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PRESENTATION

Operator

Greetings. Welcome to Cinemark Holdings second-quarter 2025 earnings call. (Operator instructions) Please note this conference is being recorded.

I will now turn the conference over to Chanda Brashears, Senior Vice President of 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 Holdings, Inc.'s second-quarter 2025 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 forward-looking statements are subject to risks and uncertainties that could cause the company's actual results to materially differ from those expressed or implied in the forward-looking statements. The factors that could cause results to differ materially are detailed in the company's 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 now 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. As we shared during our last call in May, the second quarter launched out of the gates with the record breaking results of A Minecraft Movie, which has now generated over \$950 million in global box office proceeds.

That film, coupled with a steady stream of highly compelling new releases week after week, ignited a surge of summer movie going momentum that propelled second quarter North American industry box office to \$2.7 billion which was up more than 35% year over year.

Moreover, the substantial magnitude of that result flipped year-to-date tracking from a 12% deficit versus 2024 at the end of the first quarter to a 14% gain by the end of June. Consumer enthusiasm for theatrical experiences was on full display in 2Q as audiences turned up in mass for films like the genre-defying breakout hit Sinners, the high flying live action remake of How to Train Your Dragon, and Marvel's most recent Avenger adventure, Thunderbolts.

That enthusiasm also delivered an all-time high Memorial Day weekend at the box office, driven by the lovable Lilo and Stitch, which just exceeded \$1 billion globally, as well as an adrenaline pumping final reckoning in Mission Impossible.

Furthermore, audiences scared up a thrilling outsized result for Final Destination Bloodlines, a sizable \$60 million domestic run for the faith-based film The King of Kings, and a powerful, heart racing victory lap for F1 that yielded Apple's most significant theatrical debut to date.

And that robust moviegoing momentum surged right into July with strong continued carryover from prior month releases, monstrous results for Jurassic World Rebirth, including the franchise's second highest opening of all time, a soaring Superman reboot that has ushered in a bold new era for DC Comics. And this past weekend's big first steps for the Fantastic Four, which opened to rave reviews and nearly \$120 million of domestic box office that stretched well past expectations.

And while August and September are typically transitional months as box office tapers off with summer vacations winding down and school resuming, several exciting films are still to come in the third quarter, including a resurgence of comedies such as The Naked Gun, Freakier Friday, The Roses, and Spinal Tattoo The End Continues; more thrills and chills in films like Weapons, The Conjuring Last Rites, and The Long Walk; fresh original titles like a Big Bold Beautiful Journey and One Battle After Another, and new installments of the Bad Guys, Downton Abbey, and Demon Slayer.

And then the fourth quarter is primed to accelerate once again with a further array of action, comedy, thrills, family fair, and spectacle, including Tron Ares, Mortal Kombat 2, a new take on the Running Man, Zootopia 2, the exciting conclusion to last year's sensation in Wicked for Good, Five Nights at Freddie's 2, and of course Avatar: Fire and Ash, just to name a few.

Looking beyond 2025, the 2026 film slate is already shaping up to be an incredible year. Audiences can look forward to new chapters in beloved franchises like The Avengers, Spider-Man, Minions, Toy Story, Shrek, The Hunger Games, and Mario Brothers. Alongside innovative original concepts from visionary filmmakers like Christopher Nolan, Jordan Peele, and Steven Spielberg.

This strong lineup of films on the horizon, coupled with sustained consumer enthusiasm for cinematic experiences underscores our continued confidence in the future of theatrical exhibition. Amid this positive industry trajectory, Cinemark's execution stood out once again in the second quarter with outperforming results that are indicative of our advantaged market position and the continued impact we are deriving from our strategic initiatives.

Our team fully capitalized on the strength of movie going during the quarter, sustaining the core structural market share gains we have achieved over the past several years, while further benefiting from a sizable mix of family titles that accounted for three of the quarter's Top 4 films and more than 40% of 2Q box office.

Furthermore, we also continue to realize upside from our efforts to take full advantage of non-traditional programming opportunities which drove more than 10% of our admissions revenues for the fourth straight quarter in a row as audience appeal for foreign, repertory, faith-based, content creator, and concert films continues to grow.

These collective actions helped us deliver several impressive box office records during the second quarter, including our highest quarterly domestic admissions revenues since the pandemic, and our third highest quarterly result of all time. We also achieved our biggest Memorial Day weekend ever, as well as a record high opening for a family film with A Minecraft Movie.

Importantly, we were able to translate these accomplishments into meaningful overall operating and financial results.

Through solid execution and making the most of opportunities to delight our guests, our sensational team grew revenue 28% year over year to \$941 million during the second quarter as we entertained 58 million patrons across our global circuit.

Adjusted EBITDA increased a further 63% to \$232 million with over 500 basis points of margin expansion to 24.7%. We're very proud to report that our second quarter adjusted EBITDA marked our second highest quarterly achievement in the history of our company, trailing only 2Q of 2019, which included Avengers: Endgame, the second highest grossing film of all time.

As mentioned, our ability to consistently generate solid outperforming results is rooted in the differentiated competitive advantages we've cultivated over time, as well as the benefits we continue to gain from our growth and productivity initiatives.

Examples include the quality and reliability of our technology, presentation, and guest experiences, the highly loyal customer base we've nurtured for many years, and our industry leading marketing and operating capabilities. For instance, we maintain a heightened focus on making sure our guests receive a premium experience when they come to our Cinemark theaters, regardless of which auditorium they choose.

Doing so includes the significant amount of time and energy we put into training and coaching our teams to deliver top-notch guest service, the careful curation of food and beverage choices we serve to appeal to a wide range of diverse preferences, and the considerable levels of investment we spend on maintaining the entirety of our theaters, which continues to exceed our peers.

In addition to general overall maintenance, this investment includes further expanding reclining seats across our circuit, which now spans 70% of our domestic footprint and are consistently one of our most highly sought after amenities.

