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PRESENTATION

Operator

Hello, and welcome to the Cinemark Holdings Fourth Quarter 2023 earnings call and webcast. (Operator Instructions) And as a reminder, this conference is being recorded. It's now my pleasure to turn the call over to Chandler Hughes, Senior Vice President, Investor Relations. Please go ahead.

Chanda Brashears ***Cinemark Holdings, Inc. - SVP, IR***

Good morning, everyone. I would like to welcome you to Cinemark Holdings Inc's fourth quarter and full year 2023 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 factors that could cause results to differ materially is contained in the Company's most recently filed annual report on Form 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 dot cinemark.com.

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

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***

Thank you, Chairman, and good morning, everyone. We appreciate you joining us today for our fourth quarter and full year 2023 earnings call. 2023 represented another year of meaningful post pandemic progression for our industry and our company.

And I thought I'd start today's call by providing a summary of the significant achievements we made advancing our key priorities throughout the year. First and foremost, we continue to effectively navigate the fluid dynamics of our industry's ongoing recovery, putting an emphasis on near term revenue and margin generation, strengthening our balance sheet and actively maneuvering through varied fluctuations in film release volume as well as inflationary cost pressures. Once again, I'm pleased to share that our phenomenal Cinemark team produced sensational results across all of these focal points.

For the full year 2023, we entertained 210 million guests worldwide and generated $3.1 billion of revenue, that was up 25% year over year and included our highest concession sales of all time, which were 3% higher than 2019.

Our adjusted EBITDA grew 77% from 2022 to $594 million with a 19.4% margin rate that represented 570 basis points of margin expansion. Moreover, during the year we delivered our second highest quarterly adjusted EBITDA in the history of our company in 2Q and our highest third quarter adjusted EBITDA in 3Q.

In total, our 2023 adjusted EBITDA recovered to within 20% of 2019 on 25% less attendance, a clear sign that our many ongoing strategic growth and productivity initiatives are delivering significant impact. Furthermore, our strong operating results yielded free cash flow of $295 million with positive full year net cash generation of $175 million after paying down more than $100 million of COVID related debt.

In addition to outstanding operational execution and sound financial discipline throughout the year, these tremendous results also benefited from our continued drive to expand content and build audiences through marketing actions, loyalty programs, pursuit of new content sources and heightened guest service standards. Throughout 2023, we strengthened and took full advantage of our extensive marketing and communication reach amassing more than 8 billion media impressions, increasing web and app traffic over 30%, doubling audience engagement on social media and growing our global addressable customer base to nearly 30 million consumers while enhancing personalization.

We also continue to advance our global loyalty programs, increasing membership by nearly 20% in the U.S. and by more than 45% in Latin America. Furthermore, Movie Club, our paid U.S. subscription tier grew 13% during the year to over 1.2 million members as moviegoers continue to highly value and embrace the meaningful benefits included in this program.

During the year, Movie Club drove 24% of our domestic box office, and our data continues to demonstrate that the program stimulates increased moviegoing frequency and food and beverage consumption. In tandem with our marketing and loyalty actions, we continue to actively collaborate with our traditional studio partners to drive the successful releases of their films while also working closely with Amazon Apple and an increasing number of nontraditional content creators to help establish and grow their foothold within theaters.

To that end, we were thrilled to see North American industry box office grow to $9.1 billion in 2023, driven by a diverse array of Studio hits, including Barbie Super Mario Brothers, Spider-Man across despite adverse Guardians of the Galaxy three and Oppenheimer to name just a few. Furthermore, Amazon and Apple collectively generated almost $0.5 billion of domestic box office last year, which was also a highly encouraging sign considering they are still in the early stages of their theatrical distribution expansion.

Also encouraging was 2023's wide range of record-breaking international concert and faith-based films that approached [$0.75] billion of North American box office and included the remarkable successes of Taylor Swift's The Eras tour and Sound of Freedom.

For Cinemark. Nontraditional content accounted for 14% of our U.S. admissions revenues during the year as we worked aggressively to pursue these supplemental box-office opportunities and maximize their overall revenue potential. Of course, as we focus on growing the number of guests we bring into our theaters. It's essential that we provide them an exceptional entertainment experience when they join us.

As such, we spent a considerable amount of effort in 2023, further enhancing and executing our guest service protocols as well as sustaining our industry-leading 99.97% screen uptime to avoid viewing disruptions. We also continue to advance our company-wide rebranding initiative, modernizing our messaging strategy and overall aesthetics to strengthen the differentiated experience we provide our audiences.

Altogether, our collective efforts to delight our guests and grow our audiences earned us guest satisfaction scores over 95%, helped sustain our market share gains that continue to exceed our pre-pandemic results by more than 100 basis points and delivered box-office results that surpassed industry recovery relative to 2019 by 700 basis points domestically and 600 basis points Internationally.

Combined with the effective navigation of our industry's ongoing recovery and the benefits we gained from our focus on expanding content and building audiences, another key contributor to our 2023 results is all the work we pursued over the past few years to evolve Cinemark for future success. This work includes further enhancing the immersive cinematic experiences we provide our guests, growing new and diversified revenue streams, driving productivity gains and optimizing our circuit.

