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Cinemark Holdings, Inc. (CNK)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to Cinemark's First Quarter Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

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

Chanda Brashears
Senior Vice President-Investor Relations, Cinemark Holdings, Inc.

Good morning, everyone. At this time, I would like to welcome you to Cinemark Holding Inc.'s first quarter 2022 earnings release conference call hosted by Sean Gamble, President and Chief Executive Officer, and Melissa Thomas, Chief Financial Officer.

Before we begin, I would like to remind everyone that statements or comments made on this conference call may be forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the company's plans, objectives, expectations or intentions. These matters involve certain risks and uncertainties.

The company's actual results may materially differ from forward-looking projections due to a variety of factors. Information concerning the factors that would cause different results – that could cause results to differ materially is contained in the company's most recently filed 10-K.

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

In today's prepared commentary regarding revenue comparisons, we will be predominantly referring back to the first quarter of 2019, unless otherwise indicated, as the first quarter of 2021 was impacted by COVID closures, government restrictions, and limited new film releases. From an expense standpoint, we are comparing to the prior quarter, fourth quarter of 2021, as we believe it is the most relevant comparison in the current environment.

I would now like to turn the call over to Sean Gamble.

Sean Gamble

President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thank you, Chanda. And good morning, everyone. We appreciate you joining us to discuss our first quarter 2022 results. Following Spider-Man: No Way Home's record-breaking success at year-end, we continue to be highly encouraged by the progress our industry and our company is making as we recover from COVID, which led to first quarter year-over-year revenue growth of over 300% for Cinemark.

Nearly every film released in 2022 to-date has performed in line or better than pre-pandemic expectations, benefiting from favorable opening weekend results and strong week-to-week holds, which, in many cases, exceed historic trends.

Importantly, we're now seeing positive box office recovery across all categories of films and audiences. Blockbusters like Spider-Man and The Batman not only appeal to younger male moviegoers, but their overall audience profiles were consistent with the pre-pandemic demographic mix for Marvel and DC Comics titles.

Dog and Lost City skewed older and more female, while box office results for Sonic the Hedgehog 2 and The Bad Guys have been driven by families. Notably, Sonic delivered Paramount's biggest opening weekend in nearly a decade and the film's overall run to date already exceeds the first installment.

We've also seen remarkable results with alternative content. First, the live captured performance of BTS' Permission to Dance on Stage concert took screens by storm at the beginning of March and generated nearly $33 million of box office around the globe on only two show times. As a result of our industry-leading technology, Cinemark showcased this live concert at more theaters than any other exhibitor worldwide, selling out auditoriums and meaningfully over-indexing in market share.

Next came the global expansion of Jujutsu Kaisen 0, which has grown to become the second highest grossing anime film of all time. In North America alone, this film generated nearly $30 million in box office.

And closing out the first quarter was RRR, which set a new domestic opening day record for an Indian film and rounded out its domestic run at $11 million, the second highest result ever for an Indian title. With Cinemark's consistent focus on multicultural films, we were the number one exhibitor for RRR and all Indian films throughout North America during the first quarter.

Now that COVID has entered a transitionary phase from pandemic to endemic, and government restrictions on theatrical exhibition throughout most of the world have lifted, our industry is well-positioned for sustained recovery.

Moreover, consumer sentiment regarding moviegoing continues to improve and just reached a new high. According to NRG, 87% of moviegoers are now expressing comfort, returning to movie theaters today and 89% within one month from now.

While these improvements clearly represent further steps in the right direction, the near-term film landscape remains dynamic, with production time lines and associated release dates still being affected by COVID.

Multiple film releases were impacted by Omicron in the first quarter, and we've seen several titles intended for 2022 shift to 2023 due to production delays. As a result, we expect 2022 will remain below pre-pandemic levels due to a reduced volume of films.

That said, we've become well versed in dealing with these types of shifts and we remain highly optimistic about the continued ramp-up of box office results as an increasing volume of high quality films returns to theaters with a steadier release cadence over the course of the year.

That optimism was certainly validated by Doctor Strange into the Multiverse of Madness' massive opening box office last night, which clearly has set the stage for its sensational opening weekend result.

Furthermore, last week, we were exposed to a wide array of highly compelling first look footage during our industry's annual trade convention, CinemaCon, which brings together studios and exhibitors from around the world. During their presentations, our studio partners showcased what they have lined up over the next year, which includes a robust set of diverse films that are sure to delight all types of moviegoers.

As expected, 2022 slate of [ph] tempo (0:09:17) films appears poised to fully deliver. In addition to Doctor Strange, which is already off to an amazing start, we saw captivating first time footage from Jurassic World Dominion, Black Adam, The Flash, and Shazam! Fury of the Gods.

We also got to see Disney's first official trailer for Avatar 2, The Way of Water in 3D. James Cameron consistently pushes the boundaries of moviemaking technology in his storytelling. And based on what we saw, this film is no exception, with extraordinary visuals that break new ground once again.

And one of the highlights of the conference was Paramount's first public screening of Top Gun: Maverick in its entirety. For those of you who have been anxiously awaiting the release of this film like me, all I can say is get your advance tickets now, you will not be disappointed.

We were also shown several examples of highly encouraging footage in the mid-tier category of films, including Bullet Train, starring Brad Pitt and Bad Bunny; Ticket to Paradise, a romantic comedy that reunites George Clooney and Julia Roberts; and Elvis, a bio drama with a modern flair starring Austin Butler and Tom Hanks from director Baz Luhrmann.

CinemaCon attendees were also thrilled by glimpses of a wide range of horror and suspense films, including the final saga in the Halloween franchise, Halloween Ends, Stephen King's 'Salem's Lot, Jordan Peele's newest thriller, Nope; and Jason Blum's The Black Phone, which also screened during the conference and generated significant buzz.

On the other end of the spectrum, we saw spectacular footage from several family films that are coming in 2022, including Minions: The Rise of Gru, Puss in Boots, Paws of Fury, DC League of Super-Pets and an extended look at the first 30 minutes of Pixar's Lightyear, which is sure to fully enthrall audiences, young and old.