It also includes diligently maintaining our best in class Xenon projection technology with a staggering 99.98% screen up time across thousands of showtimes per day, as well as continuing to advance a multi-year conversion to Barco laser projectors that will reach nearly 25% of our circuit by year end.

Altogether, these holistic efforts that benefit the totality of our theaters continue to earn us positive satisfaction scores from approximately 95% of our guests during the second quarter. They also helped us to grow our food and beverage per caps in both the US and Latin America to new highs, with the US exceeding \$8 for the very first time at \$8.34.

Simultaneously, we also continue to lean into growing the volume of upgrades we provide our guests that appeal to audiences who want a further enhanced and differentiated experience. Already today we offer 315 premium large format auditoriums across our global circuit, six Screen X auditoriums that provide an expanded 270 degree panoramic range of view, and the largest footprint of D-BOX motion seats in the world with installations throughout more than 450 of our auditoriums.

During the second quarter, our D-BOX revenues reached an all-time high, and our XD PLF screens generated their second highest quarterly box office results ever.

Based on this strong demand, we continue to add more PLFs throughout our theaters. We recently executed an agreement to introduce an additional 80 D-BOX auditoriums over the course of this year and next, and just this week we announced plans to roll out 20 more ScreenX experiences by the end of 2026.

The investments we've made and continue to make in our theaters, amenities, service, and experiences have earned us tremendous loyalty from our guests. So too has our ongoing focus on creating meaningful perceived value for our patrons and simplifying our customer journey from buying a ticket in concessions to enjoying a film in a plush luxury lounge seat. A great example of doing so is the significant impact we've achieved through our loyalty programs.

Members who participate in our free Cinemark rewards program grew to account for more than 55% of our domestic box office proceeds in the second quarter. Moreover, those who participate in our paid movie club subscription program and who are some of our most satisfied customers have driven almost 30% of our domestic box office over the past two quarters.

Movie Club now has 1.45 million members, which is up 12% year over year and over 50% since 2019. The significant value and benefits our guests derive from both movie club and Cinemark Rewards continue to drive increased moviegoing frequency, higher food and beverage consumption, more active upgrades to enhanced offerings, and importantly, substantial loyalty to Cinemark.

Additionally, our direct connection with these guests enables us to personalize our interaction with them, providing tailored and relevant information in our communications that further enriches their engagement with Cinemark. It also meaningfully supplements our broader marketing efforts as we work to build awareness and excitement for upcoming films.

With marketing reached to over 32 million addressable consumers globally, we can very effectively and efficiently amplify studio campaigns by targeting audiences that are most inclined to see a particular film and offering them an easy and immediate opportunity to buy tickets.

Throughout the second quarter, we continued to leverage this network in our varied studio collaborations across social and digital media channels, in promotions and partnerships with varied third party retailers, and to strengthen our own independent advertising.

And finally, as we pursue these extensive marketing efforts to build our audiences in tandem with the added enhancements we are making to our theaters, our beneficial loyalty programs, and the memorable experiences we offer our guests, we focus on doing so as efficiently as possible without compromising quality.

Productivity is a key priority throughout our company, as is the strength and diligence of our operating practices. For example, the concentrated attention we place on achieving these objectives enabled us to increase domestic labor hours by only 13% year over year during the second quarter, despite a 3% expansion in our operating hours and a 27% growth in domestic attendance, while sustaining our high levels of guest satisfaction as mentioned earlier.

Overall, the second quarter once again demonstrated the strength and resilience of theatrical exhibition, as well as Cinemark's ability to fully capitalize on upswings in moviegoing.

As a steadier cadence of compelling films were released into theaters, audiences continued to showcase their enduring enthusiasm for larger than life cinematic experiences, and we were able to deliver one of our most profitable quarters of all time.

Looking forward, we remain highly encouraged about the film pipeline ahead, and we believe Cinemark remains exceptionally well positioned to thrive on account of our solid financial and operating foundation as well as the benefits we continue to obtain from our strategic initiatives.

I'll now pass the call over to Melissa, who will share more about our second quarter results. Melissa.

Melissa Thomas - Cinemark Holdings Inc - Chief Financial Officer

Thank you, Sean. Good morning, everyone, and thank you for joining the call today. Our robust second quarter results reflect a compelling film slate that clearly resonated with audiences, as well as the successful execution of our strategic initiatives to drive revenue and efficiently scale our operations.

The team's commitment to operational excellence enables us to maximize the opportunities presented in the quarter and deliver strong financial results.

In the second quarter, global attendance grew 16% year over year to 57.9 million patrons, and worldwide revenue increased 28% to \$940.5 million. We delivered \$232.2 million of adjusted EBITDA and expanded our adjusted EBITDA margin by 530 basis points to 24.7%, reflecting increased operating leverage driven by the attendance growth in the quarter, as well as improved monetization and productivity advancements.

Domestically, we entertained 36.9 million guests, and we continue to sustain strong market share gains compared with pre-pandemic levels. In addition to the structural gains we have made over the past few years, our market share in the quarter benefited from a favorable content mix, including family films like A Minecraft Movie, Lilo and Stitch, and How to Train Your Dragon, which connected particularly well with our audiences.

We delivered \$383.4 million in domestic admissions revenue with an average ticket price of \$10.39 for the second quarter. Our average ticket price increased 5% year over year, primarily driven by strategic pricing initiatives and to a lesser extent favorable format and ticket type mix given the composition of the film slate in the quarter.

We grew domestic concession revenue by a substantial 33% year over year to \$307.6 million. This performance marks a significant milestone for us, as it is the first time we have exceeded \$300 million in concession revenue in a single quarter, representing our highest quarterly concession revenue ever.

Our concession per cap increased 5% year over year to an all-time high of \$8.34 due to strategic pricing actions, a favorable shift in product mix fueled by growth in merchandise sales, and higher incidence rates. Other revenue was \$68.3 million and grew 28% compared with the second quarter of 2024, primarily due to the higher attendance levels, which contributed to increased promotional income and transaction fees as well as gaming revenue.

