christmas and the long anticipated Top Gun follow-up with Tom Cruise Maverick on Christmas Day.

So as we look towards the end of the year, we're pretty optimistic about the product line, the product that's coming out. Obviously that all depends on the COVID situation at the time, but, as I mentioned, we have this – this is our planning time but relative to our financial strength we go well into 2021.

Turning your attention to the next slide, on slide 10, on 2021, while it's still early, the 2021 slate is looking really exciting. A full of broad appeal titles, much loved franchises, such as the next [ph] Fast & Furious (00:26:36), Mission: Impossible, Jurassic World, Ghostbusters and [ph] The Matrix Returns (00:26:42) is the highly anticipated – as well as the highly anticipated Avatar 2. There's dramas including the recently announced Gucci directed Ridley Scott film and Babylon from director Damien Chazelle as well as the recent Franklin Biopic, Respect, starring Jennifer Hudson and the Original Broadway Cast Recording of Hamilton coming in October. 2021 is loaded with family titles. 15 animated titles are already dated, including sequels to Minions, Sing, Hotel Transylvania as well as Raya, the Last Dragon (sic) [Raya and the Last Dragon] (00:27:16) from Walt Disney Animation and a new title from Pixar. Not to mention Space Jam 2 and also with – and also great movies coming including Spider-Man, Batman and Doctor Strange returning to the big screen.

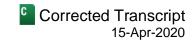
So it is a very, very exciting 2021 and even looking a little bit beyond that 2022 has already put some huge titles on the schedule including sequels to Black Panther, Captain Marvel, Thor, Aquaman as well as the return of franchises such as Star Wars and Indiana Jones. So we truly believe that Cinemark from a financial standpoint, from a planning standpoint and from a movie marketing standpoint is well-positioned to capitalize on this incredible strength of upcoming content.

That concludes our prepared comments and would now like to open the line back up to Q&A please.

# **QUESTION AND ANSWER SECTION**

<b>Operator</b> : [Operator Instructions] And your first question comes from the line of Eric Handler with MKM Partners.	
Eric O. Handler Analyst, MKM Partners, LLC	
Mark, I was curious in your decisions to go with a private that deal, was taking government bailout money was that an option, we'll talk a little bit about the pros and cons of government funds?	
Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc.	
Eric, I can speak to that briefly. Basically we considered it but given Cinemark's strong balance sheet coming into it and the ability for us to get private financing, we just felt like that was more advantageous for Cinemark, it didn't come with any of the strings attached that a government-backed facilities can include. So was really no more complicated than that. We knew we had the ability because of our reputation and the strength of our balance sheet and our cash position coming in and our ability to attract a very significant bond offering. As you may or may not know when the bond offering came out on Monday, it was oversubscribed and so we felt very good about the strength of that offering and the willingness for lenders to step into it.	
Eric O. Handler  Analyst, MKM Partners, LLC	
Thank you very much.	
Sean Gamble Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.	
The only other thing – the only thing I would add too Eric is there's still a lot of details being kind of concluded on the government borrowing options and we kind of figured there's uncertainty there in terms of the volume of companies that are going to seek that, the timing of when that will be available, what all the requirements are. So, in the face of just those unknowns, and as Mark said, we had an opportunity and we felt like it was prudent to pursue that while it was there before us.	
Eric O. Handler Analyst, MKM Partners, LLC	
Thank you.	
Operator: Our next question comes from the line of Chad Beynon with Macquarie Research.	
Chad Beynon Analyst, Macquarie Capital (USA), Inc.	
Hi, morning. Thanks for all the comments and, yeah, congrats on the recent debt deal. Mark you mentioned your company's history with M&A I guess, namely, the Rave deal, which I guess was concluded shortly after the global financial crisis and you played a big part in that. So, understanding [ph] NMPI (00:30:49), have you fielded calls from companies that maybe don't have the balance sheet that you have, don't have the time to wait around to see	

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if the government will give them grants or loans and maybe they could use the lifeline here and how do you think about where your balance sheet is and your appetite for increased M&A? Thanks.

Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc. Thank you, Chad. That's always a consideration. At this stage, I think as Sean said we went after this additional financing more - more in terms of insurance because of the uncertainties around COVID and how long that was going to go on. So that was first and foremost on our mind. As the dust starts to settle and we see when the COVID crisis is going to start to decline and when we can get confirmation of when our theaters can open, and if there are opportunities at that time, we will certainly consider them. But at this stage of the game, with all the uncertainty, right now, I think we're very pleased to have this, to operate, to put our plan in place, to open and there was going to be time and opportunity to consider that at a later date and to specifically answer your question, at this time, we are not considering any significant M&A opportunities. Sean Gamble Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc. And Mark... Chad Beynon Analyst, Macquarie Capital (USA), Inc. Okay. Thanks. Sean Gamble Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc. ...if I may just add on to that too, part of the reason why we're in the shape we are heading into this crisis is because we came into it with such a strong balance sheet. So as we kind of turn the corner coming out of this, one of our big focal points and priority is going to be to ensure we're refortifying our balance sheet as needed. So, we'll be heavily focused on that while exploring what opportunities may be there. But there's definitely going to be a balancing act between the two as we look to get us back into comparable shape to where we were prior to heading into this such that if there are any lingering impacts or there's a recurrence or something new down the line we'll again be able to handle that like we are now. Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc. Thanks, Chad. Chad Bevnon Analyst, Macquarie Capital (USA), Inc. Great. Thank you.