Finally, we had an opportunity to see a series of compelling scenes from various specialty and art house films, including Downton Abbey: A New Era, Where the Crawdads Sing, Are You There God? It's Me, Margaret, White Bird: A Wonder Story, and Don't Worry Darling, just to name a few.

There was a shared excitement and enthusiasm at CinemaCon regarding the box office momentum that is well underway and the future prospects of theatrical exhibition. As stars and directors spoke about their upcoming films, they championed the magic of moviegoing and emphasized that they make their films for the big screen and the shared cinematic experience.

Furthermore, a key message we heard from every studio was the importance of a theatrical release and the theatrical window in the studio value equation. This does not necessarily mean that every film that they produce will be released theatrically. However, there was a shared recognition and reaffirmation about the strategic benefits that theatrical releases provides to varied genres and sizes of film.

Multiple studios are now indicating that films released theatrically with a window are performing better on their streaming platforms than those without a theatrical release. This observation underscores how theatrical exhibition can be complementary and accretive to streaming, no different than it has been with VHS, DVD, pay TV, and free TV for years.

As studios aim to create bigger cultural moments, build larger brands and franchises, more effectively promote their streaming platforms, attract the creative community, and maximize revenue and profitability, a theatrical release with an exclusive window is a key enabler for doing so.

Theatrical exhibition increases the awareness and value of films by eventizing them, enhancing their perceived quality, creating stronger emotional connections with stories and characters, reducing piracy, and providing multiple monetization opportunities, which increases revenue across all distribution channels.

Turning attention to our first quarter results. While the impact of Omicron created a drag on overall box office performance in the quarter, Cinemark once again far outpaced the North American industry recovery by an impressive 650 basis points when comparing 1Q 2022 against 1Q 2019, an outperformance trend we have maintained for 12 of the past 13 years.

Similarly, our Latin American admissions surpassed their corresponding industry results by approximately 500 basis points. And despite the challenging start to the quarter due to varied film release shifts, we delivered positive adjusted EBITDA both domestically and internationally in 1Q, driven by our industry outperformance, strong concession sales, and stringent cost management.

We've been asked multiple times about the drivers of our market outperformance and share gains over the last several quarters. In addition to meticulous planning and solid operational execution, we attribute those results to two key factors. First is the lift we realized by being one of the first circuits to reopen during the pandemic. That enabled us to both capture new audiences and build tremendous goodwill with our guests.

Second is the combined benefits we've derived from our key strategic initiatives and investments over the years, particularly in the areas of technology, premium amenities, food and beverage, marketing and loyalty programs, and guest service.

Our industry-leading technological capabilities in presentation quality, content management, and our ability to simulcast live events across our global circuit provide us an advantaged position relative to our peers.

For example, because of our integrated screen network, we are able to host live beyond-the-screen experiences that complement Hollywood content, such as exclusive talent Q&As, sessions, concerts, and sports and gaming events. These type of communal engagements offer fans unique, enhanced experiences that deliver guest satisfaction scores which are off the charts.

A perfect example is the presentation of the live-captured BTS concert I mentioned earlier. Cinemark's consistent focus and investment in theater technology enabled us to seamlessly broadcast this global phenomenon and significantly over-index.

And to ensure that our site, sound and content management capabilities remain best-in-class, we've continued moving forward with the plans we announced back in 219 to convert our entire global circuit to Cinionic laser projectors. This transition will elevate our Cinemark movie-going experience even further by delivering more vivid colors, sharper focus and brighter onscreen imagery to showcase the incredible film content that is on the horizon as optimally as possible. While doing so, we will also derive meaningful cost savings and environmental benefits associated with laser projection.

Our investments in premium amenities are also an important driver of our outperformance, especially with regard to our Luxury Lounger recliners, premium large format auditoriums and D-BOX motion seats. Moviegoers resoundingly prefer the enhanced experience that our recliners provide, often driving past non-reclined theaters to enjoy the added comfort of this amenity. Additionally, we've seen how reclined theaters have been recovering faster than those that are not reclined over the course of the pandemic. With over 65% of our domestic circuit reclined, we continue to benefit from our Luxury Loungers, which is reflected in our outsized results.

We've also seen an increase in consumers electing to upgrade to premium large formats and D-BOX motion seats compared to pre-pandemic levels. While our nearly 300 premium large format auditoriums, which includes our number one exhibitor branded PLF XD and IMAX, only represent 5% of our global screen count, they accounted for over 14% of our global box office in the first quarter alone. This box office contribution ratio is up a sizable 530 basis points over the first quarter of 2019 and it yielded an 8% increase in domestic PLF admissions revenue dollars versus the same period. Likewise, our D-BOX revenues, our domestic D-BOX revenues, are up over 25% compared to 1Q 2019.

Considering the high demand for these ultra-immersive premium experiences, we plan to expand our XD screens and D-BOX seats during the course of 2022, which we expect will provide further upside. We are also about to launch a new XD campaign ahead of this year's summer blockbuster season to drive even greater awareness and engagement.

Our investments in food and beverage initiatives are also an important part of our comprehensive guest experience. Over the years, we have continued to place a strategic emphasis on our high-margin core concession offerings, while expanding our menus to provide a broader appeal to every moviegoer.

These tactics have been paying off, as evidenced by the consistent per cap growth we've achieved year after year. Along with the increased indulgence, as moviegoers return to our theaters, our food and beverage initiatives helped deliver yet another record-setting per cap in the first quarter of 2022.

We have also evolved how we offer food and beverage by reimagining the design of our concession stands and introducing a new convenient online ordering platform called Snacks in a Tap. In addition to providing improved transactional ease for our guests, who take advantage of Snacks in a Tap, the platform simultaneously helps reduce lines in our theaters, thereby delivering a double benefit.

We fully launched Snacks in a Tap less than a year ago, and we expect it will continue to provide benefits to our guest experience and concession revenues as more consumers discover the feature and we roll out future promotions and enhancements.

Our market outperformance has also benefited from the advancements we've made in our marketing capabilities and loyalty programs, which have dramatically expanded our consumer reach, increased purchase conversion, and strengthened consumer engagement.

