Cinemark Holdings
Second Quarter 2026 Earnings Call
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Presenters
Chanda Brashears - Senior Vice President, Investor Relations
Sean Gamble - President, Chief Executive Officer
Melissa Thomas - Chief Financial Officer

Q&A Participants
David Karnovsky - JP Morgan
Eric Handler - Roth Capital
Chad Beynon - Macquarie
Mike Hickey - StoneX
Robert Fishman - MoffettNathanson
Drew Crum - B. Riley Securities
Omar Mejias - Wells Fargo
Stephen Laszczyk - Goldman Sachs
Patrick Sholl - Barrington Research

Operator
Greetings and welcome to Cinemark Holdings' second quarter 2026 earnings conference call. At this time all participants are on a listen-only mode. A question and answer session will follow the formal presentation. If anyone requires operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Chanda Brashears, Senior Vice President, Investor Relations. Thank you. Please go ahead.

Chanda Brashears
Good morning, everyone, and thank you for joining us today to discuss our second quarter 2026 results. Our earnings release, executive commentary, and 10-Q were issued earlier this morning and are available on our website at ir.cinemark.com. Today's call is being webcast with a replay and transcript available on our website after the call.

Before we begin, I would like to remind everyone that, during this conference call, we will be making forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. 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. The factors that could cause results to differ materially are detailed in our most recent annual report on Form 10-K, as filed with the SEC and available on our website.

Also, today's call will 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 website's most recently filed earnings release, 10-Q, and on the company's website at ir.cinemark.com.

Joining me this morning are Sean Gamble, President and CEO, and Melissa Thomas, CFO. Consistent with last quarter, Sean will provide some brief introductory remarks and then we'll turn it over to Q&A. Sean?

Sean Gamble
Thank you, Chanda. Good morning, everyone. I'd like to take a brief moment to touch on some of our key highlights from the second quarter. You can also find additional information in our executive commentary and 10-Q that were published on our Investor Relations website this morning.

We're thrilled to report today that Cinemark delivered a historic quarter in Q2, achieving a multitude of all-time quarterly records throughout our global company. For the first time in our history, our quarterly worldwide revenue exceeded $1 billion, supported by record-high results across all key revenue categories.

Importantly, through diligent execution and benefits derived from improved operating leverage, we effectively converted that strong top-line growth into exceptional bottom-line performance. We produced our highest-ever quarterly adjusted EBITDA of $294 million with an adjusted EBITDA margin of 27.1%, our second highest quarterly margin in history that trailed our all-time record by only ten basis points.

We also generated nearly $300 million of free cash flow, deployed over $60 million of capital expenditures toward enhancing our business, and returned excess capital to shareholders through stock buybacks and our dividend.

Our historic results are the byproduct of our ongoing efforts to elevate our consumer offerings, scale revenue opportunities, and further optimize our business, combined with a compelling slate of film releases and solid operating rigor. Beyond propelling our aggregate revenue and adjusted EBITDA records, these factors also yielded all-time high quarterly admissions revenue, concession sales and per caps, premium amenity performance, and loyalty transactions worldwide.

We are incredibly proud of our global team and all they continue to accomplish. We devote significant time and effort to working on strategic initiatives to strengthen our business, and it's especially rewarding to see those actions translate into outstanding results, particularly when amplified by a favorable box office environment. The performance we delivered this quarter is a testament to the dedication, skill, and execution of our sensational team and their ability to capitalize on strong film content and positive industry dynamics.

As we move ahead, we believe we are exceptionally well-positioned for the future. Bolstered by our differentiated financial strength, we stand to continue benefiting from the many targeted investments we have made over the years, the meaningful customer loyalty we have earned, and the industry-leading operating capabilities we have developed.

Moreover, we are actively advancing a broad set of new opportunities to further enhance our competitive edge and drive incremental growth, and we remain highly encouraged by positive recent industry developments, including expansion in theatrical window exclusivity, increases in young moviegoer frequency, and strength in emerging forms of content.

In the very near term, we look forward to building further on the robust performance we've achieved through the first half of 2026, particularly with what is shaping up to be a tremendous launch of Spider-Man: Brand New Day this weekend, along with continued momentum from The Odyssey.

