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Q4 2022 Earnings Call

Company Participants

- Chanda Brashears, Senior Vice President of Investor Relations
- Melissa Thomas, Chief Financial Officer
- Sean Gamble, President and Chief Executive Officer

Other Participants

- Ben Swinburne
- Chad Beynon
- David Karnovsky
- Eric Handler
- Eric Wold
- Jim Goss
- Mike Hickey
- Omar Mejias
- Robert Fishman

Presentation

Operator

Greetings and welcome to the Cinemark Holdings Fourth Quarter and Full Year 2022 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. (Operator Instructions). As a reminder, this conference is being recorded.

I would now like to turn the call over to Chanda Brashears, Senior Vice President of Investor Relations. Thank you. You may begin.

Chanda Brashears {BIO 20411094 <GO>}

Good morning, everyone. I would like to welcome you to Cinemark Holding Inc's Fourth 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 the statements or comments made on this conference call may constitute forward-looking statement. 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

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

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

In today's prepared comments regarding comparisons, we will be referring back to the fourth quarter of 2019 unless otherwise indicated. As we typically do, we filed our 10-K this morning in conjunction with our earnings release. Please note that similar to last quarter, the filing represents a combined Cinemark Holdings and Cinemark USA filing. Well, the difference is between the two sets of financials are minimal, I wanted to point out this change once again.

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

Sean Gamble {BIO 16328936 <GO>}

Thank you, Chanda and good morning, everyone. We appreciate you joining us today to discuss our fourth quarter and full year 2022 results. As we recently turn the corner from 2022 to 2023. We thought it would be constructive to share some of our key observations from the past year. First and perhaps most importantly, people still love going to the movies. Sustain consumer enthusiasm for movie-going was validated time and again throughout 2022, across all genres of films, all segments of audiences, and all periods of the year.

Last quarter, I highlighted a wide range of films that outperformed relative to pre-pandemic results, in many cases setting new all-time records. Some examples include, blockbusters like The Batman, Doctor Strange in the Multiverse of Madness and Top Gun Maverick. Family films, like Sonic the Hedgehog 2 and Minions: The Rise of Gru. Horror titles such as The Black Phone and Smile, adult skewing dramas like, Elvis and Where the Crawdads Sing and specialty content, such as Everything Everywhere all at Once, the live captured BTS music concert, Permission to Dance on Stage and multicultural films like, RRR.

And consumer passion to experience content in an immersive larger-than-life theatrical setting has only been reinforced since our last call. Over the past three months, we've seen Black Panther: Wakanda Forever delivered the biggest November domestic box office opening ever with a $181 million launch. Global phenomenon Avatar: The Way of Water, crested $2.2 billion worldwide to become the third largest movie in history.

Family film Puss in Boots: The Last Wish, is well on its way to over $170 million of domestic box office, which is 14% higher than its first installment.

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Horror film M3GAN is quickly approaching $100 million of domestic box office. Adult drama A Man Called Otto has eclipsed $60 million following its initial platform release on December 30, and this past weekend Ant-Man and the WASP: Quantumania delivered the third largest February opening ever, with its over $100 million domestic debut.

Furthermore, we continue to witness strong interest in specialty titles and events such as Pathaan, which just had the largest North American opening of all time for a Bollywood film. The Chosen 3 which generated unprecedented demand from faith-based audiences selling out auditoriums across the country. And filmed concerts including Billie Eilish: Live at The O2 and BTS yet to come in cinemas, which continue to generate overwhelming enthusiasm from music fans.

The impressive performance of this expansive range of titles, clearly demonstrates that consumers are as excited as ever to experience compelling movies and events in theaters. And if these examples over the past year aren't proof enough, ongoing demand for Cinemark Movie Club, our monthly subscription program further reinforces the point. After we fully reactivated Movie Club in July of last year, it quickly reverted back to growth and now surpasses 1.1 million members well in excess of our 950,000 pre-pandemic membership base.

Moreover, Movie Club members drove 22% of our domestic ticket sales in 2022, which is up a sizable 800 basis points compared to 2019. Movie Club's continued growth and positive impact on movie-going is a testament to the many exceptional attributes of the program as well as sustained consumer enthusiasm for theatrical movie-going.

And that brings me to our second key observation from 2022 which is, movies performed better when they are released theatrically, particularly when they have an exclusive window. A theatrical release enhances a film's promotional impact and overall asset value. While this observation is not a new phenomenon, it has been reinforced with growing frequency by all of our traditional studio partners over the past year.

Consistent with the relationship that has existed for decades with VHS, DVD, Pay TV and Free TV. The movies studios are releasing theatrically with a window are not only generating lucrative box office proceeds, but also providing greater impact for their streaming platforms, with regard to subscription -- subscriber acquisition, retention and engagement in an increasingly competitive in-home environment.

And that is because, when marketed sufficiently a theatrical release increases consumer awareness of and interest to see movies and all forms of filmed entertainment by eventizing them and in fact elevating their perceived quality. This perception leads to a greater sustained recognition, remembrance and longevity of theatrical titles. Furthermore, experiencing films in a shared cinematic environment, develop stronger emotional bonds with stories and characters that helps build bigger brands, franchises in cultural moments. It also satisfies the desires of filmmakers and talent, who aspire to see their films on the big screen.

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Now that theaters are fully operational again and movie-going is rebounded. Our traditional studio partners are expressing intentions of returning to pre-pandemic levels of release volume with a few indicating they plan to scale up even further. While our industry is still facing a near-term headwind from a reduction in films being released, which was a byproduct of the pandemic's impact on the production cycle of movies, overall volume continues to improve.

Last quarter we mentioned 85 wide releases had been announced for 2023 to-date. As of today, that figure now exceeds 95 and is well on its way to reach our expectation of 100 to 105 wide releases for the full-year. Although, it's still short of the approximate 130 titles released annually prior to the pandemic, this improvement represents a meaningful 30% increase from 2022.

A noteworthy addition to the 2023 film slate since our last call, is Ben Affleck's and Matt Damon's upcoming movie Air that Amazon will release exclusively in theaters on April 5.

Over the past year, we've indicated that a significant opportunity for our industry is the prospect of streaming companies releasing their more commercial films theatrically. To help build momentum in that direction, we've been testing limited releases with various streamers for several quarters. And we're thrilled that Amazon has now elected to amplify their theatrical ambitions in a big way with Air including the captivating ad they ran during the Super Bowl.

We believe Amazon's move could represent the start of a more substantive entry into theatrical exhibition by streaming companies. In light of this potential shift, as well as the anticipated ramp up of film production by our traditional studio partners, we remain highly optimistic about the continued recovery of film volume, over the next couple of years.