For example, we now have the ability to dynamically customize the content we show consumers based on their location, loyalty status, film history, and numerous other factors. As a result, an average e-mail we distribute typically has several thousand unique variations, which enables us to highly personalize our messaging and improve conversion rates. Our marketing and IT teams continuously work together to enhance our Web, app, and online media platforms to improve our customer journey, remove transactional friction, and provide our guests a compelling digital experience that stimulates return visits to Cinemark.

Our highly successful tiered loyalty program, Movie Rewards, also aims to increase moviegoing frequency and visits to Cinemark. Consumer enthusiasm for our paid tier, Movie Club, the industry's first exhibitor-led subscription program, remains strong and we currently have 980,000 members, which now exceeds our peak in 2019. We continue to add new members each week and we are fast approaching 1 million subscribers.

Our varied loyalty programs throughout the US and Latin America provide direct communication channels to our guests and have a high perceived value, which in turn leads to incremental sales opportunities. Our collective marketing efforts have been highly successful, and we intend to continue leaning into our advertising, promotional, and loyalty campaigns throughout 2022 as we work to fully reignite theatrical moviegoing.

And finally, we continue to derive sustained benefits from our long history of providing topnotch guest service. Exceptional guest service has been foundational to Cinemark's operating practices since our inception 35 years ago, and we consistently earn guest satisfaction scores in excess of 90%. That said, while we have ingrained the notion of guest service in our training and operational DNA, we continue to work on taking our service quality to the next level, and doing so will remain a key focus of ours going forward.

The combined impact of our investments and advancements in technology, premium amenities, food and beverage, marketing and loyalty programs, and guest service, along with solid operational planning and execution, drove our box office outperformance in the first quarter, as well as our positive adjusted EBITDA results.

Additionally, our adjusted EBITDA was further supplemented by the productivity and process efficiency initiatives that we've described on prior earnings calls, including our workforce management and continuous improvement programs.

As we move ahead and we focus on positioning our company for ongoing success in the evolving media and entertainment landscape, we intend to continue to invest in all of these areas to support our five strategic priorities.

As I described in February, these priorities are: Providing our guests an extraordinary experience by delivering world-class guest service, quality, value, ease, and premium entertainment; building audiences via a wider range of content offerings and marketing sophistication; growing new sources of revenue by creating incremental sales opportunities; streamlining processes through additional simplification, productivity, and continuous improvement initiatives; and optimizing our footprint to ensure we're appropriately situated in the most advantageous locations to deliver sustained long-term results.

In summary, I'd like to reinforce how pleased we are with the positive trajectory of industry box office recovery that is fully underway and our sustained optimism about its continued momentum going forward.

Our studio partners and varied content providers are delivering must-see films and events that are intended for theatrical exhibition. And because of our consistent investments in, and our focus on, providing our guests an exceptional cinematic experience, as well as all of our concentrated efforts to reignite theatrical moviegoing, Cinemark is well-positioned to fully capitalize on surging demand as we head into the exciting summer movie season and beyond. I'd like to thank our incredible team for all they continue to do to keep Cinemark at the forefront of our industry.

With that, I will now pass the call to Melissa, who will provide further information about our first quarter financial results. Melissa?

Melissa Hayes Thomas

Chief Financial Officer, Cinemark Holdings, Inc.

Thank you, Sean. Good morning, everyone. And thank you for joining the call today. We are encouraged by the recent box office recovery trend Sean mentioned, with momentum building in late February and March. Despite the impact of the Omicron variant and its effect on the film slate during the first half of the quarter, we were pleased with the results we delivered, which significantly exceeded our expectations.

Starting with our worldwide results, our attendance was 33.1 million patrons in the first quarter. We delivered $460.5 million of total revenue and $25.2 million of adjusted EBITDA. The first quarter represents our third consecutive quarter of positive adjusted EBITDA generation and underscores the resurgence in moviegoing and our discipline around costs.

Turning to our US operations, we delivered attendance of 20.7 million patrons during the first quarter. Operationally, we sought to be as flexible as possible and reduced our operating hours during January and February in response to the impact of Omicron and the related content shift.

Our domestic admissions revenue was $191.8 million in the first quarter, with an average ticket price of $9.27. Our average ticket price was broadly in line with the prior quarter and remained elevated relative to the equivalent pre-pandemic period due to three key factors.

First, a favorable ticket type mix, driven by the strong performance of alternative content in the quarter, which tends to have a higher average ticket price, as well as fewer matinee and weekday show times and a lower mix of child tickets. Second, strategic pricing actions. And third, a higher mix of premium large format box office.

Our domestic concessions revenue was $141.1 million in the first quarter, on another record high per cap of $6.82. We were particularly pleased with the growth we saw in our incidence rates for core concessions like popcorn, candy and beverages, which were up 250 basis points quarter-over-quarter.

When compared with 1Q 2019, our concession per caps continue to benefit from heightened indulgence in food and beverage consumption, an audience mix that tends to skew higher in purchase incidence, and our operating hours, which while reduced, are concentrated in time frames that are more conducive to concession purchases. Furthermore, we benefited from the strategic initiatives that Sean mentioned, as well as our value-oriented approach to pricing.

Domestic other revenue was $39.1 million in the first quarter, and reflects the impact of lower attendance levels on screen ads and transaction fees, both versus the prior quarter and the pre-pandemic period. Altogether, in the first quarter, we delivered $372 million of total domestic revenue and $14.4 million of adjusted EBITDA, with an adjusted EBITDA margin of 3.9%.

Turning to our international segment. It too was impacted by the Omicron variant. We welcomed 12.4 million patrons during the first quarter, despite certain government-imposed restrictions in place on operating hours and capacity due to the pandemic. It's worth noting that restrictions in place on operating hours and capacity have since been lifted. The vast majority of them have.

Overall, we generated $88.5 million of total revenue from our international operations, comprised of $44 million of admissions revenue, $31.9 million of concessions revenue, and $12.6 million of other revenue. International adjusted EBITDA was $10.8 million, with an adjusted EBITDA margin of 12.2%.