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

Operator
Thank you. Ladies and gentlemen, the floor is now open for questions. If you would like to ask a question, please press star-one on your telephone keypad at this time. A confirmation tone will indicate that your line is in the question queue. You may press star-two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. Again, that's star-one to register a question at this time.

Our first question is coming from David Karnovsky of JP Morgan. Please go ahead.

David Karnovsky
Hi. Thank you for the question. Sean, Q2 I think was the best box office quarter since the pandemic. It's probably reasonable to assume there could have been capacity constraints for Cinemark, and yet you gained domestic market share. I know film mix is a factor, but do these results surprise you at all? And then how do they inform your view of potential market share sustainability or gains going forward, or should the box office kind of run it over $10 billion, for instance?

Sean Gamble
Thanks for the question, David. Yeah, we were very pleased with the second quarter results, to say the least. Yeah, I mean, it was a big quarter. I think what we wound up seeing over the course of the quarter was the way the performance of the films played out wound up helping out with

capacity, where there certainly were some periods where there was a bit more bunch-up of films in terms of the dating week to week.

You had films like Backrooms and Obsession, which were a bit earlier in the quarter, and they actually played out with less competition. So, it turned out that just the way the films worked alleviated some of those capacity constraints that we were expecting would be a bit more significant over the course of the quarter.

As we look ahead, obviously we continue to benefit from the many investments we've made to advance our market share. But the way things will play out will depend a bit on how overall content mix resonates with our audiences and how that capacity constraint plays out. We saw a little bit more of that perhaps in terms of just similar films kind of going on top of each other at the beginning of the third quarter, and we'll see how that plays out over the second half of the year.

There certainly are some more periods, at least on paper right now, where you've got -- in peak periods where there's a bit more concentrated larger films than we saw during the first half, so we're going to be watching out for that. So, those are the types of things that could affect things as we go forward.

David Karnovsky
Okay. And then you mentioned the 45-day window. I know it's early, but any data research on your end that indicates the longer time period is helping to reeducate consumers about the need to see the movies in the theater?

Sean Gamble
It's difficult to say quite yet how significant the long-term impact, because those changes obviously just took place. I mean, clearly, as you pointed out, it was just a record second quarter since the pandemic. So, if you look at that, I mean, one might say, okay, great, things are working better.

I'd say probably the most tangible thing we've seen is that the theatrical exclusivity did start to increase in the second quarter as studios started to honor those commitments of 45 days. So, we'll have to see. It's going to take a little bit more time. I think we certainly expect that the 45-day window will -- we're optimistic about the positive benefits that will yield, which we think will continue to be meaningful. But it will take a little bit more time for that to roll out and for consumers to fully feel the impact of that.

David Karnovsky
Thanks.

Sean Gamble
Thanks. Appreciate the questions.

Operator
Thank you. Our next question is coming from Eric Handler of Roth Capital. Please go ahead.

Eric Handler
Good morning. Thanks for the question. Sean, you continue to get some really good lift from premium. And I'm curious, when you look at your theater footprint, how much more capacity do you have to add an IMAX, XD, 4DX, ScreenX? How much can you add there? And then also, you're getting a really good lift and a nice surcharge for D-BOX. Where are you with D-BOX, and how much more can you add there?

Sean Gamble
Sure. Thanks for the questions. I'd say we still have a healthy runway for incremental additions. There clearly is a balance to be struck because, while we continue to see growing audience appeal for these types of enhanced amenities, they're still just about 15% or so of overall box office. And they're great for certain audiences, but they're not for everyone.

To your question on runway, we've added -- and we added a series of new additions in 2025. In the first half of '26, we've already added seven new XDs, 12 new ScreenX's, two new IMAX's with three new 70-millimeter projectors activated, and 112 new D-BOX auditoriums. So, we've put in quite a bit, and we've got further runway going this year and into the future beyond.

So, I'd say it's -- the screens tend to be a little bit tethered by how big the screen is in an auditorium. That's one governing factor. We've got many more opportunities for, like, second PLFs in theaters where we just have one today. And obviously in new builds, you have more latitude in what you can do there. D-BOX, there's less limitation because we're doing a few rows within an auditorium, so those can go into a bunch.