The third key observation from 2022 that we'd like to share is, Cinemark remains strong, stable, and resilient, as a result of our consistent financial and operating discipline and ongoing focus on continuous improvement. 2022 marked a series of important results and milestones for our company, that exemplify our outsized recovery relative to our industry and peers, our improved financial stability and our advantaged market position. For the full-year, we generated $336 million of adjusted EBITDA, which was up more than 320% versus 2021 and had an adjusted EBITDA margin of 13.7%.

We also delivered positive free cash flow of $25 million even after paying down substantially all of our pandemic-related deferred rent. Achievement of these results, required active planning, prioritizing and flexing throughout the year to effectively navigate a wide range of shifting content, supply chain, labor and inflationary dynamics.

Fortunately, we've benefited from a solid operating foundation and the many process improvements we have pursued since the onset of the pandemic with regard to workforce management, showtime planning and overall cost controls. Those same enhanced operating disciplines coupled with our sustained focus on guest service, sophisticated marketing capabilities and varied promotional content and pricing strategies yielded box office and attendance results that far out performed industry benchmarks.

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Compared to 2019, our full-year domestic box office recovery surpassed North American industry results by 500 basis points with both our domestic and international market share up more than 100 basis points. Part of our box office strength was propelled by the tremendous continued success of Movie Club that I described a moment ago.

We also benefited from a significant uptick in consumer demand for premium amenities. Despite the inflationary environment we encountered during 2022, consumers continue to actively upgrade to premium large formats, and D-BOX motion seats at levels well above pre-pandemic norms. We leaned into this trend, through a series of new XD and D-BOX campaigns that help grow our 2022 domestic XD revenues by almost 6% versus 2019 and domestic D-BOX revenues by almost 48%.

Furthermore, even though PLS only represent 5% of our screens, they accounted for 13.6 of our global box office, an increase of nearly 400 basis points from 2019. Akin to premium amenities, we also maximized food and beverage opportunities throughout the year, maintaining our significant concession per patron growth trend.

Through a range of promotional, pricing and category management strategies, we achieved an all-time high domestic per cap of $6.98, which was up more than 30% compared to 2019. Our international per cap, also grew a sizable 65% in constant currency over the same timeframe. Our outperforming results and industry-leading recovery are a direct result of the positive experiences we provide our guests, our ongoing financial and operating discipline, and the perseverance, dedication, and skill of our extraordinary Cinemark team.

I'd be remiss if I didn't take a moment to commend our entire global organization, for all of their hard work, commitment, and resourcefulness to deliver these tremendous results and put us in an advantage position to capitalize on future growth potential, as our industry further recovers. And that brings us to our final key from 2022 which is, Cinemark maintains a strong competitive position with an abundance of opportunities ahead.

As I just described, the disciplined approach by which we've managed Cinemark over the years, including the way we've prudently invested capital, actively focused on revenue and margin generation and aggressively pursued process improvements, has provided us with a financial and operating position that is a strategic differentiator for our company.

Moving forward. We intend to maintain our discipline, as we focus on effectively navigating this fluid period of recovery, expanding our pipeline of content in audiences and evolving our company to ensure ongoing success within a dynamic media and entertainment landscape.

To that end, we are confident in the capabilities we've developed to quickly flex and adapt to shift in the marketplace. And we are highly optimistic about our ability to capture an outsized portion of our industry's recovery and the myriad of growth and productivity opportunities that remain in our purview.

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Examples include, continuing to strengthen the experience and value we provide our guests through premium amenities like XD, D-BOX and laser projectors as well as enhanced concession offerings. Increasing movie-going frequency through our omni-channel marketing platforms, extensive consumer reach, highly impactful loyalty programs and data driven promotions. Expanding our strategic relationships with content creators, retail partners, in-home delivery services and new e-commerce sales channels.

Scaling up our recently launched Snacks in a Tap online food and beverage ordering platform, while reducing friction in theater with improved floor designs and planograms and driving meaningful additional efficiencies and cost savings through our ongoing workforce management, continuous improvement and sourcing initiatives.

These varied actions will strengthen our core business, grow new sources of revenue, further streamline the way we operate and enhance our ability to capture maximum box office and attendance upside, as compelling content hits our screens. And we look forward to doing just that as we consider the promising array of diverse titles that lie ahead in 2023, which are primed to excite all audiences.

From action films like, Indiana Jones and The Dial of Destiny, Fast 10, John Wick 4 and Mission Impossible Dead Reckoning Part 1 to family films like, The Little Mermaid, The Super Mario Bros and Elemental to Superhero Spectacles, including Guardians of the Galaxy 3, The Flash, Spider-Man Across the Spider Verse and The Marvels. To suspenseful horror films like, The Nun 2, Evil Dead Rise and Scream 6, to intriguing adult dramas such as Oppenheimer, Book Club: The Next Chapter and My Big Fat Greek Wedding 3. The plentiful list of promising titles in 2023 goes on and on, and extends across all genres and demographics.

So, to summarize our key observations from 2022, the theatrical exhibition industry continues to follow a positive recovery trajectory with regard to consumer enthusiasm for movie-going, the value that theatrical release provides studios and content volume. Within that backdrop, Cinemark is poised to excel on account of our advantage financial position, sophisticated operating capabilities, and sensational team and we remain highly optimistic about our many opportunities ahead.

Before I turn the call over to Melissa, I'd like to take a moment to personally acknowledge and thank our founder, Leroy Mitchell, who announced his retirement from our Board of Directors last week. Leroy has been a cornerstone not only for Cinemark but the entire theatrical exhibition industry over his influential tenure of nearly four decades. Many of you have had the opportunity to meet Leroy over the years, at various industry and investor events. And I'm sure you can attest to his captivating energy, engaging personality and entrepreneurial spirit.

He is a pioneer who consistently challenged the status quo growing Cinemark from only a handful of theaters to the global leader in theatrical exhibition we are today. We are abundantly grateful to Leroy for his leadership and the tremendous value he has provided over the years, and we will all continue to work diligently to position the company that he and his wife, Tandy founded for long-term success.

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With that, Melissa will now provide further information about our fourth quarter results.

Melissa Thomas {BIO 20879756 <GO>}

Thank you, Sean. Good morning, everyone and thank you for joining the call today. The Cinemark team once again, demonstrated our ability to effectively flex and adapt in a dynamic environment throughout the fourth quarter.