Altogether, our domestic segment generated our highest quarterly revenue ever with \$759.3 million representing an increase of 33% year over year.

Adjusted EBITDA grew 73% to \$188.1 million yielding a robust adjusted EBITDA margin of 24.8%, representing a 580 basis points expansion versus the prior year period.

Turning to our international segment, we hosted 21 million guests during the second quarter in line with the same period last year. Our attendance benefited from the solid performance of family titles, which helped to offset the prior year's challenging comparison driven by the exceptional success of Inside Out 2, which over indexed in Latin America and was the region's highest grossing film of all time.

Like the US, we maintained strong market share gains in the second quarter compared with pre-pandemic levels, delivering more than 100 basis points of growth versus Q2 of 2019.

Internationally, we generated \$83.7 million of admission revenue, \$70.1 million of concessions revenue, and \$27.4 million of other revenue in the second quarter. In total, international revenue grew 12% year over year to \$181.2 million.

Adjusted EBITDA increased 32% to \$44.1 million with a strong 24.3% adjusted EBITDA margin that expanded 380 basis points year over year.

Moving to global expenses, film rental and advertising expense was 58% of admissions revenue, up 220 basis points year over year due to an increased concentration of high grossing films and higher marketing spend as we leaned in to the strength of this quarter's film slate.

Concession costs as a percent of concession revenue were 19.4%, a 10 basis points increase compared with the second quarter of last year, driven by a higher mix of merchandise sales, which have a lower margin than our core concession offerings, and ongoing inflationary pressures on certain concession categories. These impacts were largely offset by benefits from our strategic pricing actions and higher rebates.

Global salaries and wages were \$109.4 million up 12% year over year due to an increase in labor hours to accommodate higher attendance levels and expanded operating hours, as well as wages and benefits inflation, partially offset by labor productivity initiatives and favorable foreign exchange rate fluctuations.

As a percentage of total revenue, salaries and wages decreased 170 basis points to 11.6%. Facility lease expense was \$82.9 million an increase of 2% compared with the second quarter of 2024, reflecting higher percentage rent given the stronger year over year box office results and inflationary increases, partially offset by foreign exchange rate favorability.

As a percentage of total revenue, facility lease expense declined 230 basis points to 8.8%. Utilities and other expense was \$124.7 million up 19% year over year, primarily driven by higher attendance, which impacted our variable and semi-variable costs, elevated repairs and maintenance expense to address deferred maintenance needs across the circuit, and higher fixed costs, namely real estate taxes and property and liability insurance.

As a percentage of total revenue, utilities and others decreased 100 basis points to 13.3%. G&A was \$54.1 million and was down 3% year over year, largely attributed to lower share-based compensation and related payroll taxes and favorable exchange rate movements. These benefits were partially offset by wage and benefits inflation, targeted investments in headcount, and higher professional fees. As a percentage of total revenue, G&A declined by 180 basis points to 5.8%.

Globally, we delivered \$93.5 million of net income attributable to Cinemark Holdings Inc., resulting in diluted earnings per share of \$0.63.

Shifting to the balance sheet, we ended the quarter with \$932 million of cash as we prepare to address our convertible notes later this month. We generated \$246 million of free cash flow in the quarter, reflecting the stronger adjusted EBITDA performance as well as seasonal working capital tailwinds.

This result underscores the strong free cash flow generating capabilities of our business model when supported by a more favorable content cycle.

Turning to capital allocation, our strategy remains focused on three key pillars: one, strengthening our balance sheet. Two, investing to position Cinemark for long-term success, and three, returning excess capital to shareholders.

Starting with the first pillar: strengthening our balance sheet. Given the strength of our financial position, we provided notice to the convertible note holders of our election to settle the \$460 million principal amount in cash upon their August 15 maturity.

Bear in mind that the maturity date for the warrants extends beyond that of the convertible notes and hedges.

As a reminder, in the first quarter, we took steps to proactively mitigate potential dilution from the settlements of the warrants with the repurchase of 7.93 million shares. Actively managing dilution remains a key priority as we seek to deliver long term value for our shareholders.

We also took proactive steps in the quarter to reduce our interest expense. We successfully repriced our term loan, resulting in a 50 basis points reduction in our interest rate and more than \$3 million in annual savings.

When combined with the upcoming repayment of our convertible notes, we expect a \$24 million reduction in our annual cash interest expense.

To wrap up our first capital allocation pillar, we ended the quarter with a net leverage ratio of 2.2 times, which is within our target range of 2 to 3 times. Our balance sheet continues to set us apart, providing us the financial flexibility to strategically invest in long-term growth while maintaining the ongoing strength and resilience of our circuit.

This brings me to our second pillar: pursuing strategic and accretive investments to grow and secure our long-term success. We deployed \$52.2 million of capital during the first half of the year to maintain and enhance our high quality circuit. For the full year, we continue to expect capital expenditures of approximately \$225 million.

And now to our third capital allocation pillar: returning excess capital to shareholders. In June we paid our second quarterly dividend since the pandemic. And over time our goal continues to be to return a greater share of our free cash flow to shareholders provided our net leverage ratio remains within our target range.

Overall, we remain committed to taking a balanced and disciplined approach to capital allocation, ensuring we retain the flexibility to pursue attractive financially creative opportunities as they arise while proactively managing risk.

In closing, we are pleased with the strong financial and operational performance we achieved in the quarter. Our solid financial condition, disciplined capital allocation, and focused execution, positions us to capitalize on opportunities ahead and deliver long-term value to our shareholders.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now be conducting a question-and-answer session.

Benjamin Swinburne, Morgan Stanley.

Benjamin Swinburne - Morgan Stanley & Co Ltd - Equity Analyst

Thanks, good morning. And thanks for all the commentary on the convert. I want to talk, I want to ask you about the convert and kind of capital allocation Sean and Melissa, so.