To your specific question, I think on -- we've got about 350 overall PLFs globally right now, including XD, IMAX, and ScreenX, and we've got about 660 auditoriums that have D-BOX installed.

Eric Handler
Great. And then wonder if we just touch on Latin America for a second? Your Latin America margin was an all-time high. Just curious what type of operating leverage you can now achieve in the region.

Melissa Thomas
Eric, I'll take that one on international. So, our international team has done a great job navigating a dynamic landscape in Latin America, as demonstrated by, as you mentioned, record-setting adjusted EBITDA and adjusted EBITDA margin. As we look at that business, again, predominant drivers of what we're seeing will be attendance and box office in terms of leverage within that model, but also there's other factors that have influenced that.

You've seen market share gains in international. The team has done a really nice job of capitalizing on the box office that's been there. Our average ticket prices and concession per caps continue to be growth catalysts for us. And then also, within the international markets, our ability to mitigate cost pressures has been an important factor.

So really, as we think about margins going forward, those are going to be key dynamics that come into play, key variables, as we look to maximize our margin potential. FX movements and inflationary dynamics are clearly one of the key differences between the U.S. and international.

I think a couple things to keep in mind as you think about our international business going forward is there are a few dynamics at play on the labor side that do differ from our domestic market that I think are worth highlighting as you think about box office variations. So, local labor laws, those can -- they can restrict our staffing flexibility as the box office ramps, so that can impact that line item.

And then additionally, government-mandated wage rates, those can exceed inflation, and we've seen that in markets. Our team has done a nice job offsetting those impacts to the extent possible. But also, you have a different dynamic in lease expense in international. That's more variable.

So, there's some different dynamics when you look at that international business. Really all comes down to how we're managing those levers, and I think the team is doing a nice job pushing the top line to offset some of the inflationary dynamics we're seeing on the bottom line.

Eric Handler
Thank you very much.

Sean Gamble
Thanks, Eric.

Operator
Thank you. Our next question is coming from Chad Beynon of Macquarie. Please go ahead.

Chad Beynon
Hi. Good morning. Thanks for taking my question, and nice quarter. Just in terms of the use of capital, so you finished the quarter in a very strong position from a cash standpoint, you mentioned the interest expense opportunities that you've been able to take advantage of here, reducing that. But just as you think about use of cash with regards to return to shareholders, investing back in the portfolio, or looking at outside opportunities, has anything changed at this point, given your position of strength? Thanks.

Melissa Thomas

Thanks for the question, Chad. So, from a capital allocation standpoint, we continue to have three pillars to our strategy: maintaining the strength of our balance sheet, investing in accretive opportunities, including M&A, that position the company for long-term success, and returning excess capital to shareholders. So, we remain balanced and disciplined in our approach to capital allocation and prioritize the strength of our balance sheet and growth opportunities first and foremost, followed by shareholder return.

And as we think about kind of ranking between new builds, theater enhancements, and M&A, that really comes down to return profiles and strategic importance of each. And then with respect to shareholder returns, that's going to be governed by factors like our leverage ratio, cash position, overall liquidity, and then alternative uses of cash at any given time, among other factors.

But overarchingly, our strategy aims to maintain sufficient flexibility so that we can take advantage of future value-creating opportunities while mitigating any risks that may come along.

Chad Beynon
Okay, great. Thanks. And then Sean, just going back to the strength of the quarter and the breadth of different movies that really hit, I know you mentioned 50% is coming from your direct channel. But in terms of just a new audience, do you think there was significant growth in terms of whether it's younger moviegoers or just moviegoers that hadn't come back for a while that came in the second quarter? And then, as we know, moviegoing begets moviegoing. Do you think that could portend well for the back half of the year and '27? Thanks.

Sean Gamble
Sure. Well, yeah, I mean, look, part of the reason we like a lot of the non-traditional content is that often is a way to bring new audiences into our theaters, and we've seen a nice uptick in that over the years. As we look at our data, very similar to some of the broader industry studies that have been done, we continue to see really healthy growth of younger audiences.