Despite a significant reduction in film volume and softer than expected performance for certain films in the quarter, Cinemark served 39.2 million guests worldwide, and delivered solid fourth quarter results. Globally, we generated $599.7 million of revenue and $73.5 million of adjusted EBITDA, yielding and adjusted EBITDA margin of 12.3%, which remains healthy. Particularly considering the impact of the reduced film volume on our attendance in the quarter, and the relatively fixed nature of our cost base. I would like to echo Sean in commending our global team for their hard work, dedication and focus to deliver these results.

Turning to our domestic segment, we welcomed 25.1 million patrons to our theaters during the fourth quarter. And generated $251.1 million in admissions revenue. We continue to outperform the North America in the industry box office recovery in the quarter. Outpacing the industry by more than 600 basis points, versus the fourth quarter of 2019.

Furthermore, our market share reached heightened levels in the quarter, increasing over 100 basis points relative to 4Q of 2019. Our outsized market share was primarily driven by our strong performance in alternative content coupled with our ability to capture a greater share of the market due to the lower film volume. Our average ticket price was $10 up 19% versus pre-pandemic levels, driven by strategic pricing actions in a favorable format mix with a meaningful uptick in 3D and premium large formats in light of the content released in the quarter.

For context, things in large part to Avatar, and James Cameron's commitment to visual technology 10% of our tickets sold during the fourth quarter were in 3D compared with only 3% in the fourth quarter of 2019. With respect to premium large format, 16% of the domestic box office was generated from XD and IMAX an increase of over 500 basis points versus 4Q 2019.

Our domestic concession revenue was $186.5 million in the quarter with our concession per cap reaching an all-time high of $7.43, 39% increase over the fourth quarter of 2019. Higher incidence rates continue to be the primary driver of our per cap growth. Our team did a nice job capitalizing on the film slate in the quarter, with notable success from limited-time offers, as well as collectable vessels and other merchandise tied to movies and characters. Strategic and inflationary pricing actions also contributed to our per cap growth, albeit to a much lesser extent.

Other revenue was $48.1 million and outpaced attendance recovery relative to fourth quarter of 2019. Due to an increase in screen advertising revenue, higher transaction fees and promotional income recovering at a faster rate than attendance. Overall, our

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domestic segment generated total revenue of $485.7 million and adjusted EBITDA of $59.5 million resulting in a 12.3% adjusted EBITDA margin despite the challenging operating environment.

Moving to our international segment, we served $14.1 million patrons. The fourth quarter has historically been our lowest attended quarter in Latin America, due to seasonality. And in 2022, it was also adversely impacted by the World Cup. That's said, relative to fourth quarter 2019, Cinemark continue to outperform the Latin American industry in the fourth quarter and gained market share.

Our international segment, generated $53.5 million of admission revenue, $39.2 million of concession revenue and $21.3 million of other revenue in the fourth quarter. Altogether, we delivered $114 million of total international revenue and $14 million of adjusted EBITDA yielding a 12.3% adjusted EBITDA margin.

Shifting to global expenses, film rental and advertising expense was 56.9% of admission revenue, up 70 basis points from the fourth quarter of 2019. Due primarily to a higher percentage of box office generated from blockbuster films during the quarter. Partially offset by modifications and film rental terms. The higher rate also reflects our ongoing marketing efforts to grow our customer base, increase visit frequency and strength and loyalty. Our level of marketing investment continues to be guided by our box office expectations and the returns we are seeing.

Concession costs as a percent of concession revenue we're 17.9%, consistent with the fourth quarter 2019. While we continue to face supply chain constraints and inflationary pressure in some key categories, some of that pressure is now easing. And in the fourth quarter, we were successful in offsetting these headwinds, through product alternatives category management and strategic pricing actions.

Our global salaries and wages were $95.7 million and decreased 6% compared with the fourth quarter of 2019. Primarily due to lower attendance, operating hours optimization and labor-management efficiencies. These factors were partially offset by higher average hourly wage rates driven by labor market dynamics and government-mandated increases.

We continue to leverage tools and data to drive our decisions. With an emphasis on maximizing our overall profitability on a per theater, per hour basis. Facility lease expense was $77.1 million in the fourth quarter and declined 7.8%, driven by lower attendance which led to a reduction in percentage rent and common area maintenance cost. Utilities and other expense were a $103.4 million and decrease 12% from the fourth quarter of 2019. Driven primarily by variable costs that declined with attendance. Partially offset by higher utility rates and increased mix of credit card transactions and the expansion of our gift card program.

G&A was $43.6 million or 6% lower than 4Q 2019 levels. Excluding the impact of share-based compensation, G&A was down 10%, our G&A reflects our continued discipline around discretionary spending and staffing, which remain lower than 2019 levels. Partially

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offset by a shift towards cloud-based software, higher professional fees, and wage and benefit inflation.

Globally, we generated a net loss attributable to Cinemark Holdings Inc of $99.3 million in the fourth quarter. Resulting in a loss per share of $0.82. We generated $63 million of free cash flow in the quarter and $25 million for the full-year.

Turning to the balance sheet, we ended the year with $675 million of cash, we continue to view our balance sheet as a strategic asset and a key differentiator. We executed upon our capital allocation priorities and strengthen our balance sheet during the year. Paying down $21 million of international debt and repaying substantially all of our remaining deferred rent obligations incurred over the course of the pandemic.

Importantly, we were able to do so while continuing to invest in the long-term. For the full-year, we invested $111 million in capital expenditures to enhance and maintain our theaters. With some spend initially planned for 2022, shifting into 2023 due to supply chain constraint.

As we look to 2023, our capital allocation priorities remain focused on strengthening our balance sheet, which includes delivering and strategically investing to position the company for long-term success. With that, we expect to spend approximately $150 million in capital expenditures this year. This step up relative to 2022 CapEx levels, reflects our expectations around further box office and free cash-flow recovery in 2023. As well as our balanced and disciplined approach to capital deployment.

In summary, Cinemark remains well-position to fully capitalize on the industry's recovery given the strength of our balance sheet, prudent investments in operational excellence. We will continue to focus on strategic initiatives that will benefit the company and our industry over the long term while a maximize shareholder value.

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

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now be conducting a question-and-answer session. (Operator Instructions) One moment please, while we poll for questions. Our first question is coming from the line of David Karnovsky with JPMorgan. Please proceed with your question.

Q - David Karnovsky {BIO 18283446 <GO>}

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Hi. Thank you. Sean, I guess, first on your market share, you noted some of your growth there was from alternative content, and we've seen strong continued contribution from programming like DTS or pass out of the chosen. So just wondering, if you think your share gains you made in the quarter sustainable or whether that might normalize out by Q2 as sort of the film supply picks up?