It sounds like you're still planning to address the premium with shares. So I want to see if there's any thought about maybe using cash, but assuming you're sticking with the stock approach. Is there any potential to accelerate that, kind of 180 per day settlement through March 12.

And I guess I'm asking because I'm wondering. In terms of your goal of increasing return of capital which you guys laid out in your deck. Do you need to wait for that warrant premium to completely close out to revisit the dividend, raise the buyback, that kind of thing, or maybe not. So that's kind of my first question. Then I just wanted to circle up on the big beautiful bill impact for Cinemark.

Melissa Thomas - Cinemark Holdings Inc - Chief Financial Officer

All right. Thanks for the questions, Ben. So starting with the warrants. So our current intent is to settle the warrants in shares. Now we don't have to make that election until shortly before settlement. Ultimately, our decision will be contingent upon the extent to which the stock price exceeds \$22, our cash and liquidity, and potential dilution considerations among other factors. So just in terms of how we settle that.

As you think about you had the question on acceleration, we do continue to evaluate opportunities to mitigate potential exposure on the warrants. The decision as to whether or not we unwind the warrants early or let them expire over that contractual settlement period is a function of the cost to unwind early, our stock price at that time, as well as future stock price expectations among other factors.

And then as far as your question goes, in terms of will that hinder returning additional capital to shareholders. In the near term, certainly addressing the maturity of the convertible notes later this month as well as the warrants is a key consideration for us from a capital allocation standpoint.

But the potential for additional capital returns to shareholders prior to settlement of the warrants that will depend upon a range of factors including where our cash position is at, overall liquidity, as well as our net leverage ratio among other factors.

But the Board and us as a management team, we continue to assess our capital allocation strategy and the framework and that includes size of the dividend as well as potential for share buybacks as we look to deliver long term value for shareholders.

Benjamin Swinburne - *Morgan Stanley & Co Ltd - Equity Analyst*

Got it. And then I just wondered sorry, Sean, go ahead.

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

No, I didn't say anything. --

Benjamin Swinburne - *Morgan Stanley & Co Ltd - Equity Analyst*

And then, yes, I guess, Melissa, can you quantify cash flow benefits at Cinemark from the 100% bonus depreciation and the shifts into the leverage, interest coverage limitations? I don't know if you guys have figured that out yet.

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

So it's still premature to provide quantification there. We're still analyzing the full impact. But we do expect our cash taxes to meaningfully benefit from the new legislation, particularly as it relates to the 100% bonus depreciation and the loosening of the interest expense limitation.

From a capital expenditure standpoint, many of our capital expenditures do qualify for that accelerated depreciation on the bonus side. I think just the one thing I would call out there Ben as you guys are looking at modeling is just we do for 2025 we had 40% bonus depreciation such that the benefit isn't all incremental, but we do expect it to be significant.

And then on the loosening of the business interest expense limitation essentially the denominator or the measure that before essentially our interest expense limitation was determined based on EBIT. Now that will be determined based on EBITDA. And since EBITDA is at that bigger number, we'll be able to take a greater deduction for interest expense. So the combination of those, like I said, still not at a position where we'll quantify it. We think it's a bit premature to do so, but we do expect meaningful benefits to come from the new legislation.

Operator

David Karnovsky, JPMorgan.

David Karnovsky - *JPMorgan Chase & Co - Analyst*

Hey, thank you. Sean, I wanted to see if you could just expand a bit on your PLF strategy. For instance, what kind of drives your decision to roll out more D-BOX and Screen X as opposed to XD's? And then we wanted to just get your view on some reports that surfaced a couple of weeks ago that you and others were looking at co-branding some of your own PLF formats.

And if you can't comment on that directly, maybe you could just speak more generally to what you can do with the XD brand in terms of maybe driving more share or pricing or even integrating it with studio marketing?

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

Sure. Well, first let me start just by emphasizing. At Cinemark, while we hold our IMAX's and our XDs and all our other enhanced screens in very high regard, as mentioned during the prepared remarks, our focus is on making sure that the entirety of coming to our theaters feels like a premium movie going experience, regardless of which auditorium our guests ultimately choose. Our focus again applies to our service levels, reclined seats, our cleanliness, our maintenance, our food and beverage offerings, etcetera.

In our experience, these types of broad attributes and amenities that reach all audiences and drive high they tend to drive higher overall perception of value, which ultimately leads to increased movie going frequency and loyalty across all categories of films, big and small.

Regarding PLF specifically, they provide a fantastic opportunity for select moviegoers who want an added enhancement to what's already a premium experience of going to the movies. But keep in mind, PLF still only account for about 15% of domestic box office.

So while that figure is up somewhat from pre pandemic levels, PLFs do benefit from being programmed with the biggest new opening releases each week at a corresponding price point, which tends to boost their performance and has made their recovery versus 2019 appear more outsized.

So the bulk of domestic box office, 85% of it continues to be driven by all other cinematic auditoriums in the industry. So while a fantastic amenity, which has been one of several sources of growth for the industry, PLFs are still a relatively small percentage of overall box office sales.

So the right contextual balance needs to be maintained overall. And I would also say just so, overarchingly, there are numerous fantastic PLF experiences that are available to moviegoers across The US and around the world, including IMAX, which is a tremendous experience clearly.

When the industry conversations about PLFs have taken place, which aren't new by the way, They've largely been focused on how to most effectively market all large screen formats to grow the pie and unlock incremental upside, not as a challenge to IMAX.

In general, increasing consumer awareness about the myriad of PLF options that are out there as well as all the other heightened amenities that are available to movie fans, that's a positive for the entire industry, exhibition, studios, creative community and moviegoers.

So the relative difference of kind of how we're looking at one thing versus another, I mean, back to week there has been a nice uptick in select consumers seeking these types of amenities. So we're looking at opportunities across all those categories. You mentioned a range of them like I'd say they're all on the table in terms of where we might lean and look for incremental growth opportunities. It really boils down to the particular theater, the size of the screen, the market, kind of what's in the market, the demographics, all those types of things in terms of what's the optimal path to choose one versus another.