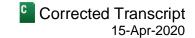
Thank you and good morning guys. I know Sean you talked about your ability to kind of operate profitably at low levels of attendance historically, can you give us a sense of kind of what your plan would be initially? You get the

**Operator:** Your next question comes from the line of Eric Wold with B. Riley.

Eric Wold

Analyst, B. Riley FBR, Inc.

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green light on July 1, let's call it, to reopen, what attendance levels would you initially staff for and how quickly could you ramp that? I mean you talked about kind of hiring in June to kind of getting ready, so do you hire a lot more than you initially think, do you stay in touch with employees that have been laid off to make sure they don't take other jobs, maybe kind of help us understand that kind of staffing [indiscernible] (00:33:53)?

**Sean Gamble** 

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

Sure. Yeah. I would say this is still very fluid at the moment. So I wouldn't go so far as to kind of flag any even staffing levels yet because that's more of just a – of a directional sense and some scenarios we're working off of. But we're obviously going to have to see how things start to reopen because it could be state by state or county by county. I think our general direction would be to – at this moment in time would be to reopen with limited operating hours, potentially limited days of the week and scale it based on demand. We may start to get some insights from other parts of the world too, as they open, if they wind up going ahead of us.

So it's hard to say specifically. We would not be in a scenario where we will be inclined to necessarily bring back everything day one clearly. It would be more of a dip our toe type of approach and then scale as we see that demand is there and sustained. So hopefully that kind of helps address it. Obviously – we're spending a lot of time sorting through what this looks like but there's still a lot of analysis to complete on it.

Eric Wold

Analyst, B. Riley FBR, Inc.

Perfect. If I can squeeze in one more. I know you took the [indiscernible] (00:35:22) offering as kind of a safety net given the unknowns. Let say we kind of get into 2021, 2022 or 2021 let's say and we get back to – industry gets back to a position of strength and attendance back to normal, what would be your plans around the balance sheet with that kind of safety net kind of staying on there? Would you kind of want to be a little more levered to take advantage of opportunities or to be more [indiscernible] (00:35:46) get back to kind of where you were before you went to this?

**Sean Gamble** 

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

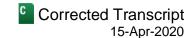
I think we'll have to see. Some of that will kind of depend on what's there. Clearly if there are great opportunities to pursue that wouldn't materially stretch our balance sheet that would be the best scenario. But we will be very careful because there's just the unknown of what's to come down the line and we want to make sure that we're prepared for anything that comes our way. On the defensive side, certainly in the near term, I think we're all kind of – it doesn't seem like anybody in the world quite knows yet kind of what the long term – or the near term I should say is going to look like. So we're going to be very careful. But, as Mark indicated, we'll clearly look at all possible opportunities and see if there is a way to make something work while we're refortifying our balance sheet and creating enough protection for the potential of any type of future impact. Mark, I don't know if you have anything you want to add to that.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

I think the key thing here Eric is I would – I would – the way that Sean and I and Mike are driving this company as well as our board is right now I think security is more important than growth. There'll come a time where growth will become a head of security, but right now with all the uncertainties in the world, things are beyond our control, what got us to this strength of position we're in right now is that we were relatively conservative and didn't chase deals at multiples that were beyond the levels we were willing to do. And that same philosophy is going to

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continue. We're going to focus right now more on security and we'll shift more towards growth once we know more about the forward-looking environment for the world and specifically our industry.

Eric Wold

Analyst, B. Riley FBR, Inc.

Perfect. Thank you both.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you.

Sean Gamble

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

Thanks Eric.

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

Thank you for taking the question. And thank you for hosting the call. I've a few questions if I could please. First, Sean, it looks like you have about \$730 million of liquidity now, the \$480 million cash and the \$250 million from the debt. Can you give us some idea what your monthly or quarterly fixed costs would be, let's assume that you're still paying your rent because I think that's probably the biggest variable?