A - Sean Gamble {BIO 16328936 <GO>}

Thanks for the question, David. Certainly, some of the influence of alternative content will fluctuate, just based on the volume of content that's out there. It's an area that we've particularly leaned into. We have, I would say, some of the best technology in the business, particularly when it comes to live events. So some of the live concerts, we have the ability to broadcast that across our entire circuit, which gives us an edge and also boosts our share on things like some of the live events like the Coldplay concert and the BTS concert earlier in '22.

So certainly has the potential to give us a piece. I would say, any aggregate alternative content is still relatively small as a total percentage of box office. So we still think there is growth potential. And we're hopeful that as more and more of these events find really solid success, it will lead to an increase in the volume of that. So it certainly can adjust. I think part of what we saw in the fourth quarter with alternative content in terms of why it really gave us a boost to our market share was unfortunately just a limited overall volume of content.

We expect that, that's going to continue to round out over the course of 2023. And because of that, alternative content will likely have a smaller influence in the total -- to total -- our total share as well as just the of total box office.

Q - David Karnovsky {BIO 18283446 <GO>}

Okay. And then, we've seen supply come over from streaming, but in some cases, that's not always getting a wide release or full marketing push. Wondering, if you think those are isolated cases or whether they're sort of a new class of films that's going to kind of earn some revenue in theatrical with limited P&A before moving over to streaming? And then we're just be interested to get your view on Puss in Boots. I think it's earn around $50 million posted home release. Do you see that mainly as a function of it being a family film? Or do you think other genres can kind of do similar after it's out on Thanks.

A - Sean Gamble {BIO 16328936 <GO>}

Sure. Well, look, with regard to content from the streaming company, as mentioned in the prepared remarks, we've, for a long while, felt like that is a really sizable opportunity for the industry. And with all the benefits that we continue to hear from our traditional partners about how movies they're releasing theatrically are providing greater benefits to their streaming platforms, we've thought for a while that it's only a matter of time before the streaming companies get into theatrical in a much more significant way.

Fortunately, we're seeing Amazon continue to do that with their MGM products that they recently purchased, and we're seeing it now with Air, their own homegrown film. We like

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we know in our discussions with Apple, they're giving us similar types of commentary about intentions to do the same. So we do see that moving forward in a positive direction. And clearly, some of the learnings we've had testing releases in a smaller way, they just don't drive the same level of value overall in terms of promotion, in terms of lift on the streaming platforms and just in terms of financial impacts. I see that probably being lessened over time.

And then second, I'm sorry, what was the second?

And Puss in Boots, okay. Puss in Boots, I think we've been really pleased with the holds on Puss in Boots been a fantastic run. Our view of some of the main drivers of that is just really right now, it's the lack of family content in the marketplace. So we think there's been a big opportunity in January and February. But if you're a family and you wanted to go to the theater, that's really the only show in town for young audiences. So we think that part of the value, I mean, number one, the reviews have been very positive. So that helps as well. It's a quality film.

But then on top of that, the fact that there's a limited amount of alternatives and limited amount of choice has really helped to drive some of the success of Puss in Boots.

Q - David Karnovsky {BIO 18283446 <GO>}

Okay.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, David.

Operator

Thank you. Our next question is coming from the line of Ben Swinburne with Morgan Stanley. Please proceed with your questions.

Q - Ben Swinburne {BIO 5489854 <GO>}

Hey. Good morning, everyone. Sean, could you come back to the wide release outlook. I know, it's not really your role to forecast that over time per say since the studios. But anyone who's been on media earnings calls this month has heard about the sort of return of theatrical as a priority? So do you think, I guess, the question is, do you think the 100 to 105 for this year, is there upside to that? And maybe if not because we're sort of we're pretty far into '23 now, where do you think that goes over '24, '25? Can we get back to 130?

Could we exceed 130? I'd love to get your thoughts, just because you obviously have more conversations in depth with distribution at the studio side than we do. And then I did have a follow-up for Melissa.

A - Sean Gamble {BIO 16328936 <GO>}

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Sure. Thanks for the question, Ben. Let me start with the second part of your question there. Definitely think over time, there is the potential to get back to the 130 plus range of films we were seeing prior to pandemic, both because of the indications we're hearing from our traditional studio partners as well as what I was just speaking to a moment ago, the potential for streaming companies to get more significantly into the theatrical space. There's also the potential for new entrants. There's new studios coming into play.

Beyond just the value that theatrical is providing to their streaming platforms and other distribution channels, we've said this on prior calls, the more dynamic flexible window, I actually think helps because it creates a better model for many of those mid-tier films that were starting to disappear prior to the pandemic. And we've seen many of those films work and generate some terrific results during the course of 2022. And with the studios having the knowledge that if for whatever reason they go for it and it doesn't work, they can get into the home faster and still recoup any of their downside that bodes well for them taking more swings and putting more films out.

So we look at all that as really positive in terms of where things go. The governor on all of that and ramp-up back to that level is really just the production cycle, right? It takes two to three plus years to make movies that was disrupted by the pandemic. So all the studios are having to kind of get back up to those levels and it just takes some time. So -- and it's not a perfect assembly line process, there's an art to it. So we'll just have to see how that goes.

Specific to 2023, we do think there is the potential to have some upside to that. We know that, as you mentioned, that yourself on some of the public calls, studios are looking at some of the other films they had originally been contemplating for streaming platforms and considering if those could be released theatrically instead. So there's the potential for that to grow higher. I think we'll have to see. A lot of times to in addition to films that get slated late in the game, there are those platform releases that you just don't know if they really connect like an everything everywhere all at once.

There's several examples like, they can grow to be wide releases in success. So if there's more of those with quality, it could certainly lead to something in excess of 100 to 105.

Q - Ben Swinburne {BIO 5489854 <GO>}

Makes sense. And then, Melissa, just as we think about our 2023 forecast and the expectation of a larger box office, so broader slate, hopefully, a broader sort of audience coming back to the theaters. What would you highlight, we think about either on expenses and sort of the US margins, ATs or per caps, as we think '23 is hopefully another step towards a normal year on the box office, just to make sure we're thinking about some of the major swing factors in your mind, if anything?

A - Melissa Thomas {BIO 20879756 <GO>}

Sure. Thanks for the question, Ben. So I'd start off by saying, as it relates to 2023, we do anticipate margin expansion relative to 2022, as the box office further recovers and we gain more leverage over our fixed cost base. Big picture on the revenue side. I think the

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key call out there would be, we do believe we can modestly grow both our average ticket prices as well as concession per cap relative to full year 2022 levels, albeit those growth rates maybe tempered a bit from what we saw in 2022 and will vary quarter-to-quarter based on our film mix.