David Karnovsky - *JPMorgan Chase & Co - Analyst*

Thanks. And then just for Melissa, just given the down G and A in the quarter, want to see how to think about the growth on that line item for the balance of the year. We recognize obviously there's a variable component around box and your stock price. And then just any view you can give on concession costs from here and just managing inflation around certain items? Thanks.

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

Yes. So from general administrative expense standpoint, so we did have lower stock based compensation in the quarter that and associated payroll taxes that did result in lower G&A. Kind of outside of that, we do continue to make targeted investments in headcounts and capabilities to further advance our strategic initiatives. And we do have some merit increases and rising cost of benefits.

So as you think forward from a G&A perspective, I would just keep in mind that ex stock based comp, we'd still do expect to see wages and benefits increase as a result of the factors I mentioned. And then always timing of professional fees and then incentive compensation those can timing and amount of incentive compensation can impact our G&A from quarter to quarter. But we continue to remain disciplined, but I would say the year over year comp was impacted by stock based compensation pretty meaningfully this quarter.

Then I think your other -- ?

David Karnovsky - *JPMorgan Chase & Co - Analyst*

anything on concessions? Yes.

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

Yes. So on our concession rate, so we continue to expect our COGS rate for the full year to be higher year on year given ongoing inflationary pressures as well as the shift in product mix and that's mainly driven by higher sales of merchandise and you saw that happen in the first half of the year.

Now we do continue to pursue strategies to mitigate inflationary and tariff impacts that may arise and we'll continue to look to do that. And then with respect to product mix that is an area that we think could continue to drive especially as we look at the film slate for the second half of the year particularly in Q4 does lend itself to merch.

So it's really going to depend on that mix of merchandise and what transpires there. But we'll continue to look to offset wherever we can. I think the other thing I would just call out is a big tough comp in the third quarter. So just keep that in mind. We had a challenging comparison year over year given the timing of rebates in Q3 of last year. So you'll want to look at that when you're doing your modeling.

Operator

Eric Handler, Roth MKM.

Eric Handler - *Roth Capital Partners LLC - Analyst*

Sean, wonder if you had a view on whether or not you will be looking at doing discount Wednesdays?

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

Sure. Well, I mean, just to comment specifically on that, I think it's an interesting concept and angle. It's going to be we're curious to see how it ultimately affects attendance patterns and if it's able to ultimately stimulate more movie going without compromising box office. Also curious to see how it performs and how the studios ultimately embrace it or not.

So I think it's an interesting concept and we're going to watch it closely and we'll make some of our decisions based on what we see. I will point out, we've had a very successful Discount Tuesday program at Cinemark for many years as well as varied pricing throughout the day, week and time of year that's aligned with consumer demand to optimize attendance, box office and revenue.

So we've got a highly sophisticated, fully dedicated pricing team that uses all kinds of varied data and insights to drive our decision making, with the ultimate goal of ensuring our guests feel like they're receiving meaningful value when they visit our theaters.

So overall our decisions are really based on elasticity of demand and consumer value perception as we approach prices. It's worked very well for us over the years and we'll continue to evaluate that one particular concept that you mentioned -- based on how it performs and depending on that we can always make a decision to move down that path or not.

Eric Handler - *Roth Capital Partners LLC - Analyst*

Great. That's helpful. And then as a follow-up, I'm curious what percentage of your concession sales is now merchandise? And how are you thinking about maybe expanding that business to grow, maybe broaden the product mix or add some online capabilities?

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

Sure. Well, look, it's still a relatively small overall portion of our food and beverage, but it's growing exceptionally well. I mean year over year overall merch was up close to 240%. So again, it's on a smaller base, but it's showing great signs of upside. Obviously that it's become beyond just a nice offering, it's become part of the fun events of going to the movies and also a fantastic promotional vehicle.

So they become more and more elaborate, fans are seeking them out, talent from the movies are getting involved in using them to promote the films. So it's just become more and more part of the fun of going to the movies. So we're very encouraged about we're seeing really over the past couple of years with the growth and we think there's still more to come.

Operator

Chad Beynon, Macquarie Research.

Chad Beynon - *Macquarie Group Ltd - Analyst*

Great to see the strength in the second quarter and the continuation in July. Sean, I was wondering if we're starting to see more, I guess, filling in around the edges, just from an overall content standpoint, kind of how that looks for the back half of the year. Obviously, some a little bit of weakness projected in August and September, but kind of picks up. But, yes, just wondering how some of that filling in looks at this point?

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

Well, thanks for the question. Definitely, I mean, I think coming into this year and what we've seen thus far is a more fulsome volume of releases for the industry and we certainly saw that in the second quarter. Obviously, first quarter was still dealing with some of the aftermath of the strikes. Second quarter, we saw how momentum picked up with a more regular cadence of compelling releases week after week after week. And we saw what that did for just phenomenal results and attendance patterns throughout this quarter.

Yes, kind of mentioned naturally the way the normal way movies get booked in the industry August and September tends to be de throttle a little bit, but year-end it looks like one of the most compelling fourth quarter as we've seen since the pandemic with the volume of movies that are coming out.

The last couple of years between the pandemic and the strikes more of the larger films got packed into the summer and year end wasn't as significant as it typically would be from a larger film release perspective. This year we've got a really strong fourth quarter coming. So we're really excited to see the lineup how the lineup of films plays out certainly as we get later into the second half of the year. And we've had a nice July to kick things off at least for third quarter.

Chad Beynon - *Macquarie Group Ltd - Analyst*

Great. Thanks. And then somewhat related just in terms of international, I know the booking periods are slightly different. So it was a very family friendly film slate up here in North America for Q2. Was that the same in international or were some of these pushed into later periods just in the context of that market being more flat versus all the growth that we saw up here?

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

Sure. We were very pleased with the results of Latin America for the second quarter and it is a little nuanced as you kind of point out. I would say the profile and release timing of the films was similar, but there were a few differences and you look at just how the totality of the slate performed in The US relative to LatAm.