Turning to global expenses, film rental and advertising expense was 54.1% of admissions revenue, representing a decline of 340 basis points versus the fourth quarter of 2021. This decline was primarily driven by a lower concentration of blockbuster films during the first quarter, which skew higher on our revenue share agreements with our studio partners. As a reminder, this line item will also reflect our step-up in marketing expense as we continue to lean into investments to reignite moviegoing, strengthen loyalty, and build our audiences.

Concession costs were 17.3% of concession revenue and decreased 30 basis points quarter-over-quarter. While the team did a fantastic job offsetting the cost pressures in the first quarter, costs are rising and we are seeing some impacts, particularly on our key concession supplies.

For example, as you may have read in the headlines, commodity prices have been rising for items like canola and soy, which impact the costs of key staples in our business, such as canola oil and butter topping.

First quarter global salaries and wages were $79.8 million and decreased 4.7% quarter-over-quarter, driven by reduced labor hours associated with the decline in attendance, somewhat offset by higher average hourly wage rates.

Facility lease expense was $73.7 million and represented a decline of 6.9% quarter-over-quarter. While largely fixed, lease expense will fluctuate as percentage rent and common area maintenance move directionally with volume.

Worldwide utilities and other expense was $86.9 million and decreased 4.3% from the prior quarter, driven by variable costs such as credit card fees that declined in line with volume.

Finally, the G&A for the fourth quarter was $40.7 million and decreased 17.4% quarter-over-quarter, due primarily to lower share-based compensation. Excluding the impact of share-based compensation, G&A was down $1 million. Altogether, we generated a net loss attributable to Cinemark Holdings, Inc. of $74 million, resulting in loss per share of $0.62.

Capital expenditures were $18.7 million during the first quarter, including $6.6 million for new builds that we committed to prior to the pandemic and $12.1 million for investments to maintain or enhance our existing theaters, such as Luxury Lounger reclining seats, laser projectors, and XD conversions.

We continue to anticipate spending approximately $125 million on capital expenditures for the full-year 2022 as we balance investing to position the company for the long term, while strengthening our balance sheet.

Turning to cash, we ended the quarter with $569 million of cash on the balance sheet. Free cash flow was negative $138 million for the first quarter. As expected, our free cash flow was impacted by lower adjusted EBITDA, semiannual interest payments, and working capital headwinds, which were primarily driven by the change in box office performance from December to March and the timing of employee bonus payments.

As we look forward, we continue to anticipate positive free cash flow generation for the full-year 2022 based on our current industry recovery expectations and trends. Moreover, we expect to continue to outperform the industry in terms of box office recovery and are working diligently to maintain our market share gains. And between our strategic initiatives and evolving pricing tactics, we believe we can maintain a meaningful portion of the upside we've experienced with both ticket pricing and concession per cap as the film slate diversifies and a broader range of moviegoers return to the theaters.

It's also important to keep in mind the inflationary pressures we are facing, particularly around labor rates and concession costs. Of course, we will continue to pursue initiatives and evaluate strategic pricing actions to offset these cost pressures wherever possible.

In closing, Cinemark has consistently demonstrated its ability to adapt and evolve in this dynamic environment and continues to do so in order to fully capitalize on the box office momentum and the opportunities that lie ahead.

Even in high inflation and recessionary periods, theatrical moviegoing has historically proven to be a recession-resistant industry. People still want and need to get out of their homes for entertainment, and going to the movies provides a reasonably priced means to escape reality and enjoy a shared cinematic experience.

We remain bullish on theatrical moviegoing and especially on our ability to continue to excel and deliver industry-leading results for all of our key stakeholders, including guests, employees and shareholders.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We have our first question from Mike Ng with Goldman Sachs. Your line is open.

Michael Ng
Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good morning and thank you very much for the question. I was just wondering if you could expand a little bit more on your strategy in live events. I know you mentioned the success of the BTS concert for the industry. Are you mostly relying on things like Fathom or are you planning to invest more in the IMAX live events experiences? Thank you very much.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks for the question, Mike. I would say it's a range of scenarios. So, certainly, what you mentioned, events through Fathom, the BTS concert came through another company that's in the space called Trafalgar. IMAX is getting into this area. Additionally, we've been doing – we've hosted several of our own events through our own network, live Q&A sessions with talent ahead of movie releases, which have proved to be received very, very well by consumers. So, it could come through a numerous number of channels. There's other categories of events too, like live sporting events and live gaming events. We just look at this particular area as one that has a lot of future potential. And now that our capabilities are in place to be able to broadcast these types of events, it just opens up new opportunities. So, it's something that we're going to be looking into and leaning into.

The key is finding things that have appropriate scale because the events do typically take a bit of work to put together. So, you've got to make sure that the time is worth the effort at the end of it, but we're optimistic about the opportunities that lie ahead in that space.

Michael Ng
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you very much. And just as a separate question, I was just wondering if you could talk a little bit about your views on the normalization of average ticket price and concession per caps? Just as the box office recovers and we get a more normal mix of moviegoers that include matinee, weekday, and children tickets. Thank you very much.

Melissa Hayes Thomas
Chief Financial Officer, Cinemark Holdings, Inc.

A

Hi, Mike. I'll take that one to start. So, on ATPs and per cap, to your point, we do expect to see some normalization as the film content diversifies and our audience mix diversifies as well and operating hours expanding.

As I said in my prepared remarks, we are pursuing opportunities that we are expecting will allow us to sustain a meaningful portion of the outsized growth that we've seen in both ATPs and per cap over the pandemic period.

If you think about the ATP side, for ticket prices, we've talked about strategic pricing actions in the past. That's something that we certainly see as an opportunity. We'll proceed cautiously with that as we are trying to reignite moviegoing in the process, but we do see opportunity there based on the testing that we've done to date.

And then, in addition to that, promoting our premium large format screens. As Sean has mentioned, we've seen a nice increase in the mix of people selecting to take – or watch movies in XD. And that has boded well for us. So, we continue to lean in there and you'll see us do more on the marketing front to really drive awareness.

And then, similarly, on the per cap side, while we expect some normalization there, we have seen really nice growth in incidence rates. Even quarter-over-quarter, from Q4 to Q1, domestically, seeing that 250 basis point increase quarter-over-quarter there, we do believe that our proactive category management [indiscernible] (0:37:26). But those initiatives that we've been pursuing are going to bode well for us to be able to maintain much of the benefit that we've seen there. Pricing is certainly another opportunity we see on the concession side as well, but, again, we're going to proceed cautiously and leverage data and analytics to drive those decisions.