On the expense side, our key -- our expenses are comprised, as you know, both fixed and variable components as you think about the box scaling. Our biggest variable expenses are going to be film rental and advertising, salaries and wages, concession supplies and then to some extent, facility lease expense, but that's particular related -- particularly related to international. It's reasonable to assume that those expenses will scale up as attendance in box office continues to rebound, though that won't necessarily be at the same rate.

But overarchingly, we do expect to remain diligent in our cost control and will continue to pursue productivity initiatives within my fly towards profitability and of course free cash flow generation.

Q - Ben Swinburne {BIO 5489854 <GO>}

Great. Thank you, both.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Ben.

Operator

Thank you. Our next question is coming from the line of Robert Fishman with SVB MoffettNathanson. Please proceed with your questions.

Q - Robert Fishman {BIO 16685682 <GO>}

Hey, good morning. Two questions, please. First, Sean, I appreciate your comments around the return of the movie supply. I'm wondering, if you can share learnings about the frequency of moviegoers and how that's maybe changed compared to the pre-pandemic for maybe your Movie Club members or just the broader movie-going audience? And are there certain movie genres, where you think streaming or windowing has had a bigger impact on theater attendance, like family or dramas? And maybe is this an opportunity for growth, given the pendulum shift on the streaming strategies that you're talking about from the Hollywood studios? Thanks.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Robert. Great questions. We have been looking at frequency of movie-going behavior both in general and of our Movie Club members. I'd say the one challenge we have just in looking at that in a comparable way is with volume down in 2022, almost 40% to where we were prior to the pandemic, it just -- it's hard to compare that directly because with more limited choice, there naturally will be more limited.

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So I would say, we're very encouraged by what we're seeing in terms Movie Club going I mentioned on the call, we continue to see overall subscribership grow, which we see as a real positive in terms of interest and sustained demand, however, frequency is down just a small teens, but we -- based on what we've seen, it's down less than volume is down. So if anything based on the volume of opportunities people have to select from there over -- I would say their overall frequencies up a touch, even if in the aggregate frequencies down a little bit.

But again, it comes back to fewer films being available to them. Specific to any impact on any type of particular genre, perhaps the one area we kind of call out that we're watching with just -- if nothing else be more animated content, we have seen perhaps a little bit of consumer confusion just based on some of the releasing strategies specific to animation that took place over the course of the pandemic. But even that is a little hard to fully say because there have been so few of those movies released in 2022 compared to pre-pandemic times.

That -- part of that could also just be a response to less opportunity to go see those movies, and people not being as much in the habit as a result of it. On the flip side, we've seen some great examples of solid results. I mean, you had Sonic the Hedgehog 2, although that wasn't fully animated. The Bad Guys did really well. Minions: The Rise of Gru had a record July opening. We just talked about Puss in Boots on the call, so there's a mysterious of those. We've also seen how families on just overall non-animated films, their behavior has been more consistent with pre-pandemic levels.

So we'll have to see how 2023 plays out. I mean, we're very encouraged about the lineup of animated films over the course of the year. And we think that could really lot to see engaged to that over the course of year. We think that could change the course of things based on a more sustained momentum of options.

Q - Robert Fishman {BIO 16685682 <GO>}

That's great. Thanks, Sean. Melissa, any additional color you can provide to us about the CapEx levels beyond '23? Like, how should we think about normalized levels from here with the return of movie supply?

A - Melissa Thomas {BIO 20879756 <GO>}

Sure. So from a CapEx perspective, it's important to note that we do believe our CapEx years are behind us. And that we continue to benefit from our history of proactively maintaining and investing in our theaters prior to the pandemic. As you mentioned, for 2023, we are targeting $150 million of capital expenditures, so certainly a step-up from the $111 million in 2022.

As we think about long-term, I mean, naturally, as the box office continues to recover in 2024 and beyond, it's reasonable to expect us to continue to step-up our capital expenditures. But again, we don't expect to get back to those peak CapEx years.

Q - Robert Fishman {BIO 16685682 <GO>}

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Okay. Thank you, both.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Robert.

Operator

Thank you. Our next question is coming from the line of Eric Handler with ROTH MKM. Please proceed with your questions.

Q - Eric Handler {BIO 1522426 <GO>}

Good morning, and thanks for the questions. Sean, given the success that you're having with premium amenities, I'm curious, as you think about your CapEx investments that are going on, why not add another extra screen to existing theaters or accelerate the D-BOX roll out? In this case, how you're thinking about that?

A - Sean Gamble {BIO 16328936 <GO>}

It's a great observation, Eric. Actually, we have been doing exactly that. We have -- and all our new bills we're putting in ecstasies and in many cases we're putting in two directly. We've been going back, and that's been one of the areas of growth for XD over the course of 2022. And even to a certain degree, during the pandemic, we went back and we're looking at where we could add second XDs just based on the profile of our auditoriums. Part of the only limiter there is -- obviously, there's an ROI assessment that we do, but also just the scale of the auditoriums.

We need to make sure that there's an auditorium that has the appropriate size and scale for XD. But we've been doing that. And likewise, with D-BOX seats, we found some great success and some of the different ways we're installing D-BOX. And we've been adding those considerably over the course of 2022. And we continue to -- we plan to continue to do so in 2023, just given the demand.

Q - Eric Handler {BIO 1522426 <GO>}

Great. And then, as a follow-up. So with Movie Club, correct me, if I'm wrong, you started Movie Club in 2017 at 899 a month would now it's 999. Have you thought about prices may be a lever with Movie Club just to keep up with inflation area crisis?

A - Sean Gamble {BIO 16328936 <GO>}

Absolutely, it's something that we routinely look at. One of the things that we try to maintain is just the appropriate parity between our general admission levels and our Movie Club levels to make sure that the right variance is there. So it's something that we're going to continue to watch. I'd say in general, the way we have approached pricing as we've been working through the pandemic and reigniting theatrical moviegoing is, we aim to be a bit more moderated there as we get what have been trying to attract people back to our theaters in a more significant way.

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One of the things we were -- we've been cautious about is not overdoing it with price of their experience when they come back to the theaters as one of feeling like they're not getting an appropriate value, doesn't mean we haven't been taking up price appropriately in this environment. But something we use data to drive our decision-making, and we're very careful about how we do that. So we do that with overall pricing and we certainly do it with Movie Club as well. So something that we're going to continue to pay close attention to as we go forward.