Impact derived from actions in all of these areas provided substantial upside in 2023. And during the year, we continue to advance new and existing initiatives to drive even further growth and market leadership going forward, while staying disciplined with overall capital management, we leaned further into premium amenities during 2023, which continued to resonate exceptionally well with the growing range of moviegoers to start, recliners continue to be a significant driver of box office outperformance and with nearly 70% of our U.S. circuit reclined, we remain the most penetrated major exhibitor featuring this highly sought after amenity.

Over the course of the year, we also grew our D-BOX motion seat footprint by 16%, generating all-time high D-BOX admission revenues that were up 87% compared to 2019. Similarly, we delivered record high XD revenues that increased 13% versus 2019 as XT remains the number one exhibitor branded premium large-format in the world. And we continue to enhance our unmatched presentation QUALITY, extending Barco laser projectors to nearly 15% of our theaters worldwide as we progress toward converting our entire global circuit to laser technology over time.

We also continue to drive significant growth and enhancement of our concessions offerings during 2023, as evidenced by our all-time high food and beverage sales and per-caps. In addition to expanding the variety of selections, we provide consumers, including new menu options and movie themed merchandise. We further improved distribution as well for example, we introduced new space management layouts across a range of our theaters that increase product assortments and speed of service driving incremental purchase incidents.

We also continue to advance our mobile ordering platform and realized a 32% year-over-year increase in online concession sales. Furthermore, we became the first major U.S. exhibitor to partner with all three of the largest third-party delivery platforms, DoorDash, Uber Eats and Grubhub as we aim to further extend the reach of our concession sales beyond our theaters.

Pricing sophistication is another area we continue to actively develop as we aim to maximize attendance, box office and concession sales, while leaving our guests feeling satisfied with the overall value they receive to strengthen our assessment and calibration of consumer elasticity at a theater by theater level. In the midst of evolving macroeconomic and competitive developments.

We've been increasing the number of resources, tools and data-driven insights. We use the process improvements we have made to date are already helping us fine-tune our pricing strategies with enhanced results, which we expect will continue ramping up as we further develop these capabilities. Likewise, the continuous improvement productivity related initiatives we've been pursuing are also yielding sizable bottom line benefits. Examples include our ongoing actions to enhance operating our windows showtimes scheduling, training efficiency, procurement strategies and overall labor practices.

For instance, as a direct result of our varied workforce management projects, we managed to hold salaries and wages growth to only 8% in 2023 despite a 22% year-over-year increase in attendance, ongoing wage rate pressures and staggered fluctuations in volume throughout the year.

Finally, we took a variety of steps during 2023 to further optimize our circuit in addition to expanding premium amenities. As I previously mentioned, we also added four new theaters through a management deal with EPR Properties, our largest landlord. We closed 10 low performing theaters that will provide bottom line improvement going forward. And we opportunistically exited our nonstrategic business in Ecuador, where we were a distant third player after receiving an attractive unsolicited offer at the same time, seeing a growing number of opportunities on the horizon. We reactivated our new build development pipeline and added a new family entertainment center concept to our array of feeder designs with plans to open to these new concepts by the end of this year.

So in summary, 2023 was a highly successful year for Cinemark with the significant results we delivered amidst another period of fluid market dynamics, the growth we derive from expanding new sources of content and building audiences and the further advances we made to position our Company for future success.

It was also a meaningful year for theatrical exhibition as a whole as positive indicators pertaining to the key fundamentals that drive our industry, specifically consumer trends and product flow were further reinforced. Sustained consumer enthusiasm for shared larger than life. Cinematic experiences was validated again and again throughout 2023, as more films were released, more records were achieved and North American box office grew 21% year over year.

Action, family horror, spectacle adult drama run com concerts, faith-based foreign films, 2023 was propelled by a diverse range of content across all demographics of moviegoers during all times of the year. In fact, as we've examined our Cinemark data, we've observed the audience mix over the past two years film by film as well as overall mirrors pre-pandemic patterns.

During 2023, film volume grew to 110 wide releases and reached 85% of pre-pandemic levels, up from 65% in 2022. This favorable growth in film product is the result of Studio efforts to rebuild their slates back to historic levels of output after having measured and publicly referenced the enhanced benefits that its theatrical release provides their film assets and their company.

These benefits include elevating promotional impact that increases awareness interest in recall, strengthening performance on downstream distribution channels, including streaming platforms, boosting overall financial results and library value and associating consumer and talent demand to see these films on the big screen.

And while six months of work stoppage associated with the Hollywood strikes will likely cause a dip in wide releases to approximately 95 titles in 2024, an estimated 75% of pre-pandemic levels, we expect film volume in 2025 will quickly spring back to the recovery glide path it's been on over the past two years, notching another step closer to pre-pandemic levels based on current production activity and expressed plans at the major studios.