Michael Ng
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you, Melissa. Thank you, Sean.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Mike. Operator, do we have another question?

Operator: Yes. We do have a question from David Karnovsky with JPMorgan. Your line is open.

Q

Good morning. This is actually [ph] John Cardoso (0:38:14) on for David. Thanks for taking my questions. I guess just very quickly, piggybacking on that ticket question from earlier, is consumer inflation at all affecting any of what you're seeing right now or any of your planned pricing actions going forward? And then I have a follow-up.

Melissa Hayes Thomas
Chief Financial Officer, Cinemark Holdings, Inc.

A

Sure. I can take that one, John. Thanks for the question. So, on the pricing side, inflation certainly is something that we're cautious about and we're going to monitor closely. But if you think about the approach that we're taking to pricing, as I said previously, we're looking to get more sophisticated with our approach to pricing. We're increasingly leveraging data and analytics to evolve to more of a dynamic pricing model over time. We're still early days, but we're not taking a blanket approach to price changes. We're leveraging our data and models and our test results to determine where we have that opportunity.

And with our testing and learning, we're doing that on a continuous basis and we implement the opportunities we identify along the way through our testing. So, I understand we're in an inflationary environment. That's something that we absolutely are taking into account. But we do see pricing as one of the many levers that we have to offset the inflationary pressures that we're seeing, both on the labor side as well as on the COGS side.

Q

Great. And then, just switching gears a little bit, do you mind giving us some color or just commentary on what current trends look like internationally, maybe framing it as how much ahead or behind the international scene is compared to what we're seeing here in the domestic market, particularly maybe as it relates to attendance momentum? Thank you.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Absolutely. Thanks for the question, John. Internationally, specifically Latin America, for us, had been trailing by a few months in terms of its recovery from COVID relative to US. I would say, at this point in time, it's fairly caught up. If anything, there may be a slight lag, but we've seen tremendous progress and improvement across Latin America with regard to moviegoing and also with regard to restrictions.

One the holdbacks, up until the first quarter, had been there were still several capacity restrictions that had been in place. Those now have largely been lifted everywhere with, perhaps, the exception of Peru where there's a few social distancing restrictions still in place. I guess that holdback now has gone and the consumer enthusiasm has been very positive.

Furthermore, while vaccines had trailed the US, largely just in terms of accessibility, because it took a longer time to get vaccines throughout the region, now vaccination rates are actually higher just about everywhere in Latin America than they are in the US, both in terms of double and single doses, as well as boosters. So, that's made significant progress, too.

And when we look at the actual gains that were made in box office, both at the end of the year and – in the fourth quarter as well as during the first quarter, we saw gains that were similar to the US. And as you've seen from our results, our second quarter, we delivered our second straight quarter of positive EBITDA in our Latin American business in the first quarter of 2022.

Q

Great. Super helpful. That's it for me. Thanks again and congrats on the quarter.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, John. Very much appreciate.

Operator: Your next question is from Eric Handler with MKM Partners. Your line is open.

Eric Handler
Analyst, MKM Partners LLC

Q

Thank you. Good morning and appreciate the questions. Two things. First, I wanted to talk about Movie Club, specifically providing some stats that you guys used to give, what percentage of ticket purchases were from Movie Club? How much are they spending versus non-Movie Club people? How often they're going? Any stats you can give around Movie Club would be great.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Sure. Thanks for the question, Eric. Let me throw out a couple that I just have top of mind. As I mentioned in the prepared remarks, we have now 980,000 members. So, we've grown from our peak at the end of 2019 of 950,000, represents more than 3,000 members per theater. Actually, our percent of box office generated by our Movie Club members in the first quarter was also a high at 20% of our first quarter box office.

To date, since the inception of the program in December of 2017, we've sold over 77 million tickets through the program. So, it's been highly successful in terms of the volume that we've sold. And I think those are some of the key stats that we've provided historically that I put out there from memory.

Eric Handler
Analyst, MKM Partners LLC

Q

Great. And then, secondly, I wondered if you could talk about what the construction environments look like in the US and in Latin America in terms of power center development, mall development? Are you seeing anything there that could allow you to maybe accelerate new theater developments?

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Sure. I would say that our view of development is it continues – it's picking up slightly but it continues to be certainly slower than pre-pandemic. I would say along with that, we obviously are being cautious, just as we continue to get a better handle on what the new norm looks like and just where many of the dynamics that are in motion now, where that all settles out. Not to say that we are moving forward on certain projects. There are still projects that we had already in place prior to the pandemic. We've opened a couple of theaters. We have more coming as a result of that.

So, things are picking up, but I would definitely say that the speed of new mall development and the speed of construction is certainly at a much slower pace still than it was prior to the pandemic, specific to new builds.

Eric Handler
Analyst, MKM Partners LLC

Q

Thank you.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Eric.

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

James Charles Goss
Analyst, Barrington Research Associates, Inc.

Q

Thanks. Good morning. I wanted to ask a little about staffing and the whole concept you've touched on in a couple of areas, but in attracting the employees, the wage levels that are necessary, the quality level of the people. A lot of businesses are having trouble getting what they want at the right price. In your case, it's got to be in sufficient numbers to guarantee that good customer experience. So, maybe if you can talk about those challenges.

Sean Gamble

President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Sure thing, Jim. I'll start with that and if Melissa has anything to add, she's welcome to. It's an interesting one. We certainly had quite a bit of staffing challenges at year-end when we were trying to ramp up the volume of employees coming into the holiday period when we saw demand growing. And it was a struggle, partly just due to the labor market, partly due to the state of the virus at that point with Omicron. So, we were definitely understaffed pretty significantly at year-end, both because of those two factors – we couldn't hire as many people and then we also had a lot of people calling in sick.

That normalized in the first quarter as volume came down. We've been in a position right now where we have the volume of staff that we need. We are starting to ramp that up, again, as we head into the summer season.