Q - Eric Handler {BIO 1522426 <GO>}

Thank you very much.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Eric.

Operator

Thank you. Our next question is coming from the line of Eric Wold with B. Riley Securities. Please proceed with your question.

Q - Eric Wold {BIO 1711426 <GO>}

Thanks. Good morning. Two questions. I guess, the first one, kind of a follow-up on an earlier question around kind of expenses and kind of outlook. And taking it a little further, if we do, in the coming years, get back to comparable number of releases in that 130-ish range, get back to a comparable level of attendance, how do we think about the push and pull or the kind of the offset between the stronger guest monetization, assuming kind of per cap stay elevated along with the expectation that expense as elevated?

Can we get back to that 24% global adjusted EBITDA margin that you saw in pre-pandemic at some point in the coming years on that kind of comparable level of attendance?

A - Melissa Thomas {BIO 20879756 <GO>}

Thanks, Eric. So clearly, our goal over the longer-term is to get back to pre-pandemic adjusted EBITDA margins level -- margin level. But our ability to do so is going to depend upon a number of variables. So the primary driver, as you know, is going to be the extent to which attendance in box office recover to historical levels, which is going to be a function of volume and the quality of film -- films that are released. But the other key variables at play are whether our tailwinds from market share average ticket prices and per caps persist how inflationary pressures evolved on the expense side and to what extent dividend income return.

So those are really the key factors to keep in mind there. But it's really too early difficult to quantify it at what box office level we could potentially -- whether we could potentially return to pre-pandemic adjusted EBITDA margins. I think there's too much influx at this stage, but clearly our goal.

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Q - Eric Wold {BIO 1711426 <GO>}

Got. And then -- appreciate that. And then the second question on Latin America, maybe talk about the current state of the kind of the bill -- new build environment and kind of what you're seeing what's with the pipeline firming up discussions? I guess, same kind of thought process there, I mean, can we get back to that goal of 75 to 100 screens per year? That's still the opportunity in your mind down that region in the coming years as that maybe change one way or another based on kind of what you're seeing?

A - Sean Gamble {BIO 16328936 <GO>}

It's interesting. We still -- when we look at the entire region, we still see plenty of opportunity for growth as many of the markets are still highly underpenetrated with regard to the number of theaters that exists compared to the overall volume of people who reside there. So we do think there is some potential for incremental new build activity over time.

I'm not sure we would get back to a level of 75 to 100 screens, like we had been operating at about five plus years ago in the near-terms, certainly just because of the overall expansion of malls and just the current, I would just say, the current market environment right now, which is still recovering. So we do have some new builds that we're committed prior to the pandemic that we are continuing to move forward on. We're going to continue to monitor the environment.

As you might recall, all of our -- all our theaters in the marketplace are connected to malls because that tends to be where people aggregate for activities on the weekends and there's easier mass transit and they're safer. So some of that overall expansion will be affected just by how much mall development there is also in the coming years. So I think, we're just going to have to see. But I would say in the short-run, it's probably unlikely that we'll get back to those levels over the next three to four years.

Q - Eric Wold {BIO 1711426 <GO>}

Helpful. Thank you, both.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks.

Operator

Thank you. Our next question is coming from the line of Chad Beynon with Macquarie. Please proceed with your questions.

Q - Chad Beynon {BIO 15499101 <GO>}

Hi. Good morning. Thanks for taking my question. Wanted to go back to Movie Club. You mentioned memberships over 1 million subscribers or people. And just given the ongoing evolution of loyalty, are there other ways to monetize this group, whether it's partnerships with other consumer brands, branded credit cards or other things like that? Thanks.

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A - Sean Gamble {BIO 16328936 <GO>}

Yes. It's a great question, Chad. The short answer is yes. Those are things that we're looking at. I mean, it depends on what we do. One of the ways we're doing that is certainly working with our studio partners, right? It's a great channel to promote films, particularly when people have credits that they've mass that they haven't used. And we have better familiarity with the types of movies that they like being very targeted in terms of showcasing what's upcoming to them.

Looking at third-party partnerships and things like that in terms of how we can do connections and things we've done certain things with like, Costco, as an example, just new sales channels and ways to do that. We do a lot of things, where companies may have different programs, employee-based rewards programs, where they become good consumer acquisition opportunities, where you may give away a free month of movie club to try to get some kind of access and sign up.

So there's a range of different ways that we can look to the program for broader opportunity, whether it be accessing new customers or just finding shared mutual benefits with a third-party in terms of that. So it's an area that our team is continuing to work on, and we think there's upside.

Q - Chad Beynon {BIO 15499101 <GO>}

That's great. Thanks, Sean. And then, just given your outlook on the industry and your healthy balance sheet, obviously, it's a unique time with the position you're in and potentially some assets that are for sale or could be converted. Can you just kind of update us in terms of your appetite for looking outside your organic portfolio for assets that have been or could come up for sale?

A - Sean Gamble {BIO 16328936 <GO>}

Absolutely. Look, we keep a close watch on the marketplace and the different opportunities that may be out there or may ultimately become accessible. I'd say, our general philosophy on that is still consistent or we tend to target high quality assets that we have confidence can deliver solid assured returns over time. So we're kind of looking at everything through that lens. We're not necessarily just looking to grow for growth sake. We tend to be pretty disciplined with regard to how we deploy our capital and seeking -- as we seek financially accretive investments.

I'd say probably the only limiting factor to that is, as we think we're in a position of advantage as we go forward, and there may very well be some good opportunities, we're going to be mindful of not straining our balance sheet, certainly as we're working to reinforce that coming out of the pandemic further. And the only other thing I would flag when it comes to any type of M&A is, clearly where we are still as our industry recovery, there's a little bit of complexity when it comes to fully assessing margins and appropriate multiples and things of that sort.

So, trying to get reconciliation of expectations between parties, just adds an additional layer of difficulty and trying to close deals. Not to say that we don't think there could be

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some potential that comes our way.

Q - Chad Beynon {BIO 15499101 <GO>}

Great. Thank you very much. Appreciate it.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks.

Operator

Thank you. Our next question is coming from the line of Jim Goss with Barrington Research. Please proceed with your questions.

Q - Jim Goss {BIO 1494353 <GO>}

All right. Thank you. You have a slide of 2023 notable titles with a pretty significant gap in late August, September, and October with the absence of such. I'm wondering, if given the discussion you had about alternative content and some of the options you might have if this sort of advanced warning of challenge creates opportunities to plan and if there might be some things you might share with us in that regard?