Keep in mind, LatAm had a bit of a tougher comp year over year because it was going up against Inside Out 2, which was huge in the US, but in Latin America it was the biggest movie of all time. So that was just a huge comparison. It would be flat year over year with that comparison in there. We look as a real positive.

Couple other things, Minecraft did exceptionally well in Latin America. However, in The US it was that much higher of a cultural phenomenon. When you look at Lilo and Stitch, which also did well in both markets compared to Minecraft, in the US the difference between the two were about 6% in box office.

In LatAm, Lilo and Stitch nearly doubled the attendance of Minecraft. Similarly films like Sinners, which was the third largest movie in the quarter for the US didn't really connect that broadly in LatAm. It wasn't even in the top 10. And other films like The Accountant 2 and Karate Kid and Mission Impossible, these are films that tend to work better in the US, and have a little bit more of a nostalgia factor in the US.

Whereas they over index as much in that market. So those factors really are the things that drove some of the differences between the level of performance in the US for on a year over year basis compared to LatAm.

But overall performance and we are still thrilled with the results of LatAm basically with flat attendance year over year, margins in excess of 24%. The whole region continues to perform that the recovery pace relative to the US continues to outpace things in LatAm on a comparative basis which is really good.

Operator

Drew Crum, B Riley Securities.

Drew Crum - *B. Riley Securities Holdings Inc - Analyst*

Okay. Your previous guidance for domestic ATP and per cap had been modest growth. Curious if there's any update there, any changes to your expectations for the year?

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

Thanks for the question. So with respect to average ticket prices, we continue to expect modest growth year-over-year for full year 2025, and that's again driven by strategic pricing opportunities as well as expected increase in premium format mix, given our anticipations around the strength of the film slate.

Now do keep in mind that our average ticket prices may fluctuate quarter-to-quarter based on film mix but we do expect modest growth in the US year-over-year. Specific to international ticket prices will be impacted by inflationary and FX dynamics in the region and country mix will also play a factor.

On the per cap side, for food and beverage, we do continue to expect moderate year-over-year growth in our domestic per cap for full year and that's driven by the ongoing initiatives we have in place to both increase incidence rates as well as optimized pricing again, similar to our average ticket prices, they will fluctuate quarter-to-quarter with film mix.

And then the same drivers I mentioned for international on the average ticket price side really apply for per caps that inflation and FX dynamics as well as country mix will influence where they shake out there. But ultimately, our aim is to drive sustainable per cap growth.

Drew Crum - *B. Riley Securities Holdings Inc - Analyst*

And then on the CapEx guidance, it suggests the spend is very second half weighted. Could you address that? And any other swing factors we need to consider in modeling your free cash flow for the second half?

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

Yes. So from a CapEx standpoint, you are correct in that we spent year June year-to-date, we spent just over \$50 million in CapEx. We do still expect our spend levels for this year to be \$225 million. It's as typical with our CapEx, it is typically back-half weighted. It does take time for some of these projects to get moving and completed.

So we still continue to target that, As you think about free cash flow generation for the second half of the year, in addition to cash flow timing, the other thing that I would suggest is just the working capital dynamics of our model. So remembering that for Q1 and Q3, we typically have working capital headwinds, just given the dynamics between when box office is generated and when our film rental payments are made.

In addition to that, our interest payments are more heavily weighted to the first quarter and third quarter of the year. And then in addition to that, we had kicked off the Q&A with a question around cash taxes. So we had previously conveyed on a call that we had expected cash taxes to meaningfully increase in 2025.

However, now that we stand to benefit from recent tax litigation, we -- while we're still quantifying those impacts, we're not expecting that same level of increase that we were previously anticipating. So those are the kind of puts and takes specific to the second half as well as, of course, box office and attendance that will be the biggest driver.

Operator

Robert Fishman, Moffat Nathanson.

Robert Fishman - *MoffettNathanson LLC - Analyst*

One for Sean and one for Melissa, if I can. Sean, after the box office success from F1 that you discussed in your prepared remarks, just curious if you've heard anything directly from Apple about their intention to ramp up the potential number of theatrical releases in the year ahead?

And then on a related note, any updated thoughts on Netflix changing its theatrical strategy, especially with their recent Happy Gilmore 2 release which I think we can all say would likely have been a pretty big box office.

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

Sure. Well, thanks for the questions, Robert. Obviously, F1 was a big important film for Apple, and we're just thrilled with the success that they had releasing that help of Warner Bros. It's just been a fantastic movie and a fantastic result. As far as where does this lead, we know that they have aspirations of doing more in the theatrical space, and this was one kind of big key step along the way of that.

So good things, we think will come, don't have any specifics to share as of this point. I think that's still being sorted out, but I think this is an encouraging step in terms of what this could lead to for Apple. On the Netflix front, based on their public commentary, it doesn't appear they have any near-term plans to change their overarching strategy.

It's clearly unfortunate just there appears to be a big opportunity that's not being pursued as all the data clearly shows now that the theatrical release creates a bigger promotional impact, elevates consumers desire to see films, build bigger brands and cultural moments, delivers longer longevity and remembrance and value for those assets. So it's also important to filmmakers and consumers.

But it appears that's not something they're choosing to elect at this point. We're still optimistic that at some stage, they'll change course. Yes, Happy Gilmore has had great success. Bear in mind, of course, that's a movie based on a big theatrical success of a film, which many of those movies that have done more business on that platform have been based off of versus original concept. So -- but no, not any -- we don't have any awareness with any of their plans to shift gears at this stage.

Robert Fishman - *MoffettNathanson LLC - Analyst*

Okay. And Melissa, maybe similar questions I asked you, I think, last quarter, just about the margins. Clearly, Q1 was a slower start, but then followed by the strong margins that you guys just presented for 2Q. So just curious, when you think about the full year margin in the second half slate, anything that you want to share update us on where those expectations are and potential upside from here? Even if you want to get into some of the other expense drivers that you talked about outside of Q&A.