#### Sean Gamble

Analyst, Loop Capital Markets LLC

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

Well we've tried to give some directional color on that both with the comments on the runway and we've provided [indiscernible] (00:38:34) actions that we've taken kind of by line item in the appendix. Some of that depends on how long we're closed. Yeah, I think we've tried to give just some general clarity about our condition and our comfort. I think we're a little reluctant to get too deep into that. One thing I can tell you is, and I think you can get a kind of a sense for the answer to the question just based on some of the runway that we've described is, our ongoing rent payments are approximately 40% to 45% of our expenditures or our cash going out the door. We've been having very positive conversations with our landlords to date on extensions of those payments. We've a pretty fragmented group of landlords, so those conversations are varied to a certain degree.

So, we think if anything what we've modeled in that kind of runway that we've communicated is probably we're erring on the side of conservatism, so there could be a little bit further opportunity, but [indiscernible] (00:39:43) it's somewhat varied. There're certain things like film rental and concessions, which are a 100% variable and go to zero in this environment. There's other things like utilities that will come down significantly. We estimate about 60% to 70%. The largest component of ongoing cost is, as I mentioned, the rent payments, but even there we're having proactive conversations to minimize the effect of that.

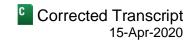
#### Alan Gould

Analyst, Loop Capital Markets LLC

Okay. And if I can just follow on, you gave the occupancy rate, which was helpful. What is the weekend occupancy rate? I would assume it's higher than 20% to 30%.



**Business Update Call** 



#### Sean Gamble

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

It will tend to skew up a bit on the weekends, but even there it can range generally in the 40% to 50% range when we get into kind of the evening points on the weekends, but except for those big opening weekend blockbuster movies, even there, there's plenty of extra capacity. So, even on a weekend, we're able to kind of handle a reduced degree of seating capacity because that still tends to be our norm. So, I think even there we're still comfortable with the ability to operate in a scenario where we maintain social distancing in the future and again can do so very profitably.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Alan, let me just add one thing there. We've also been successful in spreading out attendance with a very strong variable pricing scheme, for example, Tuesday, throughout the circuit of Cinemark is Discount Tuesday. Tuesdays actually are most popular – or second most popular day of the week and Saturday, as expected is, but then it goes to Tuesday and then we also do other things like a Senior Citizen Day (sic) [Senior Citizens Day] (00:41:27), so utilizing variable pricing we have been able to extend beyond just pushing everybody into a Friday and Saturday night.

Alan Gould

Analyst, Loop Capital Markets LLC

Okay and Mark...

Sean Gamble

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

And Alan I would just correct myself, I am just looking at the data in front of me, even on some of our largest weekends over the past – last year, actually the range is more in the 30% to 40% versus the 40% to 50% I was saying. So it's really only on a mega, mega weekend that it can kind of get a touch higher but generally it's in the 30% to 40% range.

Alan Gould

Analyst, Loop Capital Markets LLC

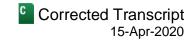
That's helpful Sean and then Mark one last question for you with your studio experience. So it sounds like July 1 is the opening but it takes three months to fully ramp. So you're not really – so the industry is not fully open till October 1. Do you really think the studios – Disney is going to put out a Mulan or these films in July, Aug, how do you get the studios to put out the big films in July and August when the industry is not fully open?

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

I'm glad you asked that because it allows me to clarify a little bit. I think what we're talking about is our staffing levels and our bringing back of all of our team. When we open – what we hope to do is to open the theaters in late June, like I said with retrospective product, a very high profile key library product and it's our hope that over those two or three weeks, we start – consumers start to feel more comfortable and so by the time Tenet comes around we're hopeful at that time that this can be a very successful broad based release for Warner Bros. followed by Mulan after that and all the titles that I indicated after that. So when we're talking about bringing back and opening our theaters, part of that is what we're going to do in terms of staffing. We're going to be careful on staffing in the beginning and based on the amount of attendance we'll beef that up. But by the time Tenet and Mulan and the

**Business Update Call** 



other big movies in July and August we hope to be able to offer a very significant release across the country for those big studio movies.

Alan Gould

Analyst, Loop Capital Markets LLC

Okay. Thank you very much. Very helpful.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you for the clarification. I appreciate it.

Sean Gamble

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

Thanks, Alan.

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

David W. Miller

Analyst, Imperial Capital, LLC

Hey guys, thanks for holding the call. I also have maybe three or four questions. Sean, I'll start with you. Appreciate your comments about seeking rent reductions from your landlords. I'm sure you're having productive discussions. What if anything is your obligation to the landlords once you start operations? I sort of find it hard to believe that you can get away with paying no rent at all once you start operations by July if in fact that's even realistic, even if you start operations by July? And then as an extension to that question, what is your obligation to the landlords in 2021 on the backend when presumably the crisis is over and we may have to worry about some sort of maturity wall in 2021 with the rent obligation? Then I have a couple follow-ups. Thanks.

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

Sure. Mark, you want to take that or do you want me to cover it?