A - Sean Gamble {BIO 16328936 <GO>}

Certainly, Jim. You're right, we look at the overall profile of the year at least on paper now. It has some similarities to 2022, more volume clearly, but there is a little bit of a law when you get into that, like late summer, early fall period. Not to say that's to in different from pre-pandemic times. I mean, that's always a softer period of the year with kids going to school in terms of the way studios program their films. But at the same time, what we've seen is, movies do really well in that period.

So there's opportunity there. What we suspect might happen is recognizing it's a -- studios will see that. I mean, we recognize it, and there certainly is the potential for some shifting around of dates. So if a studio wants to have a clear run of a title, they can put it in there and there'll just be less competition. So we may wind up seeing some of the films right now that are in the summer, spring spread out a little bit more and take advantage of that period. And we could also still see, like you pointed out, some new films.

If you're thinking about where to date your title and you haven't done that yet, be it alternative content or just a traditional film, I mean, there's a great opportunity within that window to do so right now. So I think my guess is we'll start to see some of that fill out a bit more as the year progresses.

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Q - Jim Goss {BIO 1494353 <GO>}

Okay. Thank you. And you had a comment -- an interesting comment about dynamic window, if you will start helping mid-tier films. And I'm wondering, how much variability you're seeing right now in the sort of normalized 30 to 45 day window? And also, how that might impact to this Amazon release or some of the other ones you might get from

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the streamers, where maybe you can get them to extend the window a little bit, so you have more of an impact to the extent you wanted over time?

A - Sean Gamble {BIO 16328936 <GO>}

Sure. Well, I mean, obviously, there's been a lot of experimentation with the window and different types of releases throughout the course of the pandemic. And for the most part, it seems like things are gelling around a 45-day window now, certainly for the more commercial films. I think part of that reason is, I think what everybody has been finding is, you need a certain amount of runtime to generate the full benefits that a theatrical release can provide a film.

And that's right around that kind of sweet spot of a starting place because it gives you enough time to get the value out of theatrical without losing that momentum as it goes into the home. Now, that can shift a bit depending on how well a film is performing. I mean, you look at a film, like Top Gun: Maverick, as an example, as well as many of these new marvel films, Avatar, right? Like, those films have done exceptionally well, and they've run quite a bit longer than 45 days before going into the home. You can saw that with Elvis, as an example, where it ran quite a bit longer.

So in success, that's where some of that dynamic behavior comes into play. It can run longer. And if something doesn't work, there's that opportunity to get into the home faster and minimize downside. So I think it's just my take, it seems like that's kind of that sweet spot where everybody starts off and then it could skew a little bit from that. And I think that's the same for the streaming companies. I mean, with Air Amazon, I don't think it's been -- I don't think it's public and I'm not sure it's even been fully on the window.

We know directionally that's kind of the general place that they're starting. And I think some of that too will be dependent on how well the film continues to hold, how well it opens. There's obviously other dating decisions that get made in terms of some of the downstream targets for release. But that seems to be the direction that they're heading with that film. And it's certainly what they're indicating with regard to what they're telling us as well as what we're hearing from some of the other streamers, like an Apple.

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Q - Jim Goss {BIO 1494353 <GO>}

Okay. Thanks. One last one. The concession per cap need to record level, you noted, was driven by higher incidence rates primarily. Now wondering, if you might comment on the implication for the mix of offerings now and in the future, and whether that supply chain constraints might have had any impact on that?

A - Melissa Thomas {BIO 20879756 <GO>}

Just in terms of our per cap performance in the quarter, Jim?

Q - Jim Goss {BIO 1494353 <GO>}

Yes, and how that's trending.

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A - Melissa Thomas {BIO 20879756 <GO>}

Sure. So as we think about per caps and what we saw in the quarter, we certainly saw a benefit both from higher incidence rates as well as strategic pricing. On the incidence rate side, a few things that I would call out there. So first, favorable film mix in the quarter, certainly benefited us, coupled with the success of the initiatives that we had in place tied to the fourth quarter film slate, that was the merchandising collectible vessels, I mentioned.

In addition, supply chain constraints easing did improve our ability to meet customer demand with fewer out of stock. So we certainly did see a tailwind there. And then third, I would call out some activations of expanded hot foods and alcohol in certain locations leading into the quarter. So those are some of the key factors. As you think about the per caps going forward for concession, as I mentioned earlier, we do believe that we can continue to grow concession per cap in 2023 relative to full year 2022 levels, but that growth rate may be more temper than what we saw in 2022. But tailwind certainly on supply chain starting to ease there.

Q - Jim Goss {BIO 1494353 <GO>}

Okay. Thank you very much.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Jim.

Operator

Thank you. Our next question is coming from the line of Mike Hickey with the Benchmark Company. Please proceed with your questions.

Q - Mike Hickey {BIO 6931007 <GO>}

Hey Sean Good morning, guys, and thanks for taking my questions. Just two questions from me. On the -- the first question on the first quarter. Looks like the domestic market here, if you look at sort of just the top 10 grossing films, which is all this is the majority of the market. Looks like quarter-to-date, domestics tracking up 42% compared to 22%. Obviously, a lot of puts and takes on films and virus impact. But just curious, the momentum here you're seeing in your business, if it's within your expectations or if it's exceeding your expectations? Obviously, we and John Wick here to close out the quarter. And also wondering, if you're seeing similar strength in concessions despite the pinch on the consumer? And I have a follow-up.

A - Sean Gamble {BIO 16328936 <GO>}

Sure. Hi Mike. Yes, it's interesting. 1Q, as I mentioned, just kind of the profile for the year earlier is another similar scenario to 2022 in that the year gets off to or getting off to a little bit slower start from a total volume perspective. Fortunately though, as you called out, the actual box office results have been quite favorable with significant growth year-over-year despite the limited volume.

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Your question on expectations, has certainly exceeded our expectations thus far in terms of the results, things the strong play through of Avatar, the continued run of Puss in Boots, Megan performed exceptionally well, doing it open to a great start. And as you pointed out, now we're really starting to get into more of a steady stream of releases week to week. So we're very encouraged about what we see looking ahead. So far, the year is off to a -- we think off to a better than expected start for sure.

And as far as food and beverage sales go, similarly, I know it's interesting as we haven't seen any impact from inflation over the course of '22 on sales. It hasn't deterred people upgrading the premium amenities and certainly deterred people's consumption of food and beverage, which continues to be going in a really strong direction. That's continued on through the first quarter to-date. So it's something that we've been -- we've often wondered and debated internally like, well, we see a bit more of a normalization at some stage just in terms of consumer -- overwhelming consumer consumption in the marketplace post-pandemic. But to-date, it seems like that has yet to slow within our space.