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

So we were certainly very pleased to deliver our second highest quarterly adjusted EBITDA ever. And over 24% margins across both the US and international in the quarter. And we do remain optimistic about our long-term margin potential, driven by our expectations around further box office recovery ahead as well as what we anticipate from the ongoing execution of our strategic initiatives.

Primary drivers, I mean, attendance and box office, as we talked about earlier, those are going to be biggest drivers given the operating leverage we gain as revenue scales, and that was demonstrated really by the significant margin expansion we even saw just between Q1 and Q2 of this year with the strong slate.

Our margins are also influenced by market share, food and beverage per cap and average ticket prices. The extent of benefits captured by strategic initiatives and our ability to mitigate potential cost pressures also play a significant role in our margin performance.

Specific to full year 2025. So our margin should benefit from the anticipated box office recovery as well as the higher concession per cap and ticket prices that we mentioned. That said, we are mindful that we're comparing against the elevated market share levels we delivered last year and our market share may temper in the second half given the cadence of releases as well as the overall scale and relative mix of films.

And that's particularly the case in the fourth quarter. Of course, ongoing inflationary and other expense dynamics as well as the impact of FX devaluation will also be a factor. To your point on just the expense side and what you should keep in mind for the full year margin? I mean film rental rates, we do continue to expect a higher concentration of blockbuster content, which would impact our film rental rates, and then wage rates were a factor. However, we've done a nice job offsetting those with some productivity initiatives that we continue to pursue.

And then the other thing I would keep in mind is utilities and other, we do expect that to remain elevated as we address some deferred maintenance needs across the circuit. So net-net, though, we continue to prioritize growing revenue, mitigating costs to maximize our adjusted EBITDA and margin potential as the box office continues to rebound.

Operator

Patrick Sholl, Barrington Research.

Patrick Sholl - Barrington Research Associates Inc - Analyst

I kind of just follow up quickly on your comments on film rent margin and your comments on the majority of box office being outside the PLF. I was just kind of curious if you could discuss some of the ways that you could approach the film concentration and the ability to market that longer tail of releases to maybe ease some of that, maybe just like what the makeup of attendance of that -- those longer -- a longer tails that release slate looks like.

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

Sure. Thanks for the question, Pat. I mean, I do think the studios to a certain degree, they obviously put the bulk of the marketing upfront as they're leading into release. There is a bit of chase that still happens after the fact and that some it depends on the scale of the film, it depends on the performance of the film. It kind of depends on the studio's approach in general to marketing.

We do our own supplementary support of that as well, both leading up to as well as following up after films in market specifically as we're kind of looking at people who we think are most inclined to see those films, have they seen it or not and kind of trying to amplify in those areas. The ability to actually kind of strategically do that to try to affect film rental, I'm not sure that is kind of the driving force. It's really more how do we just capture the most box office performance and attendance out of that movie, whether it be upfront or downstream.

And some of that is just kind of the natural play through word of mouth, that kind of percolates in terms of what people are saying about the how they like the movie or not and what the movie is about and how that just basically resonates with people.

So I think -- I'm not sure there's a huge opportunity to kind of go after it that way. We just continue to look for ways to just ultimately affect the overall outcome and maximize the results through its full play through of all films.

Patrick Sholl - Barrington Research Associates Inc - Analyst

Okay. And then I was curious if you could talk a little bit about the opportunity for new builds. And if you view those mostly as replacing existing theaters where they maybe gotten a little older or if those would be more market expansion opportunities and where you think you would target screen growth going forward?

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

Sure. It could be a combination of both. I'd say, generally, as we -- our real estate team is evaluating market opportunities. We continue to see areas where -- that are underserved, where we can put a new build in there and just grow attendance or capture attendance that's not being fulfilled right now.

In other cases, it may be a matter of replacing an older theater that rather than go through a major remodel, it just makes more sense to put in a rebuild, I would say, more of what we're doing right now, at least as we've reactivated our pipeline of exploration for new build.

I'd say more of that is taking the shape of new opportunities versus replacing older theaters, but it could be a mixture of both. It just depends on what the market opportunity looks like and what the potential returns are.

Operator

Eric Wold, Texas Capital Securities.

Eric Wold - *Texas Capital Securities - Analyst*

A couple of questions. If you look at the Q3 and Q4, the back half of the year, obviously, your Q2 Latin America, there's a number of films that didn't resonate down there versus here also with a tough comparison to Inside Out last year.

So as you look at the back half of this year, any films you can see or just how do you think about the back half in terms of the slate and any major divergences you can see down in Latin America that could impact performance with the slate.

And then with regards to your pricing initiatives, both here and in Latin America, how do you think about your pricing power around both tickets and concessions heading into the end of summer and into the holiday back office period with where we are with the consumer right now.

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

Sure. Thanks, Eric. Yes, the second half of the year as far as the profile of the films for LatAm, I would also say similar to kind of what we've seen recently, it's a little bit of a mixed bag of things. There's a range of films that we think will resonate really well and perform probably in line, if not better than the US, and there's a handful of films conversely, that will likely over index in the US.

I mean, some examples, Superman, which already released performed very well throughout the region, but it under-indexed, the US a bit similar to what we've seen in other international markets. Title in the third quarter, like The Conjuring will do really well, while whereas films like Freakier Friday, Naked Gun, Bad Guys 2, we expect those will likely over-index in the US in comparison to LatAm.

As we move into the fourth quarter, similarly, again, family films, horror films, those tend to work better in the region than sci-fi and fantasy and things of that sort. So movies like Zootopia 2, Five Nights at Freddy's 2, we think they'll resonate extremely well while other films like Wicked for Good, The Running Man, Mortal Kombat 2 to a certain degree, Tron Ares like these are films that will where we expect will work much better in the US and to a lesser degree in that market.