This expectation is further supported by Amazon's and Apple's stated ambitions to continue scaling their theatrical film slates as well as the encouraging trends we've recently witnessed and nontraditional content growth as film volume rebounds. Once again, Cinemark remains in the most advantaged position to capitalize on that upside on account of our solid foundation and the myriad of actions we continue to pursue to further strengthen our company as we consider the fundamental drivers of our industry, our current market position and the many opportunities before us. We remain highly optimistic about the future of our industry and particularly our company.

I'll now turn the call over to Melissa, who will provide additional information on our fourth quarter results. Melissa?

Melissa Thomas ***Cinemark Holdings, Inc. - CFO***
Thank you, Sean. Good morning, everyone, and thank you for joining the call today. We were thrilled to deliver strong operating and financial results for the fourth quarter and full year, while further strengthening our balance sheet, we are incredibly proud of the focus and execution our global team exhibited as we capitalized on the box office and remained nimble in this dynamic environment.

During the fourth quarter, we served more than 40 million guests globally, an increase of 4% year over year and grew total revenue 7% to $638.9 million. With the uptick in attendance, our strong operating discipline, and the ongoing execution of our strategic initiatives, we delivered $79.6 million of adjusted EBITDA in the quarter, up more than 8% year over year. And we expanded our adjusted EBITDA margin by 20 basis points to 12.5%.

Moving to the results for our domestic segment, we welcomed 26.2 million guests across our US circuit during the fourth quarter, an increase of 4% year over year. We grew our admissions revenue 7% to $267.5 million and surpassed the North American industry box office growth by 140 basis points, driven by our strong market share in the quarter.

Our market share benefited from the higher mix of family and horror content, which resonated particularly well in our circuit, coupled with the successful execution of our strategic initiatives, as Sean discussed. Our average ticket price grew 2% year over year, reaching an all-time high of $10.21 in the quarter, driven primarily by the elevated ticket pricing and box office success of Taylor Swift, the Eras Tour concert film, in addition to strategic pricing initiatives.

Together, these tailwinds were able to overcome the difficult comparison from the fourth quarter of 2020 to where ticket prices were bolstered by outsized 3D format mix from Avatar, the way of water. Domestic concession revenue was $200.9 million, an increase of 8% year over year. Our concession per cap grew 3% and reached a record high of $7.67 for the quarter, primarily driven by strategic pricing initiatives and product mix, with particular success from merchandise sold for the Taylor Swift, the Aeras tour concert film in the quarter, our teams continue to find new and innovative ways to drug drive incidents and improve the monetization of the intelligence in our theaters, whether it be through the introduction of new concession and movie themed merchandise offerings, modifying the flow of concession traffic within our theaters or promoting mobile ordering among other initiatives.

Other revenue grew 5% year over year to $50.4 million largely due to the attendance growth during the quarter. Altogether, our domestic segment delivered total revenue of $518.8 million, an increase of 7% year over year and generated $68.5 million of adjusted EBITDA, an increase of 15% versus the fourth quarter of 2022. Domestically, we expanded our adjusted EBITDA margin by 90 basis points to 13.2%.

Turning to our international segment, we entertained 14.4 million guests during the fourth quarter, an increase of 2% year over year. While the fourth quarter is typically a seasonally low attendance quarter in Latin America, we outpaced the attendance growth for the broader Latin American industry by 600 basis points in the quarter. We delivered $54.9 million of admissions revenue, $42.1 million of concession revenue, and $23.1 million of other revenue. In total, our international revenue increased 5% to $120.1 million, and we delivered $11.1 million of adjusted EBITDA, yielding a 9.2% adjusted EBITDA margin.

Our international adjusted EBITDA margin was impacted by two meaningful headwinds in the fourth quarter. The expiration of pandemic related temporary rent relief and the sharp devaluation in the Argentinian peso. While inflation has been outpacing FX devaluation over the past few years, that was not the case in the fourth quarter of 2023, given the abruptness and magnitude of Argentina's devaluation following economic measures implemented by the new administration.

We expect these factors to continue to be headwinds in 2024. That said, we have long tenured and highly experienced local teams that are extremely well versed in navigating complex economic and political landscape, such as that.

Moving to global expenses, film rental and advertising expense was 53.6% of admissions revenue, a 330 basis points reduction from

4Q of 2022, predominantly driven by the lower concentration of blockbusters and overall some film mix during the quarter.

Concession costs as a percent of concession revenue were 19.5% in the fourth quarter, up 160 basis points year over year, primarily due to inflationary pressures higher shrink and product mix, particularly elevated merchandise sales in the current quarter, which have a higher overall cost associated with them. Strategic price increases partially offset these impacts.

Global salaries and wages were $96.9 million, an increase of 1% year over year. As a percent of revenue, salaries and wages declined 80 basis points due to benefits realized from our ongoing focus on our labor productivity, coupled with higher attendance which drove operating leverage in the quarter. This leverage was partially offset by wage rate pressure and the expansion of operating hours.

Facility lease expense was $78.8 million, up 2% year over year, primarily due to the expiration of pandemic related temporary relief that benefited the prior year periods. Partially offset by the theater closure. Sean mentioned. As a percent of total revenue facility, lease expense decreased 60 basis points.