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

Yeah, you know what, I think I will. David, we have all kinds of different arrangements. I mean – I think Sean mentioned it that we don't have one landlord that represents more than 10% of our business.

mentioned it that we don't have one landlord that represents more than 10% of our business.

David W. Miller

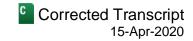
Analyst, Imperial Capital, LLC

I know.

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

So we've – David, we've done things where rent is being delayed for 90 days and it doesn't start until after 90 days. We've done deals where rent doesn't start until we open our theaters. We've done deals where rent doesn't [indiscernible] (00:45:27) when the theaters open, but we don't payback the delayed rent until 2021. So there's no

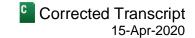
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big significant cliff and each one of the landlords, depending on their capitalization, most of them have been very willing to compromise with some form of delay and some form of payback either after 90 days, either when the theaters open or spread to the 2021 or in some cases put onto the backend of the lease when the lease – we just extend the period of the lease. So most of these – most of these landlords are very appreciative that we're reaching out to them to actually put together deals that can work for both of us. So there's not – there's not a one size fit all simply because every single one of these landlords have different capital constraints on their side. So I hope that's helpful.

David W. Miller  Analyst, Imperial Capital, LLC	Q
Yeah. Very helpful. And then also Mark	- 4
Sean Gamble Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc. Hey David, just	A
David W. Miller  Analyst, Imperial Capital, LLC  Go ahead.	Q
Sean Gamble Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Incand just to	A
David W. Miller  Analyst, Imperial Capital, LLC  Sure.	Q
Sean Gamble Chief Operating Officer & Chief Financial Officer, Cinemark Holdings, Inc.	A
clarify one thing which may be obvious, in our reported financials that we'll have going forward obviously we will be continuing to represent accrual based accounting and we'll accrue the full Obviously what we're talking about is all the cash timing of those payments over time. So what our P&L will be the full expenditures going forward while – going – while there actually be quite timing differentiation from them.	l expense of that. t will be reflected in
David W. Miller  Analyst, Imperial Capital, LLC	Q
Okay. And then what if anything are you guys doing operationally at the theater level to sort of distancing once everything reopens? Is the plan to say everyone's going to take the third seat sit like one row ahead in the third seat and within that do you charge more for the tentpole film what you would have lost in the first place or do you charge less just to get people more comfo back to the theaters and making sure folks feel safe, your thoughts on that? Thanks.	or everyone's got to as to try to make up
Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc.	A

**Business Update Call** 



Sean, let me take that. First of all David I think when – where we will charge less is when we start to get people back into the theaters with library – high profile library product. I think we'll be able to make deals with our studio partners to attract people back with attractive pricing prior to the big tentpole movies coming. I do not anticipate that we would charge more for tentpole pictures because of some form of social distancing and I'm going to – I can't answer specifically the amount of social distancing that's going to be required because it's going to [indiscernible] (00:48:04) as opposed to states or certainly the federal government. But we have two ways of doing social distance. One is we have so many recliners that we've already put more distance in between people. 60% of our auditoriums now have recliners and that represents over 70% of our business. So we already have some of that, that we could do one of two things, we could sell every other seat which could be done or we could do what we had done before we closed in March which was we suspended for a period of time reserved seating. Therefore people could – and we would still only sell 50% of the seats if that was mandated by local or state governments. So, we could...

David W. Miller

Analyst, Imperial Capital, LLC

Right.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.



...sell 50% of the seats and let people come in and choose where they want a seat. That way they have the ability if they're a family and they want to sit together with four people they can all sit together. But if somebody comes in with a one or two people, they can separate themselves as opposed to being locked into reserved seat. So we'll do one of those two things depending on the environment at the time and what is being mandated by local and state governments.

David W. Miller

Analyst, Imperial Capital, LLC



Okay. And then finally Mark, you remember back in 2010 that was a year where there were so many great movies stacked on top of each other, maybe just week after week after week with yet another tentpole that — all of which were very well reviewed, but they kind of cannibalized each other. So the reason I'm asking that question is I'm fine with everything being delayed until the second half for films that should have been released in the first half, but there have been another number of high profile releases, I think you know the titles, that are delayed till 2021. So here you got 2021 looking just absolutely — like just truly awesome, just outstanding in terms of the slate, but do you get into a situation where there are so many great movies in 2021 that people will only go to so many of them or does just not matter anyway because Movie Club is there and people can go to as many movies as they want? Just curious as to your thoughts on that one. Thanks.

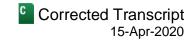
Mark Zoradi

А

Chief Executive Officer & Director, Cinemark Holdings, Inc.