So, I would say, the full answer to that question still remains to be seen a bit in terms of – are we going to continue to – or hit another challenge in getting the full volume of staff we need? So far, things are progressing well. So, there has been some improvement in terms of the labor market, at least in our world. We also rely very heavily on students – college students and high school students in the summer months when volume grows. It tends to work well because they're off from school and looking for a source of income and looking for part-time work, and that fits very well with our model. And we're heading into that period as well. So, we'll see what the dynamics are there.

With all that being said, wage rates definitely have been a challenge and Melissa touched on that in her prepared remarks. We've certainly seen the need to increase hourly wage rates, which is commensurate with what's happening everywhere at this stage. Everywhere across the US, we've had to do that in order to be able to attract and retain employees in this environment.

Melissa Hayes Thomas

Chief Financial Officer, Cinemark Holdings, Inc.

A

Yeah. And, Jim, just to add on the wage rate side, so in the first quarter, given that we had limited hiring needs coming off of that peak period in Q4, as Sean mentioned, any wage pressure that we saw in Q1 labor was really just realizing the full quarter's impact of wage rate pressure and increases that we did in the fourth quarter. So, we'll know more as we progress through our summer hiring in terms of whether any additional wage rate pressure is coming.

James Charles Goss

Analyst, Barrington Research Associates, Inc.

Q

Okay. Thank you. And one other thing, the softer film release schedule in the first quarter wasn't ideal for the US, but it also coincided with basically summer in Latin America. I was wondering if that was a key challenge there. And I was wondering how you will look at the upcoming pretty robust film release slate as to how it might play in the Latin American markets.

Sean Gamble

President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Sure. Definitely, the overall volume of content, the challenges associated with that that we saw here in the US were also challenges in LatAm, right?

The content that we had worked very well, as I mentioned a moment ago, that the recovery has been – has very well caught up there. But there just – there weren't enough films, frankly, in the quarter for 1Q. So, that also played into LatAm.

As far as we look ahead, look, we're very optimistic about the films that we expect will be big in the US, we expect will be big in Latin America. There always are certain nuances where certain titles will likely tend to over-index in Latin America, while others will under-index in comparison to the US.

I would say, one real-time piece of data, we had our fourth largest pre-show opening ever last night with Doctor Strange, which is off to just a sensational start. That was here in the US. It's also doing phenomenal business in Latin America. So, that's an example of a title – and by the way, that's obviously months after we had the biggest pre-show opening of all time with Spider-Man. So, two of the top five within span of months of each other. So, LatAm, Doctor Strange is also performing exceptionally well there, like it is in the US.

As we look to the rest of the year, certain films, while we expect they'll be really big in LatAm, like Black Panther: Wakanda Forever, to a certain degree, Elvis, and to a certain degree Top Gun, they won't be as big as they are here in the US. While other films like Lightyear and Jurassic World and Minions: The Rise of Gru, we think those will tend to over-index. They don't play – they're more family oriented type films which do exceptionally well in that marketplace.

So, I guess all that being said, I think we're kind of equally optimistic about the overall slate of films in the year for LatAm as we are for the US.

James Charles Goss Q

Analyst, Barrington Research Associates, Inc.

Okay. Thanks very much for the color.

Sean Gamble A

President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

Thanks, Jim. Appreciate the question.

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

Benjamin Swinburne Q

Analyst, Morgan Stanley & Co. LLC

Hey. Good morning, Sean and Melissa. I hope you're well. Two questions for you guys. One, coming out of CinemaCon, it feels like there's more alignment between the studios and exhibitors than we've seen in a while. But, obviously, there's still a lack of supply and maybe demand on the sort of the small and midsize, kind of the non-blockbuster titles. And I'm just wondering, Sean, if you have expectations about normalization there or are we just probably in a different world kind of post-COVID as it relates to the kind of the long tail – tail and torso on the film front in a more concentrated blockbuster market going forward? I know that was sort of the trend anyway.

And then, I just wanted to ask Melissa on the marketing side, should we be – I think all your marketing – correct me if I'm wrong, I think all the marketing shows up in film rental for you guys, tell me if that's incorrect. And should we be trying to bake in some pressure from rising marketing spend in that line as we pull through the rest of the year? Thank you, guys.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

All right. Thanks for the questions, Ben. Really appreciate it. I'll start with the first question on volume of content for the smaller films. My sense is, over time, we will see recovery in those categories of films. And we're already seeing how some of those films are doing well even in this environment now, as a broader category of moviegoers come back.

Some of the impact on those films that we've been experiencing this year and we'll experience throughout this year have obviously been COVID-related, just in terms of the timing of dating of releases as well as films affected by production cycles that got delayed due to just COVID in terms of coming together, as well as what's been going on with the advent of these streaming platforms where, in certain circumstances, because of COVID, there were gaps in content and studios looked to some of these smaller films to fill those gaps, as well as they're being used as marketing channels to help try to drive new sub growth. And as that dynamic normalizes, I think – I believe and I think that some of that will shift back.

As we've talked about, there clearly is an overall economic and promotional value in releasing these types of films theatrically because they provide a range of lift across those films in terms of how they're perceived, economically, the brand building, just the creative community, the desire to have those films released. So, I tend to think that things will shift back.

Another thing that I would just flag is, with a more dynamic and flexible window, which isn't as rigid as it was at 72 days prior to the pandemic, these films have a better financial model. There's a better economic equation on these titles for the studios by being able to get into homes earlier.

So, just by virtue of having less risk and a better financial model, that too, I think, could lead to more of those movies being released theatrically and help to perhaps transition some of that behavior you mentioned, where everything was moving more towards really big blockbusters and more micro-budget films, and we'll see some of that mid-category come back over time.

Melissa Hayes Thomas
Chief Financial Officer, Cinemark Holdings, Inc.

A

Yeah. And, Ben, on your question regarding marketing, so you are correct that film rental – our film rental line item does include our marketing expense as well. As you think about modeling that going forward, I think it's twofold.

First, as we start to come into a stronger film slate for the balance of the year, film rental, we would expect those rates will be impacted particularly given some of the blockbuster content where, as you know, we've – if that falls higher on the sliding scale. So, we would expect film rental to return kind of more in line with pre-pandemic levels there.