Utilities and other expense was $113.3 million, up 10% year over year, primarily due to an increase in our variable costs such as utilities, credit card fees, and repairs and maintenance, driven by the growth in attendance, expanded operating hours, and inflationary pressures.

Higher gift card commissions due to stronger gift card sales through third party channels in the quarter also contributed to the increase. As a percent of total revenue, utilities and other increased 50 basis points. G&A was $54.1 million, an increase of 24% year over year, driven by higher incentive and stock-based compensation and to a lesser extent, incremental headcount to support business recovery and our strategic initiatives as well as wage and benefit inflation.

Globally, we generated a net loss attributable to Cinemark Holdings, Inc., of $18 million in the fourth quarter, resulting in diluted loss per share of $0.15. For the full year, we generated net income of $188.2 million and diluted earnings per share of $1.34.

Turning to the balance sheet. We remain highly focused on strengthening our financial position while continuing to make investments to position the Company well for long-term success. We made significant progress in this regard throughout 2023. We generated $295 million of free cash flow during the year, $49 million of which was generated in the fourth quarter. And we ended the year with nearly $850 million of cash on the balance sheet.

All while we reduced our debt by over $100 million and invested roughly $150 million of capital into our global circuit, $60 million in the fourth quarter alone. Notably, we were pleased to end the year with our net leverage ratio within our target range of two to three times.

Looking forward to 2024, our capital allocation priorities remain balanced and disciplined as we prioritize addressing our 2025 maturities and investing in the long term while managing through content volume headwinds this year.

To that end, we currently intend to redeem the remaining $150 million of 8.75% notes with cash on hand in May of this year when they step down to par. Additionally, we expect to spend approximately $150 million in capital expenditures during 2024.

Although film volume and box office are expected to decline year over year due to the Hollywood strikes, we intend to hold our capital expenditures flat given our optimism regarding the industry's recovery and our objective to capitalize on that recovery. That said, in 2024, we expect to prioritize more of our capital deployment towards long-term strategic opportunities, including newbuilds and other ROI generating initiatives, mainly premium amenities.

In closing, while we expect 2024 to represent a near term setback in our recovery trajectory. We are highly encouraged regarding the exhibition industry's recovery in 2025 and beyond. We remain laser focused on further advancing our strategic initiatives, and we believe we are well positioned to capitalize on the anticipated recovery and maximize shareholder value over the long-term.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Eric Handler, ROTH MKM

Eric Handler ***Roth Capital Partners, LLC - Analyst***

Good morning. Thanks for the question. I'm wondering if you could talk a little bit about your free cash flow. Your conversion from adjusted EBITDA for the year was 50%, which going back to 2007 is a record number. Is that a good for raw material going forward? Or was there anything unusual there that sort of elevated that for a percentage by Eric, thanks for the question.

Melissa Thomas ***Cinemark Holdings, Inc. - CFO***
We were certainly pleased with our free cash flow conversion rate this year and optimistic about the possibilities over the longer term as our business recovered. But it's important to bear in mind that this year's free cash flow conversion rate was bolstered by moderated CapEx levels, which we would expect to ramp up as industry box office resumes its recovery, though we do believe our peak CapEx years are behind us. And the other key factors to consider going forward include, of course, our debt levels and corresponding interest payments as well as working capital dynamics.

Eric Handler ***Roth Capital Partners, LLC - Analyst***
Great. Thank you. And one of the things you mentioned, Sean, in your commentary was, I think, two concepts to open in 2024 for and sort of the new concept on what exactly is that is that within your existing footprint?

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
Yes. Thanks for the question. That's a basically a new format of one of our theaters that at least the way we're looking at it with the family entertainment center. So an extension of theaters that has a little bit larger scale gaming in it as well as some bowling concepts and a little bit larger bar restaurant facility. We've had some really positive experience with that in a joint venture that we currently have for a single venue. And we've seen how well these types of concepts have performed both during the pandemic and since. So we look at that as a really positive opportunity for diversification for growth. It can also provide opportunities both from a newbuild perspective as well as also remodels of existing theaters where we may have a large theater that doesn't quite need all of the auditoriums that we have. So the two that I referenced include one new build that we have currently underway in El Paso, Texas, as well as a remodel that we have underway of our Miriam Kansas City theater.

Operator
David Karnovsky, JPMorgan.

David Karnovsky ***JPMorgan Chase & Co. - Analyst***
Thank you, Sean. Thanks for the view on '24 supply. I know you spoke to '25 and that level being back to the recovery path he had been on. So to be clear, does this mean you expect kind of 25 wide release volume to be above 23? And maybe you could talk to some of the factors driving that. And then for Melissa, just wanted to see if you could provide any early expectations on average ticket prices or per-cap levels in the coming year?