It's a really good question. I certainly – I don't think we have that problem for the third and fourth quarter of 2020. What's great about the way the system works, I mean the studios are masters at looking at the calendar, they all have strategic lineups in their main conference rooms and they strategize where do they want to go versus the competition. So there is a very efficient system laid out to try and spread out the big tentpole pictures. I don't think it's going to be a big problem in 2021 because the studios will look at that and not want to be – not want to be placed right on top of each other. And also because some of the 2021 movies that we thought were going to be done for 2021 have actually had some delays in production. So, some of the 2021 movies that we originally thought are going to get pushed into 2022. So, I think the efficiency of what currently happens at each and every

**Business Update Call** 



distributor/studio will ensure that we don't overly burden any particular weekend. And then also, since some of the 2021 movies are getting pushed to 2022, that's going to help on overcrowding as well.

2021 movies are getting pushed to 2022, that's going to help on overcrowding as well.		
David W. Miller  Analyst, Imperial Capital, LLC	C	
Wonderful. Thank you.		
Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc.	Д	
Thank you, David.		
Operator: Your next question comes from the line of Ben Swinburne w	ith Morgan Stanley.	
Benjamin Daniel Swinburne  Analyst, Morgan Stanley & Co. LLC	C	
Hey, everybody. Thanks for the call and I hope everyone is safe and fan that last conversation, I was just curious how much you guys are in touc governments. I think California and Texas are your two biggest states. Gyesterday about reopening. Are you guys at the point now where you're governments about what may or may not impact you and are you able to early to kind of get a handle on that, because obviously that's something	h with local, I guess, authorities or Gavin Newsom made some comments in communication with these local or plan accordingly or is it just too fluid, too	
Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc.	Α	
Yeah. Ben, we actually are doing that. We're involved in advising on a cething is the government doesn't know right at this moment. They're going	·	
Benjamin Daniel Swinburne  Analyst, Morgan Stanley & Co. LLC	C	
Yeah.		
Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc.	Д	
changing their opinions based on the curve of this virus. So, as it stand planning for an early July opening, but also no one is confirming that the possible. So, again, I think what we've done is we're planning for a reason	t is absolutely going to be available and	

...changing their opinions based on the curve of this virus. So, as it stands now, no one is arguing with us at planning for an early July opening, but also no one is confirming that that is absolutely going to be available and possible. So, again, I think what we've done is we're planning for a reasonable time to open back up from a marketing and film standpoint, and maybe even more importantly, we plan for the negative scenario from a financial standpoint. So, yes, we are involved and keep a very close tab at both state and local, because for example, in Dallas where we're headquartered, the City of Dallas may have one ordinance, where some of the...

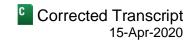
### **Benjamin Daniel Swinburne**

Analyst, Morgan Stanley & Co. LLC

Right.



**Business Update Call** 



#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

...counties surrounding Downtown Dallas may have others. So, it's not just one, sometimes it actually gets down to specific counties within a DMA. So, it's very top of mind and very front burner for us. Thank you.

#### **Benjamin Daniel Swinburne**

Analyst, Morgan Stanley & Co. LLC

Got it. And then, just if I could follow up on some of the questions earlier on just cash burn. I don't know, Sean, if you – I don't think you're willing to give us a number, which is understandable given all the moving pieces. I think you said lease expenses were probably around 40% to 45% a year of your cash burn at the moment. I just want to see if that's accurate. And along those lines, do you think you can drive your cash lease expenses down further as you get through more of the negotiations and conversations with your landlords and are there opportunities to take advantage of any government programs to help – basically either compensate landlords for payments you're not making or subsidies or additional that you haven't already taken advantage of?

Sean Gamble

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

Sure. Yes. Just to confirm, yes, I did indicate that about 40% to 45% of our burn is associated with those payments – at least that's what we've kind of assumed in the model. What we've assumed is probably a little bit more conservative than what we're actually seeing. So, there is a benefit there. In terms of the ability to improve that further, I think there may be. As Mark indicated, we've been having very constructive discussions with our landlords, most of which have been very, very supportive of our position, and I mean they obviously have a vested interest in us doing well through this as well. So, yeah, I think if this thing works, you extend longer, I would anticipate that there could be some further opportunity there that isn't even reflected in the figures that I've kind of mentioned. I don't know if I – was there another piece of your question that I didn't address?

#### **Benjamin Daniel Swinburne**

Analyst, Morgan Stanley & Co. LLC

Yeah. I just didn't know if there were additional, because I know the government has been [ph] passing those, (00:55:38) there have been new legislation passed almost weekly, if there are other things you might be able to take advantage of on the lease front, either you or your landlords that might benefit you?

**Sean Gamble** 

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

It's possible. Actually, immediately after this call, we have a deep dive into the latest on all the different kind of government support and measures that have been passed just to make sure we're up to speed on all the details for things like this. So, I don't know definitively yet, but certainly there could be some opportunity there as well. So, it is something that, if there is, we'll clearly look into and pursue.