I mentioned that earlier. But some of these films, particularly like you saw films like Obsession and Backrooms which were based upon creator content, they've got these embedded younger audiences. It's helping to bring them in. And then, similar to others, as you mentioned, a momentum business. They see other things of interest when they're there and they wind up coming back, and it just winds up being a positive cycle.

So, we're definitely seeing healthy signs of new attendees, but also nice signs of sustained and growing frequency from our existing audiences. So, there's just a lot of great momentum. This year has been obviously really positive for the industry and certainly for our company with regard to moviegoing in general. So, we're pleased with the trends we're seeing with both new and existing members.

Chad Beynon

Appreciate it. Thanks.

Sean Gamble
Thanks.

Operator
Thank you. Our next question is coming from Mike Hickey of StoneX. Please go ahead.

Mike Hickey
Hey, thank you. Hey, Sean, Melissa, Chanda, great job. Incredible quarter, guys. Congratulations. First question, maybe back to you, Melissa, sort of mirroring the international margin question but thinking domestic, obviously your domestic EBITDA margin here over 27% was significant. How are you -- so, I guess sort of when you think about the elements of margin improvement here, what do you view as sort of sustainable, I guess, or durable as attendance continues to recover? And where do you see the largest remaining opportunities to improve that productivity? And then a follow-up.

Melissa Thomas
Thanks for the question, Mike. So, on the domestic side, attendance and box office, again obviously a primary driver, but key levers as you look at our performance in the second quarter, and it underscores the strength and operating leverage of our business model when supported by a content mix that resonates well with our audiences. You saw that come up clearly in the strength of our market share. Also, the steady cadence of releases and strong overall box office environment.

Outside of box office and attendance, on the market share side, Sean mentioned some of the key drivers of market share in the quarter. More broadly, long-term, while we continue to try to drive our market share gains and have been pleased with what we have seen thus far, we need more runway of a consistent box office to see what is structural within those market share gains. So, that'll -- that will play out over time, but we're very encouraged by what we've seen on the market share side.

With respect to average ticket prices and per cap, again, there we do believe that we continue to have runway. We've been benefiting from our strategic pricing actions as well as premium format penetration that Sean talked about earlier. And within the food and beverage and broader concession realm, we still do believe we've got runway. And you saw that with the growth in our merchandise sales and some of the records that we were able to achieve in the quarter.

So, top line is an area that we really continue to lean into and have a number of strategic initiatives. Obviously, some of these metrics are going to fluctuate quarter to quarter, but over the long term, these are key factors outside of attendance and box office that we will continue to look to drive to support margin strength.

And then on the expense side, there is operating leverage in our model. We do have -- around 40% of our cost structure is fixed, so we do get leverage over line items like facility lease expense in the U.S., similar to our G&A, property insurance, real estate taxes. And then you have other semi-variable costs like theater labor that we continue while those increase with attendance, not to the same extent. So, that creates additional opportunities for us from a margin standpoint.

So, we'll -- we also obviously do have inflationary factors that we're dealing with. But we're focused on controlling what we can control and overall looking to maximize our profitability and margin potential.

Mike Hickey
Thank you, Melissa. And Sean, as a follow-up here, creator-led films, I mean, the success of Backrooms, Obsession, and really I guess in 1Q Iron Lung kind of kicked it off, but all of these seem strategically important for you. So, when you sort of think about the success of these films, which was obviously a huge surprise in the quarter, and then also the budgets of these films, which were incredibly low, does that sort of suggest to you that internet-native creators could be a meaningful source of new theatrical film supply for you in the future? It feels like Hollywood is starting to chase a lot of this IP already, so I'm guessing more is coming, but curious of your view on that.

And then you talked about sort of bunching up on the calendar. Do you think these sort of lower budget, sort of creator-led films could help fill the gaps in the release calendar that's obviously lower budget but still generates strong attendance? Thanks, guys.

Sean Gamble
Sure. Thanks. Appreciate the question. Yeah. I mean, well, let me start first with kind of the bunching up of the calendar. I mean, we're -- we are hopeful that even some of the more traditional, larger Hollywood films will spread themselves out a bit.