Q - Mike Hickey {BIO 6931007 <GO>}

Nice. Thanks, Sean. The second question here, kind of wide-ranging. But you gave sort of your qualitative perspective on the box on '23. I'm curious, if you can anyway to quantify that? I know that can be a challenge obviously. And I guess, within that question, when you look at '22 and sort of the relationship of wide releases to where they're at in '19 as a percentage, that sort of came in pretty close to what the box office did versus '19. And so when you look at '23, thinking about sort of 80% wide releases versus '19, that would sort of an implied box office of sort of plus $9 billion, which I think is above most people's expectations for the year.

So just curious, wanted if you kind of quantify your expectations with '23? If you think there's any substance to sort of the correlation wide releases versus '19 to open the box office? And then a last one, just curious, dynamic take your pricing, Sean, is that can be only positive to your ATP in '23? Thank you.

A - Sean Gamble {BIO 16328936 <GO>}

Sure. As far as '23 goes, obviously, we don't give guidance with some box office, but we are certainly encouraged our estimates suggest '23 would be higher than '22. Clearly, as you pointed out, just the relationship between volume and box office compared to 2019, saw that in '22. I think most consensus has box office around $8.5 billion for the year. And at least when we look at volume getting somewhere between 75% to 80% of 2019 levels or pre-pandemic levels, it would seem to support that.

Clearly with the first quarter getting off to a better than expected start, like we talked about, we're hopeful there could be some upside on that over the course of the year. But clearly, a big part of that will depend on just the overall quality of the titles that get released. On paper, there's a lot of promise in terms of the movies that are coming up. And hopefully, it'll flow through in terms of just the overall quality at the end of the day. Pricing wise, dynamic pricing, it's an interesting thought.

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I'd say we have gone -- we clearly have a wide range of varied price points across our days, across our weeks. We try to make sure we've got lots of accessible pricing options to make ourselves available to a wide range of consumers, flexing things, we got a little bit of that going on here and there. It's something we're going to be careful about. Just all the moves we make, we use a lot of data to try to drive our decision-making on that and look at the responses of consumers.

So something that we're going to continue to explore, we'll do it gingerly because we are very sensitive to adverse reaction from consumers, especially as we're trying to continue to encourage them to come back to the movies with greater frequency.

Q - Mike Hickey {BIO 6931007 <GO>}

Thank you.

A - Sean Gamble {BIO 16328936 <GO>}

We do think there's opportunity over time in that space for sure.

Q - Mike Hickey {BIO 6931007 <GO>}

Thanks, Sean.

A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Mike.

Operator

Thank you. Our next question is coming from the line of Omar Mejias with Wells Fargo. Please proceed with your questions.

Q - Omar Mejias {BIO 19958512 <GO>}

Good morning, guys. Thank you for taking my questions. Maybe just on first, with regards to Latin America. Recovery continues to lag the US there. Can you give us an update on Latin American trends and if you expect sort of that gap to narrow in '23, as things stabilize down there? Then I have a follow-up. Thanks.

A - Sean Gamble {BIO 16328936 <GO>}

Sure. Thanks for the question, Omar. Actually, when we look at the data for LatAm, there was a while. There's a decent period of time, where Latin America was lagging the US in box office performance and re-openings of theaters. At this point, what we're seeing is, things have pretty well caught up. In terms of vaccination rates in many countries, they exceed the US. Movie-going in general has been really strong.

Some of that, you got to consider mix certain titles, as they always historically have, will fare a little bit better or worse their action horror family tends to overperform in the region relative to the US, where things like, Sci-Fi tend to skew bit below. So that can

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influence things. In the fourth quarter, the fourth quarter historically in LatAm has been the -- it's the winter there. So that historically has been the slowest period of the year. In the fourth quarter of this year, in particular, there was also the World Cup, which is always a big focal point for folks there.

So we can events and the World Cup can affect movie-going. And a lot of times studios will also manage their released times around that. So that dampen things a bit in the quarter. But when we look at the full year on the whole, we look at the results of LatAm being quite comparable to North American movie-going. We've got plenty of phenomenal examples in the region of great success. Avatar, for instance, Avatar The Way of water, it's the sixth biggest film ever in the region and it's significantly higher than the first installment. So we look at LatAm is being relatively comparable place to the US now.

Q - Omar Mejias {BIO 19958512 <GO>}

That was helpful color. Thank you. And Melissa, maybe with all the work you guys been doing around improving operational efficiencies and lowering your cost structure and also the work you guys been doing with dynamic pricing and per caps Maybe can you unpack how are those actions sort of benefiting your margin structure and maybe update us on any new initiatives you guys are working on for '23? Thanks.

A - Melissa Thomas {BIO 20879756 <GO>}

Sure. The key items I would call out there, Omar, one of the biggest would be on our theater labor. So the team has done a lot of work on optimizing our operating hours as well as driving efficiencies within our labor hour. So that has been benefiting our cost structure. Now that said, that's been overshadowed by the wage rate pressure that we've experienced. Now we do expect -- while we expect some ongoing wage rate pressure, we don't expect it to be at the same extent that we've seen over the past couple of years.

But I would say, theater labors is one of the biggest areas where we're seeing some benefits on the cost side. And it's an area where, as we go forward, similar to as we do across all our expense line items that we're continuing to look and pursue additional productivity initiatives on to try to offset some of the pressures that we've been facing. Again, strategic pricing is another area that helps offset some of those inflationary pressures, but productivity improvements are certainly an area that we're focused on.

I think the other item that I would mention is just our ongoing discipline on G&A. Again, that one has been overshadowed a bit by some of the dynamics with wage rate inflation as well as our shift to cloud-based software. But we've been controlling pretty tightly our discretionary spending and our staffing levels being below 2019. So we continue to look to -- to run the company in a very disciplined way from a cost structure standpoint.

Q - Omar Mejias {BIO 19958512 <GO>}

Thank you.

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A - Sean Gamble {BIO 16328936 <GO>}

Thanks, Omar.

Operator

Thank you. There are no further questions at this time. I would now like to hand the call back over to Sean Gamble for any closing remarks.

A - Sean Gamble {BIO 16328936 <GO>}

All right. Well, thank you all for joining the call this morning. We appreciate you taking the time to meet with us, and we look forward to speaking with you again following our first quarter 2023 results. Have a great day.

Operator

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

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