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
Sure. Thanks for the question, David. Yes, I mean, just to quickly answer your question on 25, we do anticipate based on the information we have at hand right now that it would notch further forward from 2020 three's volume level approaching pre-pandemic levels, and we saw a nice trajectory of progress from 22 to 23. As mentioned, unfortunate, that was disrupted by a disruption in supply chain of production due to the Hollywood strikes. But based on all of our conversations with our studio partners with regard to what they have currently in process from production as well as their ongoing plans us, coupled with what we know is happening at Apple and Amazon as well as with some of this additional nontraditional content. We remain a positive and optimistic about that spring back in recovery. So that's really the drivers of why we we think 25 will just quickly bounce back to that recovery path we've been on.

Melissa Thomas ***Cinemark Holdings, Inc. - CFO***
And then, David, in terms of your question around expectations on ATP. and per-cap on the average ticket price side, we do anticipate modest growth in our domestic average ticket prices for full year 2024, though that may fluctuate quarter to quarter or quarter to quarter based on film mix. And just a couple points on some of the key catalysts we see for that we do think there's still additional opportunity on the strategic pricing front as we continue to leverage data and analytics to find that optimal price point that maximizes our overall attendance and box office. Of course, film mix also does play a role in our ticket prices going forward. But net-net, we do think modest growth there.

The one thing I would keep in mind just from a modeling perspective is that Q1 and Q4 of 2023 are certainly going to be tougher comparisons given the outsized 3D mix due to the carryover of Avatar, the wave of water from Q1 of 2023, and then Taylor Swift areas to a concert film in Q4 and of last year.

And then on the F&B per cap side there, we do expect to see at moderate growth on per-caps year over year and some of the key drivers there. And we do intend to continue to lean into various and initiatives that we have to maximize food and beverage incidents. So that includes creating a frictionless experience through mobile ordering platform, our self-serve capabilities, as well as modifying the flow of concession traffic. And we also expect products, proactive category management as well as leaning into movie themed merchandise and scaling third party delivery on to be potential growth drivers for us and then certainly right on the pricing side, we continue to evaluate opportunities there to make sure that we're finding that right balance to maximize that per-cap opportunity while at the same time sustaining our historically high incidents.

Operator
Ben Swinburne, Morgan Stanley.

Ben Swinburne ***Morgan Stanley & Co LLC. - Analyst***
Thanks. Good morning. Can I just back on your 95 film expectation for 24. I'm just curious if you're assuming more added between now and the end of the year? We've seen at least we've noticed a number of films still smaller films, but number of homes added to the slate even in the last month. So just curious what you're assuming in that 95, if you don't mind sharing?

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
Sure. Well, I think it's a great observation that you have. We do tend to see films continue to be added through the year in some ways that actually was a bit elevated in the fourth quarter when several films moved out. As a result of the Hollywood strikes, we saw a number of smaller films get dated that previously weren't that some have weren't even on the radar prior to that. So as we sit right now, we have line of sight to about 90 titles. So we're assuming another five or so get added above and beyond that. So that's kind of generally in line with what we've seen in the past. That may be tempered a little bit in 2024, just simply because of the effect of the Hollywood strikes on production cycle.

The only other thing that I would flag is the way this year is the calendar is lined up, there is definitely a concentration of larger films for the end of the year. Again, a byproduct of the strikes on production. So there is a chance I'm just saying is that we have no line of sight to any risk right at this moment of anything fluctuating by it, the normal course of making movies. If something doesn't come together, there's a situation where something could slide out. So I'm just flagging that because it's a little bit more heavily loaded at year end than we've seen over the last couple of years. But there's a potential for additional films to pop in like we saw in 23, and that's where we sit right now.

Ben Swinburne ***Morgan Stanley & Co LLC. - Analyst***
Okay. That makes sense. And what do you guys looking for to resume the dividend. I know it's a Board decision, but as we track the business this year, but a lot of cash on the balance sheet, can you just talk about the things that you are waiting to see to bring that back?

Melissa Thomas ***Cinemark Holdings, Inc. - CFO***
I'll take that one, Ben. So with respect to the dividend and reinstating, the dividend does remain a key consideration for both management and the Board. However, the timing of any reinstatement is predicated upon our abilities to sustain our net leverage ratio within our target range of two to three times.

Keep in mind that our leverage ratio is highly dependent upon the box office and our free cash flow generation, which are both expected to face headwinds from reduced content volume this year. So that may put some near-term pressure on our net leverage ratio. But we do, though remain in active conversations with our Board regarding our capital allocation priorities and that includes potential timing of reinstating the dividend.

Ben Swinburne ***Morgan Stanley & Co LLC. - Analyst***
Okay. And then I just want to ask Melissa, I don't know if there's any way to size Argentina for us since you called it out as something for us to think about in 24?

Melissa Thomas ***Cinemark Holdings, Inc. - CFO***
Yes. So on the Argentina front, I mean, they're certainly contending with sharp devaluation following the economic measures implemented in December with further devaluation projected this year. If we look at and of what bank projections are saying in terms of FX devaluation for Argentina, it could be as high as 80% year over year.