It's something that took a long, long while for Hollywood to figure out and eventually got there. And you're starting to see larger films in February and in March and in other off periods from the summer and year-end, and they worked great. So, I think that will start to naturally happen.

In the meantime, yes, these types of non-traditional films, creator content, anime, faith-based, foreign, like, they can definitely help to fill those gaps. And obviously, we're seeing some real significant success stories now. I mean, even prior to Iron Lung, Obsession, and Backrooms, we had Sam and Colby, we had Critical Role. Like, there's been numerous examples of these.

Some of the challenge to date has just been trying to figure out what's going to work and what's not. Some of the kind of concepts that you would think would have worked didn't, and some of the other ones that were -- wound up being big surprises. But I think there's clear recognition now, certainly from the studios that are taking more interest in this and producers, that there's real potential.

There's already a strong fan base between -- and connectivity between creators and their audiences. And when the programming is compelling and well-positioned, strong word of mouth can really generate significant momentum with the potential for these to cross over more mainstream, which is what we're starting to see. so, definitely expect this to be an area of go-forward opportunity, and we're just really excited to see how it evolves.

Mike Hickey
Nice. Thanks, Sean. Thanks, guys. Good luck.

Sean Gamble
Thanks, Mike. Appreciate it.

Operator
Thank you. The next question is coming from Robert Fishman of MoffettNathanson. Please go ahead.

Robert Fishman
Good morning. Two for you, one longer-term and one shorter-term. First, you talked about the excitement around Spider-Man and clearly Avengers at the end of the year. When you think about the '27 slate, are there lessons that you've learned, maybe just building off the last question from first half box office, that you can apply to think about what the mix of the content looks like, expectations around that for franchise and non-franchise movies? Thinking about '27 and even beyond would be the first one. Thanks.

Sean Gamble
Well, first, thanks, Robert. First, I would say, obviously, we're still getting line of sight to 2027. It still is a little bit early, but initial views are very positive based on what's been announced on paper. The volume of releases that have been announced thus far is even a tick up from the norm, and there's a lot of highly anticipated films with another Avengers, Secret Wars, a Frozen 3, a Sonic, another Spider-Man animated film, Minecraft, etc. There's a whole bunch.

I think the -- to the point of trying to anticipate the mix and the impact of that, the hard thing is you never quite know what is going to fully resonate. So, you give your best estimate to use comps of the past to kind of make a forecast of what each of these movies will do. But then inevitably, there are surprises that go both ways, right?

You have the Backrooms and the Obsessions which kind of come out of nowhere and do these massive numbers. You have films like Odyssey and hopefully Spider-Man, based on pre-sales, what's looking like way outperform even big numbers that are expected, and then you have other films that kind of underperform. And it's all a matter of the concept on paper versus what the film actually turns out to be and how it resonates with audiences in terms of how that can skew things.

So, we're certainly looking optimistically at 2027 based on what we know. But ultimately, it's going to be a matter of, again, the quality of the content, the marketing effectiveness, how it ultimately performs throughout the year, and how spread out that performance is in terms of what it ultimately amounts to in total box office.

Robert Fishman
Makes sense. And then maybe just for the shorter-term trends, and this might be a funny question given the record concession revenues that we just saw, but are you noticing anything in terms of even into July about consumer spending changing patterns in terms of reacting to higher gas prices or any other macro pressures on the consumer? Thanks.

Melissa Thomas
Thanks for the question, Robert. So, in terms of health of consumer and what we're seeing, it continues to follow the historical trend. We're more dependent on the strength of the film slate than economic cycles. I mean, we've seen that play out over the last couple years, continue to see that play out today as we think about upgrades to premium formats, concession purchases, and even on the merchandise side, some of what we've seen there.

So, we continue to closely monitor behavior, and we have a number of incentives in place that are designed to help grow food and beverage consumption as well as merchandise sales and premium format penetration while we deliver value for our guests. But we aren't seeing what I would call any indications that there's been an impact on moviegoing as a result of that.

Robert Fishman
Great. Thank you both.