In terms of the [Technical Difficulty] (0:55:49), I – you are correct that we do expect to continue to invest heavily in marketing. So, that is something – not sure whether you're modeling kind of quarter-over-quarter or versus pre-pandemic period, but it would be reasonable to assume that we will continue to be spending marketing at levels kind of commensurate with where we were in Q1, if not slightly higher, as we head into a strong film slate.

Benjamin Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

That's great to hear. And it sounds like Avatar is really a movie and it's really coming out?

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

We don't control that decision, but it seems like that is very, very much the case based on what was communicated to us, and it looks absolutely amazing.

Benjamin Swinburne
Analyst, Morgan Stanley & Co. LLC

Q

That's great to hear. Thank you.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Ben.

Operator: Your next question is from Mike Hickey with Benchmark Company. Your line is open.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

Hey, Sean, Melissa, Chanda. Good morning, guys.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Good morning, Mike.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

Great results. Good morning. Thanks for taking my questions. I've got two. First one, Sean, on Latin America, just curious when you think through your time and capital spend in that region, if you feel like the sort of historic strategic rationale for operating there still holds in the sort of new normal environment that we're entering here? And if you've sort of thought through strategic alternatives or reducing your footprint from that region, sort of reallocating your time and capital to US network, your balance sheet and capital return to shareholders? That's the first question. Thanks.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks for the question, Mike. Obviously, we're continuing to keep a look on the entirety of our company from our overall footprint and optimizing our footprint as we get a better handle on the new norm. I would say specific to Latin America, we do like the diversification it provides our company and the long-term growth prospects that still remain within that region. It also does provide us increased scale and strategic importance with our global partners. Latin America, in particular, has a very strong moviegoing culture. It's very social, family-oriented activity and many markets throughout the region remain underpenetrated. So, over time, there is growth potential.

Clearly, there have been challenges with some of the recent economic, political and foreign exchange dynamics that have been underway. But, again, we think the long-term fundamentals are positive. And we've got a great team there. Strong teams with tremendous domain expertise. We've got excellent market share and all of our operations there are fully self-sufficient. So, we're not in a position of having to put new capital into the region. We're largely circulating and using capital for growth that already exists there. So – obviously, we'll continue to monitor over the course of the next couple of years as things further evolve, but that's our general feeling on LatAm.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

All right. Thanks, Sean. Appreciate the color. Second question, on the product/volume disconnect, I think it seems like it's primarily fewer wide releases. Is this sort of an issue that we're going to be dealing with for multiple quarters, multiple years? Is it sort of an impairment here or is it something that you think can sort of fix itself? Obviously, a lot of film development got compromised. Some of them got sent to streaming. But just curious if you can – what the fix is?

And then, tying in to that, you and your team have been very forward and sort of leaning into the opportunity to work with the OTT providers. And I think you've tested several films -- Chanda, correct me if I'm wrong, but I think several films with Netflix. And so, curious, I think there's sort of a – the idea that we can start to see some OTT films come in and fill the gap and, really, that would be extraordinary moving from [ph] day and date (1:00:20) box office is dead, it's all streaming – to now streaming coming into the theatrical experience and using a theatrical window. So, just is that something that can happen this year or is it next year? Is it still a pipe dream or should we be encouraged? Thanks, guys.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

It's a great question, Mike. Thanks. I think, definitely, the potential is there and it's not a pipe dream. I do think that those are real opportunities, and we will see many of them play out over time.

Speaking specifically to the timing element of the question you had, you're right. Definitely, our – probably, our biggest challenge this year, based on what we're seeing right now, is just the volume of films. The volume of films overall because of how several movies wound up shifting into 2023 and particularly in the smaller categories of films which we just talked about a moment ago. We expect that's going to be a challenge throughout the entirety of this year. While there still could be some things that shift back and forth around – which is the norm for our industry, we don't see those gaps filling in fully this year. It's just – timing wise, it's going to be hard to do that.

What happens with that going forward? We'll see. This is my personal sense is that I think some of that will work itself out in 2023. I don't think it'll be as significant of a gap in 2023 and likely get back to more of a normalized level in 2024. And I say that because, by that point, the lingering effects of COVID, ideally, knock on wood, should be gone. And I think the streaming platforms will be in a much more mature place. And as that happens, I think that's when the pendulum fully shifts when the value of theatrical in serving as a promotional vehicle for streaming platforms and elevating the perception of content and being accretive and complementary to streaming, I think that value is going to fully come back in to the overall decision-making process for the studios.

As far as the OTT content, yes, we have been testing. You're absolutely right. We have been testing and learning in terms of films with Netflix. We're having conversations with all of those providers. We'll see. In terms of the timing of that, we're optimistic that we will have some additional films from those over the course of this year, likely the latter half of this year. I don't think we should – one should expect that that will fully fill the gaps in the slate right now in 2022. But we do think, certainly, over time, that could provide a way to cover any gaps that may exist from traditional studios or ultimately lead to incremental volume to the extent traditional studios get back to their historic levels of volume. So, again, we're very encouraged and optimistic about where that all plays out.

Mike Hickey
Analyst, The Benchmark Co. LLC

Q

Nice. Thank you, Sean. [indiscernible] (1:03:29).

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Mike.

Operator: Your next question is from Eric Wold with B. Riley Securities. Your line is open.

Eric Wold
Analyst, B. Riley Securities, Inc.

Q

Thanks. Good morning. Two questions. Hopefully, one is relatively quick. I guess, how do you think about the price elasticity of your customer base kind of from what you've seen in the past? I guess, when there's been prior periods of recession or just concern around the economy, do you tend to see consumers still come to the theater, but spend less at the concession stands, so that ratio kind of moves or the mix moves? Or do they just stay away kind of altogether? Is it one or the other or is it both?

Melissa Hayes Thomas
Chief Financial Officer, Cinemark Holdings, Inc.