That said, we've got to keep in mind that Argentina is a highly inflationary environment. So we do expect that inflation could provide some offset to that FX devaluation in the country. And it's just unclear to what extent at this time and whether our pricing can keep up with the rate of inflation. But what I would say there is a highly fluid situation. Our teams continue to closely monitor it. And and I mean, I mean hard to kind of navigate through some of this. We have some long tenured team, a our team members that are at in our international countries. So we feel good about our position there, but it's really highly fluid. So it's hard to pinpoint it stage.

Operator
Mike Hickey, Benchmark.

Mike Hickey ***The Benchmark Company, LLC. - Analyst***
Melissa Shanda, congratulations, guys. On 2023 and the fourth quarter. Great job. Just curious, Sean, on the on your product volume question on 25, getting back here to sort of pre pandemic levels, just curious what sort of boost you're thinking getting from 24 stones that were delayed because of the labor strikes and the 25, I guess the question being, do you feel like your studio partners at this point structurally or sort of rage provide you the volume of tons that they had pre pandemic?

And then on 25, are you including incremental sales from streamers? Obviously, that business looks like it's scaling. And I guess you would think over time streaming plus your traditional studio partners will give you a volume of product that was above pre-pandemic. Curious when we hit that inflection point, Sean?

And then the second question would be on your domestic network. It looks like your theater count has contracted about 10% versus where you were pre-pandemic it looks like most of that is just sort of thoughtful optimization from you and your team. So I think that would be accretive. But as we move forward here, do you think here beginning in a better position to sort of base and build your domestic network and I get the new concept you're toying with that looks interesting. Curious also if that's an M&A opportunity if you're successful there.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
And thanks, Stacy, I think thanks, Mike. And let me start with the first first question. So just touching a little bit more on 2025 estimates for volume. Prior to the strikes, we the whole industry was still in the recovery mode, rebuilding the whole production pipeline of zones that was affected by COVID and at that time, we were anticipating perhaps in 25, 26 would be the time that we could see things get back to pre-pandemic levels, again, based on how things were progressing at that point as a result of the strikes, clearly that created over six months of work stoppage and delayed things. There were some movements out of 24 into 25.

And as we sit here today, and what we're going on is just largely the discussions, the ongoing conversations we're having with our studio partners on 2025, while there certainly that potentially could get back there to pre-pandemic levels. I'd say we're probably looking at that may be more of a 2026 phenomenon from Apple and Amazon are certainly building to your question on that they've been adding. We know that Amazon has publicly stated that they're working towards a slate of 8 to 12 films a year. They may get there in 2025. I think we'll have to see how that just comes together. But I know that's a directional target that we understand at least that they're working towards in your Apple's building as well.

So can't fully call it now. It's kind of why we've tried to give the sense where we see things coming in somewhere between 2023 and 2020 pre-pandemic levels as we sit here today. But we're optimistic again, things are moving in the right direction, and we're thrilled to see that the studios would despite what happened with the strikes, there hasn't been any change in strategy with regard to studios intentions to continue rebuilding their pipeline of films with the added. If anything, it's been reinforced by just the ongoing results that these films are providing those those companies.

Transitioning to your question on our circuit, you're right, we've had a certainly a higher number of closures of theaters domestically over the last couple of years than we have had newbuilds and additions. As you mentioned, those theaters, while we've always had a process of optimizing our circuit and closing lower-performing theaters and older theaters and re populating that with newer opportunities, there have been more of those that have been on the cost that we've exited, which net-net do provide a bit of bottom line lift for our company going forward. So from a just pure EBITDA perspective, it's actually a net positive.

We have added at the same time about 16 new theaters over the last few years. And we've seen that the results of those theaters have been very strong. In fact, in the majority of those cases are our actual results have exceeded our pre-pandemic pro forma targets that we had in mind based on significantly higher volume levels. So it definitely gives us a sense that there are clearly those market opportunities still. And as I mentioned in prepared remarks, we've reactivated that development pipeline now as we've seen that and certainly as we just continue to build further in our recovery.

So as we look forward, I think, yes, we do anticipate that we will start to see a greater amount of activity and real estate newbuild to supplement and offset some of the closures that we had doesn't mean we won't have some more of those types of closures that that happened as we're just trimming some of the lower-performing older assets in our company but we do expect that will be adding more than we have over the past few years. Clearly, that's going to be moderated a bit just based on our continued cash flow generation coming out of this year in 2024 and as we continue to recover and balancing that with some of the debt actions that Melissa mentioned.

Operator
(Operator Instructions) Jim Goss, Barrington Research.

Jim Goss ***Barrington Research Associates, Inc. - Analyst***
Okay, thank you. And I wanted to talk a little more about the relationship with streamers that you've alluded to. I'm wondering if it's kind of match the traditional studio partner patterns? Or are you creating some sort of new mutually beneficial working models in terms of the number and variety of releases and expectations in terms of theatrical windows, for example, are they looking at it as a way to directly create new launch new series and it may tie in that way or certainly it goes directly into their products. So anything it seems like at early stages of the best time to shape plans and expectations, and I'm just wondering if you had any commentary on that.