So it's really a mixture. And then it's just going to depend on the nature of how in the totality of those films compare one relative to another in terms of what the full composition of box office winds up being. The only other thing I would say is from a timing standpoint, which is a question asked earlier, a film like SpongeBob, which is a good family film for that market, that has shifted to 2026 for Brazil, Argentina and Chile. So while that will all happen in the US in North America in the fourth quarter, it will fall into the first quarter for those countries.

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

And then from a pricing power standpoint, so we do continue to see opportunities on the strategic pricing front for both tickets as well as food and beverage based on our ongoing analysis of data and analytics by our team.

And I think Sean mentioned a little bit of this earlier, but we are really driving our pricing decisions based on elasticity of demand, and our ultimate goal is to maximize attendance box office and overall revenue. We continue to leverage data to guide those decisions. And we approach it thoughtfully given the economic background.

But we want our guests to feel they've received a great overall value for the experience. And we believe that strategy has benefited us when we look at our attendance recovery relative to the industry and our overall concession per cap growth since the pandemic.

Operator

Stephen Laszczyk, Goldman Sachs.

Stephen Laszczyk - *Goldman Sachs Group Inc - Analyst*

Maybe first on market share. Just be curious to comment on how market share has trended so far in the third quarter, perhaps across North America and international, given what we've seen play out so far through July?

And then a second one for Melissa on salaries and wages. I would think if you could just talk a little bit more about how flexible you were able to be in the second quarter on scaling labor up and down as you saw box office demand materialize week in and week out.

And looking ahead, just curious to what extent you think there's more opportunity to gain efficiency on that line item setting aside some of the operating leverage that you naturally get from higher box.

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

Sure. I'll start with the market share question and just speak a little bit more broadly. First half -- we're thrilled with our market share results. They exceeded our expectations, clearly, with a high mix of family films that outperformed as well as kind of a balanced spread of the outperforming films throughout the quarter, which minimized hitting our capacity constraints, particularly during the second quarter. We continue to expect to sustain our 100 basis points or so of structural gains going forward.

And obviously, the quarterly content mix and volume will fluctuate a bit as we shift to the second half. We do think that could temper a bit. Third quarter share has been performing well. I think we'll see how the spread works. It's obviously a slightly less congested overall quarter, which could work in our favor.

Fourth quarter, we could see it perhaps tempering a bit more a higher volume of blockbuster releases that are kind of concentrated in a bit more proximity of release dating as well as a higher concentration of just Sci-Fi and fantasy skewing films, which tend to kind of skew a little bit lower for our circuit than those family films and those horror films and kind of more real action types of titles.

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

And then on the salaries and wages side, so we were really pleased domestically, our salaries and wages were up only 12.5% on 27% attendance. So we did a nice job. We've put tools in place that allow us to flex our labor hours up and down based on anticipated attendance levels week-to-week as well as our operating hours.

So what you're seeing is that our labor hours are flexing but not necessarily at the same rate as attendance, which has benefited that labor line item. So we feel good about our ability to continue to flex labor and respond to changes in box office and attendance.

Now there are times where and you see this on an international where we have less flexibility on the international side as box office deviates from our expectations. So there just by way of local labor laws, we do have less flexibility to adjust on a more real-time basis.

So you saw a bit of that in the second quarter come through on international salaries and wages because they were comping Inside Out 2 from last year where that just over-indexed in Latin America and outperformed our projections, so there was favorability last year as a result of that, and we comped that this year.

But all in all, we continue to focus on labor productivity initiatives and building those tools and processes that allow us to continue to drive productivity as the box office scales.

Operator

Omar Mejias, Wells Fargo.

Omar Mejias - Wells Fargo Securities LLC - Equity Analyst

Sean, maybe first. In the past, you've talked about actively capitalizing on market opportunities and potentially adding new assets. Just wanted to get your updated view on M&A opportunities to continue to expand this footprint. And if there's any interest in enhancing your presence in major urban markets?

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

Sure. Thanks for the question, Omar. Yes, I mean as we look to further optimize our circuit and grow, M&A is certainly one of the potential channels that we look to do so. So it's something we're open to. We do tend to prefer deepening penetration in the markets we already have presence to leverage our existing infrastructure, relationships and market knowledge, but we obviously also consider other factors like scale and strategic importance and competitive positioning and market profile and you're getting into certain -- getting deeper into other urban areas to the extent that the right returns profiles are in place and the financial accretive confidence is there is something that would be of interest.

I think it boils down to what opportunities are out there and what are high confidence types of potential M&A situations. We don't believe in growth just simply for growth's sake. We've been very disciplined about how we deploy our capital targeting those types of financially accretive investments that don't overly strain our balance sheet. And we've had a great track record of delivering solid returns with that approach, and we think it continues to be the prudent way to move forward.

So we're actively out there kind of evaluating opportunities, and we'll continue to follow a process like that as we approach potential M&A situations.

Omar Mejias - Wells Fargo Securities LLC - Equity Analyst

And Melissa, a housekeeping question for me. I think you touched on this earlier under the deferred maintenance onetime item. I think you had called that out at around \$8 million to \$10 million impact in the utilities line item for the year. Can you quantify how much of this impacted 2Q results and how much you have left for the remainder of the year?

Melissa Thomas - Cinemark Holdings Inc - Chief Financial Officer

Yes. So about half of that spend has already incurred through the first two quarters of the year. Second quarter was about \$4 million of an impact. So you have about -- you have basically half left for the remainder of the year.

Omar Mejias - Wells Fargo Securities LLC - Equity Analyst

And should we think about it like evenly split through 3Q or 4Q?

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

I would have more heavily weight Q3 than I would Q4 in that cadence.

Operator

This now concludes our question-and-answer session. I would now like to turn the floor back over to Sean Gamble for any closing comments.

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

Thank you, Darryl, and thank you to everyone for joining us this morning. We certainly appreciate all the questions and interest, and we look forward to speaking with you all again following our third quarter results. Have a great day.

Operator

Thank you. This does now conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.

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