Sean Gamble
Thanks, Robert.

Melissa Thomas
Thank you.

Operator
Thank you. The next question is coming from Drew Crum of B. Riley Securities. Please go ahead.

Drew Crum
Okay, thanks. Good morning, everyone. Sean, want to go back to your commentary around what seems to be an energized Gen Z audience. Can you remind us your competitive positioning with a younger cohort? And understanding that you're beholden to your studio partners for content, is there anything from a planning perspective that you can or are doing to advantage Cinemark for that next Obsession or Backrooms breakout hit?

Sean Gamble
Sure. Well, thanks for the question. I'd say our positioning, while we tend to have a little bit more of a suburban versus urban skew for our overall circuit, I wouldn't say that necessarily is too varied with regard to younger audiences versus older audiences. So, I'm not sure there's a huge difference in that regard.

But things that we're doing, absolutely working with studios in terms of joint partnerships in the promotion and marketing of these titles. We've got a fantastic marketing team that leverages all kinds of social and digital channels, and more and more through influencer networks and things like that, basically being where those younger audiences are to help drive that awareness, and then importantly, channel that awareness into ticket sales at Cinemark.

So, definitely spend a lot of time and effort and energy investing in things like that. In fact, our new brand campaign that we launched at the end of the year last year, It's Show Time, that actually was put together with an intent of a certain energy and certain way of resonating with younger audiences to lean into that. So, it definitely plays into some of the angles we think about when we're working on our varied marketing materials and the types of things we're doing to -- both in tandem with the studios as well as with regard to our just own Cinemark promotion.

Drew Crum
Got it. Okay. And then my next question is can you address the variance between Latin America and U.S. in terms of year-on-year rate of change? Was it compilated? Was it mixed? And I guess specifically, it doesn't -- the headline number would suggest that Latin -- or World Cup, rather, did not have an impact on Latin America's performance. But curious if you had any observations there and if you noticed anything in July with the success Argentina had in the tournament. Thanks.

Melissa Thomas
So, in terms of Q2 in particular on the year-over-year attendance growth between -- differential between international and the U.S., that is more so, I would say, comp than anything. If you look at recovery relative to '19, the recovery rates are still tracking very closely between the U.S. and international. So, we don't make much of that differential that we saw in the quarter.

Drew Crum
Um-hmm.

Sean Gamble
Yeah. And we've tried to tease out the impact of the World Cup. We do think that, with how strong the interest was both in the U.S. as well as certainly overseas, there may have been some impact, and probably less so in the second quarter. We'll see a little bit more of that in the third quarter as it advanced to the knockout rounds, especially with --

Drew Crum

Um-hmm.

Sean Gamble
Some of the Latin American teams that advanced into those rounds. So, a little bit of impact there. But I would say something that I don't think was materially affecting the numbers based on what we can tell.

Melissa Thomas
Yep.

Drew Crum
Yeah. Got it. Okay. All right. Thanks, guys.

Sean Gamble
Thanks. Appreciate it.

Operator
Thank you. The next question is coming from Omar Mejias of Wells Fargo. Please go ahead.

Omar Mejias
Morning and thanks for the question. Sean, you've now reached 40 million addressable customers worldwide. Maybe can you talk about that figure? How much has that expanded over the past year, and where are you seeing the clearest payoff from some of the personalization and direct marketing efforts you guys are doing? Thanks.

Sean Gamble
Thanks. Well, we definitely think that it's one of the many things that are helping to support our growth and our market share advances. Kind of tying that to the answer I had for some of the younger audiences, it's just a way for us to access a broader range of consumers. And another one of the questions is, if we have more new consumers who are coming through our circuit, now we're establishing a communication channel to those individuals to help try to drive repeat business.

So, it's something that our marketing team focuses on very heavily domestically and internationally in just continuing to try to develop that connectivity, and then, through these new tools and capabilities, aim to more personalize and customize things using mass market types of promotions like Spider-Man, as well as more individual kind of behavior type things to try to promote things that are going to be relevant and meaningful to those guests so it really speaks to their interests. So, it's one of the things that we're certainly seeing has been complementary and helpful to just our ongoing performance, and we're leaning more and more into it.