Ben Swinburne ***Morgan Stanley & Co LLC. - Analyst***
Sure, Jim, let me out let me answer that. And then if need be, I can elaborate further on the current direction. He's I'd say more akin to a traditional studios. I think at what everybody's data has shown is these films that are being released, theatrically are performing better on streaming platforms and they're delivering a bigger amount of value in terms of consumer interest so acquisition retention, those are the films that tend to be viewed to a higher extent.

And so I mean, what we're seeing right now from the streamers is they're leaning into similar types of traditional films and looking to launch them in similar ways to derive that same type of lift on their platforms when they hit those platforms. And by the way, with comparable types of windows, which is starting to gel around that 45 days, give or take us some by the way that also we also continue to see the opportunity for additional types of programming, as you mentioned, where it doesn't have to be limited to films, we've seen a phenomenal consumer enthusiasm response for premieres of series episodes, even bringing back episodes that have previously been shown on these platforms that are really well received by fans. They just they love again.

As we know, the most active streamers are our most active moviegoers. These are people who just love to view this content in an elevated format and they also you it amply at home. So this is just a great way to give fans an elevated event and a great opportunity. So they're leaning into in similar ways. And we just we see the opportunities there to be sizable, both for films as well as other episodic type programs.

Jim Goss ***Barrington Research Associates, Inc. - Analyst***
Okay, thanks. Just one other thing, I'm wondering, are you discussing how you're leaning into merchandise? I'm wondering if you're taking any inventory risk on this. Do you have to determine how much you think you can sell or is it will they take totally back and you're an extension of them. So there's really no. And at risk to trade and managing that getting into the concessions mixed portfolio.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
And the deals definitely vary based on who carries the inventory risk. So it is something that we remain highly focused on as we pursue merchandise. So there are many examples where we do take on that risk and we're careful about how much we're purchasing as a result of that.

And then like I said, there's a there are models where the supplier is carrying that risk. We are leaning more into e-commerce opportunities with merchandise in addition to what we have in our theaters with. We've seen a great appetite for that for consumers. And obviously, there's greater shelf space and greater opportunity to host more skews that way. And those types of models lend themselves more to a model where there's more risk for by the the actual supplier than by us. But it's a great question and something that we are particularly focused on, especially as we're ramping that part of our business more.

Jim Goss ***Barrington Research Associates, Inc. - Analyst***
Okay. And just a follow-up. So you could probably put kiosks in your theaters or something like that and then it becomes sort of the catalog merchandise online when the consumer is very interested in it at that moment.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
When you mention a kiosk, are you referring to just like kind of a pop-up stand or are you talking about --

Jim Goss ***Barrington Research Associates, Inc. - Analyst***
Yes, something of that nature, just some direct access. I know you can go to the phone and do it that way, too.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***

But that's right.

Jim Goss ***Barrington Research Associates, Inc. - Analyst***
That's a winner there.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
We have shelf space and stands in the majority of our theaters already where we put a merchandise. Sometimes that's limited by the size and space in our lobbies but we do that already today. And what the the online channel provides is an opportunity not only for that same merchandise but other skews. I mean, a perfect example is what we saw earlier in 2023 when we had a SCREAM popcorn tubs that all of a sudden became this huge phenomenon with fans and we sold out of them almost instantly in our theaters. And we were able then to extend that to an online offering and direct consumers to go purchase them online because they were no longer available in our theaters and we sold a ton of those online as well. So it's a great way to justify that in certain cases as well as gain greater shelf space that we may not have available in our theory while carrying lower inventory risk for an.

Operator
Omar Mejias, Wells Fargo.

Omar Mejias ***Wells Fargo & Company - Analyst***
Good morning and thank you for the question from Sean, you mentioned that nontraditional content was 14% of total North America box office in 23. Can you give me give us an update on what are your plans for nontraditional content this year? If you expect that number to continue to grow as a percentage of box office and in terms of my second question just on key events are unpack the impact from the Taylor Swift concert film on average ticket pricing concessions per cap? Thank you.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
Sure. Thanks for the questions, Omar. First, just to clarify, the 14% is specific to Cinemark. So that was a percentage that nontraditional represented of our box office results. So it was certainly a large part a high industry as well, but we tend to over index on that type of content. So it would be a touch lower for the industry as a whole.

In terms of future expectations, look, we remain optimistic about the growth in this area. Historically, pre pandemic, we were seeing we always believed there was a lot of potential in alternative content and it was just something that never never really seem to meet that potentially. It generally hovered around 2% or so of box-office each year despite what we saw as upside and it's been great to see now that that's been playing through certainly in the areas of foreign films, faith-based films, concert films like those all have been taking off.

When we look at 2023 specifically, I would say that was in the results were inflated a bit by some real outliers. I mean, obviously, you had a Taylor Swift, the Aerostar concert film, which did over $180 million of box office domestically, you had sound of freedom, which did about $185 million like those are phenomenons which look, we're hopeful to see some of those repeat, but it's hard to bank on that.