**Benjamin Daniel Swinburne** 

Analyst, Morgan Stanley & Co. LLC

Sounds good. Thank you.

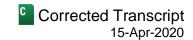
Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thanks, Ben.

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**Business Update Call** 



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

### Alexia S. Quadrani

Analyst, JPMorgan Securities LLC

Thanks very much. I just have a follow-up I think on Alan's question earlier on where you talked about the studios and the reopening of the theaters. I'm curious sort of if you could give us any color, you've got such great experience at the studios and you obviously have a regular dialogue of sort of where they are in terms of their mindset, are they anxious for the reopening, are they pushing for it with safety obviously in mind? And what you think in that vein about the decision that some of them have gone very selectively to streaming or PVOD, like Trolls or Artemis Fowl, and how much of that is sort of a sign of the times versus something that may become a bit more permanent? I guess just sort of taking the temperature on how you feel the studios are in all this.

#### Mark Zoradi

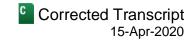
Chief Executive Officer & Director, Cinemark Holdings, Inc.

Yeah. Alexia, yes, we are in close contact with the studios on a regular basis and I can definitely report that the studios are anxious to get back into the theatrical business. It is an extremely important part of their revenue stream. On a major motion picture, the worldwide theatrical business can be as much as 50-or-more-percent of the overall revenue to a studio. So, with these big high profile movies that had large production costs, they are very anxious. They have the same concerns we do: number one, the overall safety and health of guests, and so where does the virus stand in terms of leveling the curve and going down; and number two, the consumer, and as the consumer is going to take a period of time to get comfortable again in going back into environments where they're in a crowded situation, so therefore, what do we choose to do relative to social distancing.

So, I can – the first part of your question is a resounding yes, the studios are anxious to get back into business, once safety is no longer a concern. Relative to PVOD, we think it's been relatively small. I mean most studios have taken all of their big movies, their biggest movies and delayed them. The only really change was what you indicated with Trolls and Universal came out very clearly and made that decision like almost the day that we were closing our theaters – for us, I think it was actually one day before we actually closed, they made that announcement. And they felt like they had spent so much of their marketing money and had so much commitment already put forward with McDonald's and others that they had no choice there. So, we don't see any kind of systematic change in the studios, whether it's from all of our major studios of what they want to do with their major motion pictures, because the theatrical part of the business is so important to them in terms of the revenue stream, clearly the highest on a per cap basis, and like I said, north of 50% of the overall revenue stream.

Alexia S. Quadrani  Analyst, JPMorgan Securities LLC	Q
Thank you very much.	
Mark Zoradi Chief Executive Officer & Director, Cinemark Holdings, Inc.	A
Thank you.	
Operator: Your next question comes from the line of Drew Borst with Goldr	nan Sachs.
Drew Borst Analyst, Goldman Sachs & Co. LLC	Q

**Business Update Call** 



Hi. Great. Thank you for this call and thanks for taking my questions. I wanted to see if we might be able to get a little bit more granular on your revenue by state or at least for some of your biggest states, just recognizing that the reopening seems likely to probably be a state by state sort of exercise, and as you said, it may even be county by county or city by city. But like if you looked at your 2019 revenue, could you give us a feel for how much came from say, I think your three biggest states are California, Texas and Ohio, what's your proportion of 2019 revenue came from those states, if you could?

**Sean Gamble** 

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

Sure. You got it right, Drew. We got about 30% of our circuit is in Texas, about 20% in California, and about 6% in Ohio. So, that is fairly indicative of kind of our revenue mix. Beyond that, it gets pretty fragmented across the rest of the states we operate in throughout the US.

**Drew Borst** 

Analyst, Goldman Sachs & Co. LLC

That's great. Thank you. Another question I want to ask is just we're obviously focused on the US circuit, because that's where the bulk of the cash flow comes from, but I – and I think a lot of us on this call are pretty familiar with what's going on in the US. Could you just talk a little bit about what's going on down in Latin America, are there any sort of unique sort of aspects to the crisis there, the health crisis and the economic crisis that we should be aware of, are there any sort of cash flow issues? Are you able to reduce fixed costs down there at the same rate you seem to be doing in the US, is there anything you just say on that front?

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Sean, let me take the first part of that, you can take the cost reduction part.

Sean Gamble

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

Okay.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

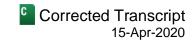
Relative to what's going on from an exhibition and – an exhibition side is very, very similar. Obviously, all the theaters are closed. We would anticipate trying to open the theaters somewhere in the same timeframe, however, that again will very much depend upon where the virus is at the time. And we've been approaching the situation and problem in a very similar way from a cost reduction and cash standpoint. I'll let Sean give some details on that.