Omar Mejias

That's great. And maybe my follow-up would be on the release cadence of films. I mean, you've talked about how now we've probably made a little progress on some of the 45-day windows and commitments from studios. Like, another thing sort of maybe limiting the potential box office would be the release cadence and how some studios just crowd the summer holiday periods. Can you maybe talk about the importance of that and if you guys are having conversations with studios and potentially maybe spreading out the release cadence across the full year just to improve sort of maximization of the box office? Thank you.

Sean Gamble
Sure. I mean, it's definitely a topic of discussion we have, and I think there is kind of broad recognition that there's opportunity there. I would just say, when it comes to dating, there are a lot of -- and this kind of dates back to my time at Universal. I mean, there's a lot of factors that go into that in terms of trying to find the right slots for your entire slate if you're an individual studio, trying to work collectively with the filmmakers who are part of that and something that's going to work for them, looking at the competitive profile.

So, there's just -- there's a lot of different influences in the mix on that whole thing, which sometimes kind of factors into it and doesn't always lead to, at the aggregate when you put everything together, something that's maybe as optimal from a spread. But that said, it is something that is recognized as an opportunity, and trying to work through some of those challenges is something that we're all discussing and focused on.

So, I think in time we'll start to see that. I mean, usually what winds up happening is somebody will take a risk on doing that, find a huge success, and then that'll become, like, the new date for something. I remember years ago the summer would've started, like, in June, and now that became May, and now it's kind of crept out into April. So, the periods just continue to expand a bit as we've seen that movies can do real solid business any time of the year.

Omar Mejias
Super helpful. Thank you.

Sean Gamble
Thanks, Omar. Appreciate it.

Operator
Thank you. The next question is coming from Stephen Laszczyk of Goldman Sachs. Please go ahead.

Stephen Laszczyk
Hey, thanks for taking the questions. Sean, I was just curious on a follow-up from an earlier question on capital allocation. I would love to get your thoughts -- your latest thoughts on the opportunity set and your appetite for new builds and M&A as part of that framework, whether

any of that has evolved over the course of this year, whether that be in the U.S. or in some of your international markets.

Sean Gamble
Sure. Absolutely. I mean, when we think about the evolution of our business and positioning ourselves for ongoing success, growth through new builds, growth through M&A is certainly part of that equation. It's part of the calculus we look at.

Specific to M&A, obviously we're pretty disciplined in that regard, and we do look at all opportunities. We tend to target, as I've mentioned in the past, quality assets that we have confidence can deliver solid, assured returns over time. The same goes for new builds, by the way. We want to make sure we're making smart decisions because these are big, long-term considerations.

But we're going to continue to be disciplined with our capital. We're looking for those right kinds of opportunities that we have high confidence in. But as Melissa said earlier, it's a balancing act of the investments we're making in future growth, the ongoing maintenance of a strong balance sheet, and then all that coupled with distributing excess capital to shareholders.

So, we're constantly looking at kind of our future projections of cash and kind of where things are -- or cash generation, where things are going, and the opportunities to manage that balancing act. And we're going to continue to remain disciplined as we move forward because it's proven to be very successful for us over time, and we think it will continue to be.

Stephen Laszczyk
Great, that's helpful. And then if I could just for Melissa on the expense lines, utilities and other, I was hoping you could perhaps unpack some of the trends that we've seen so far through the first half of the year. I know a lot's been made around electricity prices, some deferred maintenance in there as well. What are we seeing? And then thoughts into the back half of the year and then maybe even some of the early quarters of 2027, any help there would be much appreciated.

Melissa Thomas
Sure. From utilities and other standpoint, the increase that we've seen there is primarily driven by the increase in attendance, as many of those costs are variable and semi-variable in nature. So, credit card fees, electricity costs, repairs and maintenance, janitorial would be examples of those. We've also seen higher gift card sales, which result in gift card commissions and fees increasing. So, you're seeing those dynamics play through in our second quarter results and, frankly, first half of the year.