A

Eric, I'll take that one. Thank you for the question. So, historically, theatrical exhibition has proven to be a recession resistant industry. So, box office actually grew during many recessionary periods over the past 30 years. So, consumers still want and need entertainment. And moviegoing remains one of the most affordable and convenient forms of out-of-home entertainment. And I think the other thing that I would call out, too, is despite the current inflationary environment, we are continuing to see consumers choose premium amenities like XD, coupled with outsized food and beverage purchases relative to the pandemic period. So, we're certainly still seeing them trade up in this environment.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

And I would just add, one of the things that I found fascinating being around this business for a while now is the same dynamics play out in the US and Latin America that Melissa was just describing.

Even in moments where there's been more challenged economic situations in Latin America, what I've always found amazing is we've continued to see consumers basically upgrade to the more premium options of food and 3D and XD and things of that sort. So, while they may tend to cut back on bigger types of expenses, like vacations and sporting events, more costly things, going to the movies still remains relatively affordable, and they continue to choose the more premium options when they come to the movies.

Eric Wold
Analyst, B. Riley Securities, Inc.

Q

Perfect. And then, you think about the recovery of both the US and Latin America, assuming both get back to kind of pre-pandemic levels over the near term, how do we think about the relative margins between the two versus where they were in pre-pandemic? Is there more opportunity for Latin America and US to expand versus pre-pandemic or does one face more risks on the other one?

Melissa Hayes Thomas
Chief Financial Officer, Cinemark Holdings, Inc.

A

Yeah. So, on adjusted EBITDA margins, so, historically, our international adjusted EBITDA margins have been slightly below our domestic adjusted EBITDA margins? As you think about kind of the go forward, I think one thing to keep in mind is there's a lot of puts and takes right now across the business globally. Box office and attendance certainly the biggest drivers, but also you've seen a big outperformance from us from a market share perspective, as well as elevated ATPs and per caps. And then, the dynamic on the cost side that we have with inflation right now.

So, I think there's too many puts and takes right now to call where that's going to shake out. But certainly, we're going to be striving to continue to deliver on our historical track record of achieving industry-leading adjusted EBITDA margins. And that would be what we're shooting for.

Eric Wold
Analyst, B. Riley Securities, Inc.

Q

Got it. Thank you.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Eric.

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

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Thanks. I heard a lot of talk at CinemaCon about finding the right audience and cutting through the clutter, particularly around those mid-tier films. So, I wondered if Melissa could expand a little bit on the marketing efforts and what exactly you're doing that's new and innovative on that front?

And is – the data that you have on your attendance and loyalty, is that helping in the negotiations with the studios?

Melissa Hayes Thomas
Chief Financial Officer, Cinemark Holdings, Inc.

A

Okay. So, I'll start with that, Meghan. So, from a marketing standpoint, we do – and this kind of gets into your point on loyalty, but we do have the benefit of having customer data, access to customer data through our loyalty programs, whether it be through our free programs or our paid programs. So, we are able to target to our customers and we're able to give them a more personalized experience and surface relevant content to them. So, that is something that we're certainly leaning into as a team. And we certainly broaden our reach over time as we continue to expand members both in our free and paid programs.

I would say, too, just in terms of our marketing efforts, those would stand as you would expect across various paid channels, as well as our free, which is reaching folks through e-mail directly in that way as well. But pretty broad efforts across multiple channels as you would expect any retailer to use, with the benefit of having pretty significant first party customer data that we can leverage in that process.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.
A

And I would just add, Meghan, like we're fortunate that we had been leaning into this over four years ago, building a very comprehensive omnichannel network that is now in place that we're fully taking advantage of. So, we're in great shape with where we already are today, and we're continuing to enhance it. And we're directly connected to over 20 million unique addressable guests that we can communicate to, and we're serving out billions of impressions every single month via social media engagement, personalized e-mail, earned media stories, just our highlighting the benefits of the Cinemark moviegoing experience and attracting people to buy a ticket with great conversion success.

Your question specifically on the studios, too, I think the studios have recognized that. We have a lot of great partnership and collaboration with the studios because they're a very efficient channel for marketing to consumers that has a high conversion rate. And we've had great success in joint campaigns to drive more moviegoing, create more awareness. We've done specialized trailers that celebrate the cinematic moviegoing experience and XD experience specifically. So, we're having really strong success in that and we think there's a lot more to benefit from over time.

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC
Q

And if I can just get one last one in. Can you remind us of your approach to acquisitions? AMC took on new theaters, including my local Bow Tie locations here in Connecticut. I assume you looked at those as well. So, can you discuss your level of interest in taking on new theaters, what your ROI threshold would be and what areas would be most attractive?

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.
A

Sure. Absolutely. Look, we are – we look at everything in the market that comes to market and also things that are long before coming to market. And as we talked about optimizing our footprint, that involves growing, recalibrating, and strengthening our circuit wherever is appropriate.

So, we are certainly open to M&A and acquisition targets. We tend to favor high-quality assets that we think can deliver solid assured returns over time. I would say the environment right now still remains a little complicated in terms of just some of the clarity of where the new norm fully settles and certain expectations of sellers in the marketplace.

So, for many of the deals that have been out there that we've looked at and we've had conversations with over the years, we haven't found that right point of alignment that delivers those returns that we would expect to achieve.

I would also say we're not necessarily in the M&A game just to grow, growth for growth sake. We're continuing to remain disciplined with regard to how we're deploying our capital and targeting financially accretive investments that's served us very well over time. And we think it will continue to do so going forward. So, we do think that there will be more opportunities that will fit our model in the not-too-distant future. I'm not trying to signal anything. I'm just – I think that I tend to anticipate over the next year or two there will be more opportunities, but that at least is how we're approaching M&A in terms of the way we look at it.

Meghan Durkin
Analyst, Credit Suisse Securities (USA) LLC

Q

Thanks.

Sean Gamble
President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

A

Thanks, Meghan. Very much appreciated.

Operator: There are no further questions at this time. I'd like to turn the call back to management for closing remarks.

Sean Gamble

President, Chief Executive Officer & Director, Cinemark Holdings, Inc.

Okay. I'd just like to thank you all again for joining us this morning, and we very much look forward to speaking again following our second quarter results. See you at the movies.

Operator: Thank you, speakers. Ladies and gentlemen, this concludes today's conference call. Thank you all for joining. You may now disconnect.