Sean Gamble

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

Yeah. No. That's exactly right. I would say the same actions we discussed for the US really apply broadly to international. We kind of created a little bit of delineation of that in the appendix to where there have been some nuances. The two probably biggest differences, although from an impact standpoint, they kind of offset each other, are in the areas of payroll actions and rent payments. On the payroll actions, in general, many of these countries that we operate in tend to have tighter restrictions on what you can do with regard to reduction of workforce. So, some of those countries have been easing those restrictions in light of what's happening and some

**Business Update Call** 



have just been a little slower in doing so, and those reviews are still in process. So, that's limited how far we've been able to go with regard to some of the reductions like we have done in the US. We still have done significant reductions. They're just not to the same scale.

On the flip side, the laws down there tend to favor tenants more when it comes to landlord-tenant relationships. And because all of our theaters are within malls, and unlike the US, the majority of entrances to those theaters, you have to access through the malls and many of those malls are closed, we've got a much stronger case to just suspend our rent payments. So, in the US, where it's been kind of a collaborative ongoing discussion and there's varied different flavors of kind of how those solutions are playing out, internationally, we've gone more aggressively in terms of just suspending payments entirely for the time being with rent, because we believe we've got more of an ability to do so. So – but those two differences between payroll and rent more or less balance out and the actions, back to kind of what Mark had indicated, all told, are very comparable to what we've been in the US and the reductions are very comparable.

**Drew Borst** 

Analyst, Goldman Sachs & Co. LLC

Great. Thank you.

Sean Gamble

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

Thanks, Drew.

**Operator**: I apologize. Your next question comes from Jim Goss with Barrington Research.

#### **James Charles Goss**

Analyst, Barrington Research Associates, Inc.

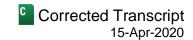
Thanks for taking the question. This has been sliced and diced quite a bit, but I'm wondering as the studios push some of the spring and summer product into the fall and winter and maybe into 2021, are you thinking that that extra dose of interesting content will drive any change in consumer behavior that might offset – since you've also indicated you probably have insufficient capacity to allow for it as the data has tended to show something like eight times a year is probably what most people might go and attend a movie in terms of rate, and do you think that would probably be influenced to change or do you think the other social distancing concerns will sort of offset any tendency to do that?

#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Jim, as Sean mentioned, we don't think we have a capacity problem, even if we have to start with social distancing and how long is social distancing going to be there, even from the beginning, we don't know. But we don't think we have a problem either on weekends or during the week. Look, at this point, we are excited about the studio product that's going to be coming and we think it's very, very commercial, both for the end of the third quarter and the beginning of the fourth and into 2021. And we don't anticipate with the number of seats that we have as well as the number of seats that our competitors have that there is going to be a capacity issue even in the face of some form of social distancing, whether that's 50% or whether we choose to suspend reserve seating for a limited amount of time to allow people to choose their own seats or we go every other seat. So, there's plenty of seats there, and especially, we can start to move demand to less high-demand days through various promotional and pricing efforts as well.

**Business Update Call** 



#### James Charles Goss

Analyst, Barrington Research Associates, Inc.

And I think you made that clear and I'm just wondering if you think consumers will tend to go more frequently than they used to that might actually take advantage of some of the capacity you outlined you have?

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Well, I sure hope so, Jim. We're going to do everything in our power from Movie Club to broad-based marketing, digital and social marketing going to our 12 million addressable people to encourage people to come. And by the way, in addition to marketing all the movies that we're going to market, we're also going to make it very clear to the consumer that they're walking into a highly clean, highly sanitized environment, just again to give more assurance and safety to the consumer, and I think that will become a very important marketing tactic as we move forward, and of course, not just marketing tactic, we will make sure that we execute that [indiscernible] (01:07:50) to a great degree.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Do you think you will employ some piece of equipment – as I went through an airport in Mexico, where there was a screening basically where they could look at temperatures of people as they walked in. Do you think you would tend to funnel people through that just to try to safeguard and make people more comfortable using some piece of equipment or is that similar to when there was an issue with guns and metal detectors and you'd never do something like that?

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

Jim, at this point, we haven't made any decision to do that. So, at this point, I would say it's not in the plan. It doesn't mean that it couldn't be, but at this point, we don't anticipate that.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Okay. And one last thing, on a prior question you were discussing Latin America. Can you talk about the pace of the coronavirus infections in your key markets relative to how it's rolled out here and what their timing might look like there versus here?

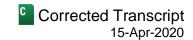
Mark Zoradi
Chief Executive Officer & Director, Cinemark Holdings, Inc.