On the electricity front in general, that is an area where we have been seeing, so unrelated to volume, we have been seeing rising market rates, which has translated into an increase in our costs that are running through this market -- or running through this line item. We do have -- two of our key markets did have increases that were meaningful, and we've seen some of that already play through in the first half of this year and we'll see the remainder come through in the second half.

So, I still do expect some impact on that line item year-over-year as a result of energy markets. And again, that's not unique to us, but we do participate in -- we have a heavy presence in markets like Texas, which do have spike in data center demand. So, that ultimately translates into the costs that we incur.

And then on our ongoing efforts to address deferred maintenance needs across the circuit, that hasn't had a meaningful impact on a year-over-year basis, given we started that program last year. And so, as you think about year-over-year comp for even full year, we'll still continue to work through deferred maintenance needs in the second half of the year, but I don't expect the year-over-year impact to be as meaningful as it was when you look at last year's comparisons.

Stephen Laszczyk
Great. Thank you both.

Sean Gamble
Thanks, Stephen.

Operator
Thank you. The next question is coming from Patrick Sholl of Barrington Research. Please go ahead.

Patrick Sholl
Hi. Thanks for taking the question. Maybe just starting off with following up on some of your commentary on younger demographics, could you maybe provide a little bit more detail on, like, the frequency of the various demographics and I guess the breadth of the share of, like, each of those demos going to theaters versus like the historical trends?

Sean Gamble
Sure, I'll do my best. I don't have all that information on hand. But I think when we've looked at audiences under the age of 25, I think their frequency is up something like 20% year-over-year, maybe even a touch higher, as more and more types of films have resonated with that audience. So, I think that's been kind of the direction things have been moving in over the course of the past year.

So, we're seeing things migrate in that direction, and it's something we're continuing to study. But it's just -- and that also dovetails with, as I mentioned earlier, some of the broader industry studies in terms of what that had been done in this regard. So, just really pleased with the progress. And when we look at kind of the composition of what's coming going forward, we think that's going to continue.

One of the real interesting things that we've seen with that demographic is it's a -- we're now getting into these generations that have grown up with devices. And interestingly, at one point there was some question as to would going to the movies and being asked to disconnect be an alienating thing to those audiences. And in fact, what's turning out is exactly the opposite.

They're valuing the experience more than other generations because it's more differentiated, it's a communal experience together, and it's just a whole different level of energy and connectivity. So, it's proving out to be something that is a big positive versus a negative with that generation, more so than, as I mentioned, others, which is really encouraging.

Patrick Sholl
Okay. Thank you. And then just on the concession side, where would you say, like, you are kind of within merchandise as a driver of -- or a component of growing concession revenue, like just in terms of, like, how far you think that can run in terms of being a continued contributor?

Melissa Thomas
From a merchandise standpoint, we feel good about our ability to grow. As you saw likely in our executive commentary, we did reach a record $25 million merchandise sales in the quarter. That reflected both the strength of the film slate, also robust consumer demand for merchandise, as well as the ongoing execution of our merchandise initiatives.

We have been focused on curating a compelling assortment of offerings. We've also been focused on targeted product allocations across our circuit as well as enhancing our inventory optimization, and we've seen really nice benefits there in terms of sell-through rates, which drove some meaningful growth in merchandise revenue in the quarter. So, we do believe that we still have runway on the merchandise side.

I would say, importantly, with movie-themed merchandise, not only does it generate strong demand for the merchandise itself, but it also enhances title awareness and audience engagement given its significant social media reach. So, that is an area, as we think about catalysts for future per cap growth, that is one of the many tools in the toolkit that we're leaning into to drive sustainable long-term growth.

Patrick Sholl
Okay. Thank you.

Sean Gamble
Thanks, Pat.

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

Sean Gamble
Okay. Thank you, Donna. And thank you, everyone, for joining us this morning. Really appreciate all the questions. And we look forward to reconnecting in a few months to share and discuss our third quarter 2026 results. Hope you all have a great rest of the summer. Take care.

Operator
Ladies and gentlemen, this concludes today's teleconference. We thank you for your interest in Cinemark Holdings. You may disconnect your lines or log off the webcast at this time, and enjoy the rest of your day.