But even if you were to strip that out for us, non-traditional content still represented about 9% or so of our full year box office results. So when you consider that we consider where we were last year, look, we're enthused about it. We think that as Hollywood content fully recovers, this could still be five plus percent or so of box-office and there's more potential there. So I think you're if you're a mutation, you're seeing what that with Taylor Swift and Beyonce, Justin, I don't know how you wouldn't lean into that more. So that's a channel of opportunity.

When you look, we know already there in the faith-based category. There's traditional studios like Lionsgate and Sony getting more into theirs. Angel Studios now has all of a sudden really ramped up production. They've already announced five films this year, and they're the ones who brought us down to freedom in 2023. And certainly the foreign films have continued to scale. I mean Indian films, Chinese, some of these movies are doing phenomenal business in the US now. So we're really optimistic about where this goes. And again, we see this being potentially 5% or so of box office going forward, if not greater.

Melissa Thomas ***Cinemark Holdings, Inc. - CFO***
Omar, with respect to your question around impact of Taylor Swift, the areas tour on ATPs and per-cap, the impact on our average ticket price was a benefit of $0.50 in the fourth quarter. And the benefit on our concession per cap, particularly in the form of improved product mix, was about $0.14 and fee majority of that was predominantly driven by that.

Operator
Stephen Laszczyk, Goldman Sachs.

Stephen Laszczyk ***The Goldman Sachs Group, Inc. - Analyst***
Hey, Greg. Good morning. First on margins, perhaps for Sean. You mentioned the efficiency from the variable workforce. I wonder if you could perhaps talk a little bit more about what you've learned on that front in 2023? And how much more room you think there is to operate the business more efficiently from a structural perspective as we look into 24 and then as the fleet normalizes in 25.

And then one on CapEx for Melissa. You talked about your expectations for CapEx increasing as the box office recovers. But not back to the peak levels. I think you're at [$150 million] for this past year. Capex is north of three [$350 million] as peak. That's a fairly wide range is there any framework you could offer us in terms of thinking about how CapEx could trend as the box recovers in '25 and '26? That would be helpful. Thank you.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
Sure. I'll I'll start on the margins, and I'll let Melissa delve into that further as well as your second question, Stephen, this is that when we talk specifically about labor management this is an area that we've been working on for some time, obviously predates the pandemic. We've seen a lot of opportunity just in the workforce management round. We've put in that all kinds of time studies around what it takes to perform different activities. Our theaters, we become more adept, certainly with lower volumes of attendance in determining what things we should turn on or off based on expectations of demand. It's an area that we've got a range of initiatives that we're continuing to lean into to drive that further.

Obviously, the deeper we go into that, the more complicated those those efforts become because you're getting into reengineering processes more significantly in order to capture more productivity and do more with less. But we've got a lot a range of initiatives going forward. And I'll let Melissa speak to just the margin expectations.

Yes.

Eric Handler ***Roth Capital Partners, LLC - Analyst***
As you think about salaries and wages in 2024, while we continue to drive and pursue further productivity initiatives. As Sean mentioned, I think the big thing to keep in mind for 2024 is that we may be more impacted by minimum staffing levels, given the expected reduction in content and box office potential. So that's something to keep in mind as you think about how and how that line item moves and then in addition to that wage and wage rate pressure, which we expect will be more in line with what we've seen historically and on the labor front.

And then with respect to your question on capital expenditures. Yes, as we think about our CapEx expectations, as you mentioned, we do believe our peak CapEx years are behind us, and we are continuing to benefit from those investments that we've made in our circuit historically, which we think is actually a key differentiator for our company.

As you look forward, we do expect to continue to ramp up our capital expenditures as the industry rebounds in 25 and continues in 2026. And what I would say, just from a normalized perspective, there's a couple of things to keep in mind from in maintenance CapEx perspective, we do think it's reasonable to assume that over the longer term, our normalized run rate there will be within that $80 million to $100 million range, which is where we've historically run in pre-pandemic times. And outside of that, it's pretty hard to predict because the remainder of that is going to be largely focused on our ally generating opportunities, which includes newbuilds as well as the family entertainment centers that Sean mentioned, and then premium amenities. And that's really going to depend on the nature and scale of opportunities that arise. And then outside of that, the other key consideration would be we continue to progress through our multiyear conversion of our projectors, two laser projectors Great.

Operator
Thank you. We reached the end of our question-and-answer session. I'd like to turn the floor back over to Sean Gamble for any further closing comments.

Sean Gamble ***Cinemark Holdings, Inc. - President & CEO***
Thank you and thank you all again for joining us this morning. I just like to say once again that we're incredibly proud of. The results are tremendous. Cinemark team was able to deliver in 2023 and highly encouraged by what those results suggest regarding the potential of our company ahead. While 2024 will be pressured somewhat by the strike induced volume headwinds that we've discussed, the fundamentals that drive our industry remain intact, and we continue to be highly enthusiastic about the future of theatrical exhibition and certainly of Cinemark. We look forward to speaking with you all again following our first quarter 2024 results. Thank you.

Operator

That does conclude today's teleconference and webcast. You may disconnect your lines at this time. And have a wonderful day. We thank you for your participation today.