I think the only thing I would say there and I can't tell you that I'm an expert in the 15 countries that we're operating in and where coronavirus is on their growth or decline curve, but I will say this, in our largest country, Brazil, which we do monitor pretty closely, we think that it is probably somewhere in the one to four week – one to three or four weeks behind the US. And so, we'll see what happens there. We'll monitor it closely. But in other countries I think it's probably very similar to the US. But in Brazil, it might be slightly, and I emphasize the word slightly, behind the curve of where the US is.

James Charles Goss
Analyst, Barrington Research Associates, Inc.

All right. Thanks very much.

**Business Update Call** 



#### Sean Gamble

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

Thanks, Jim.

**Operator**: And your last question comes from the line of Mike Hickey with Benchmark Company.

Mike Hickey

Analyst, The Benchmark Co. LLC

Hey, guys. Thanks for taking my questions. Just two questions here. The first, I'm curious if you've done the survey work or talked to your moviegoers and sort of got an understanding of their willingness to come back into the cinema. I mean, obviously, we have a few months to thinking about opening. I'm just curious sort of the fear gauge that you see out there and if there's certain maybe age groups that are more willing to go back than others, and then I've a follow-up. Thanks.

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Mike, as we sit today, we have not done any proprietary research for Cinemark. It is definitely in our plan to do that. We felt like to do that right now is probably a little bit premature. But as we get closer to that July date, we will certainly be doing that. We have looked at other research and it's varied, there are some people that as soon as that you get the green light from the government, they're [indiscernible] (01:10:52) and there's other people that are going to remain more cautious, and they're going to take two, three, four weeks before they're willing to get back into that kind of social environment. So, I think it's a good question because we will be doing that research, but at this stage of the game we haven't done it because we felt like it's just a little premature based on where we are in the coronavirus.

Mike Hickey

Analyst, The Benchmark Co. LLC

Okay. That makes sense. I guess the second question is, I mean, it's hard to sort of have a comparable to what we're all dealing with at the moment. But looking back historically, have you been able to collect any data on sort of prior pandemics and sort of understand perhaps the confidence of the consumer to bounce back? I think [indiscernible] (01:11:43)

Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

That's a great question, Mike. I lived through the SARS virus. I was running the International business for Disney at the time for theatrical and SARS was, of course, very significant especially in Asia and it took a relatively short amount of time for people to bounce back. It doesn't mean that that's going to be the same on the coronavirus. Obviously, COVID-19 has been much more devastating, much greater in strength and transferability, and has gone around the world, where SARS didn't go as aggressively around the world, but where it was, theatergoing actually improved and came back relatively quickly. So, that's at least a data point, but I don't think it necessarily means it's exactly what's going to happen here.

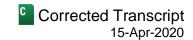
Mike Hickey

Analyst, The Benchmark Co. LLC

That's encouraging. Thanks, guys. Thanks a lot.

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**Business Update Call** 



#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you, Mike.

Operator: And you do have a follow-on question from Meghan Durkin with Credit Suisse.

#### Meghan Durkin

Analyst, Credit Suisse Securities (USA) LLC

Hi, guys. Thanks for getting me in. So, Mark, I don't think this is addressed, but do you have any plans to reduce your footprint and close any of your theaters permanently? And then, for Sean, what went into the decision to apply for the covenant waiver for 3Q and 4Q 2020, but not for 1Q 2021?

#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Meghan, I'll take the first part and leave the second for Sean. We don't have any plans to permanently close any theaters that wouldn't have likely been on the docket anyway. And I'll say that every year, when you have over 500 theaters around the world, you have leases that come to an end, and at the end of that lease period, you choose to either renew or not renew. So, there's clearly going to be some of that. So, there's going to be a handful, maybe there will be a few more, but we don't see this as any significant closure of theaters beyond what we would have already planned with maybe just a few more as well.

#### Sean Gamble

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

Sure. And the decision around the waiver, I'd say that was predominantly the comfort level of our relationship banks at this point in time, they kind of felt like that really gives us coverage through the first quarter of 2021 and into the second quarter of 2021. So, it ultimately just became a discussion of if things were kind of extended to that point, we could revisit it at that stage. But it really was nothing more than, okay, what were they kind of comfortable with at this point in time, and I think in general, there's just some reluctance to go too, too far without kind of more of a line of sight to kind of what's going on in that current environment at the time. So, it really erodes us boil down to that.

#### Meghan Durkin

Analyst, Credit Suisse Securities (USA) LLC

Okay, understood. Thanks, guys.

#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thanks, Meghan.

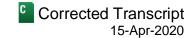
**Operator:** I'd like to turn the call back over to Mark Zoradi for any closing remarks.

#### Mark Zoradi

Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you all very much for joining us this morning on relatively short notice. We hope that you found this helpful and we look forward to speaking with you again when we report our first quarter. And in closing, I just hope that

**Business Update Call** 



you all can remain healthy and enjoy your families as you work out of your homes. Thanks, again, everyone. Bye now.

**Operator:** Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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