

Cinemark Holdings, Inc.  
Form 10-Q  
May 09, 2018  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

Commission File Number: 001-33401

CINEMARK HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-5490327 (I.R.S. Employer Identification No.)
3900 Dallas Parkway Suite 500 Plano, Texas (Address of principal executive offices)	75093 (Zip Code)

Registrant's telephone number, including area code: (972) 665-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2018, 116,778,802 shares of common stock were issued and outstanding.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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Cautionary Statement Regarding Forward-Looking Statements

Certain matters within this Quarterly Report on Form 10Q include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The “forward-looking statements” may include our current expectations, assumptions, estimates and projections about our business and our industry. They may include statements relating to future revenues, expenses and profitability, the future development and expected growth of our business, projected capital expenditures, attendance at movies generally or in any of the markets in which we operate, the number or diversity of popular movies released and our ability to successfully license and exhibit popular films, national and international growth in our industry, competition from other exhibitors and alternative forms of entertainment and determinations in lawsuits in which we are defendants. Forward-looking statements can be identified by the use of words such as “may,” “should,” “could,” “estimates,” “predicts,” “potential,” “continue,” “anticipates,” “believes,” “plans,” “expects,” “future” and “intends” and expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. For a description of the risk factors, please review the “Risk Factors” section or other sections in the Company’s Annual Report on Form 10-K filed February 23, 2018 and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such risk factors. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data, unaudited)

	March 31, 2018	December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$474,046	\$522,547
Inventories	17,083	17,507
Accounts receivable	78,211	89,250
Current income tax receivable	2,991	11,730
Prepaid expenses and other	19,409	16,536
<b>Total current assets</b>	<b>591,740</b>	<b>657,570</b>
Theatre properties and equipment	3,387,494	3,328,589
Less: accumulated depreciation and amortization	1,551,842	1,500,535
<b>Theatre properties and equipment, net</b>	<b>1,835,652</b>	<b>1,828,054</b>
<b>Other assets</b>		
Goodwill	1,283,945	1,284,079
Intangible assets - net	335,164	336,761
Investment in NCM	202,455	200,550
Investments in and advances to affiliates	118,789	120,045
Long-term deferred tax asset	4,103	4,067
Deferred charges and other assets - net	41,623	39,767
<b>Total other assets</b>	<b>1,986,079</b>	<b>1,985,269</b>
<b>Total assets</b>	<b>\$4,413,471</b>	<b>\$4,470,893</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$7,984	\$7,099
Current portion of capital lease obligations	26,231	25,511
Current income tax payable	11,058	5,509
Current liability for uncertain tax positions	12,353	11,873
Accounts payable and accrued expenses	329,723	418,921

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Total current liabilities	387,349	468,913
Long-term liabilities		
Long-term debt, less current portion	1,775,252	1,780,381
Capital lease obligations, less current portion	245,798	251,151
Long-term deferred tax liability	134,732	121,787
Long-term liability for uncertain tax positions	13,258	8,358
Deferred lease expenses	40,489	40,929
Deferred revenue - NCM	299,222	351,706
Other long-term liabilities	45,380	41,980
Total long-term liabilities	2,554,131	2,596,292
Commitments and contingencies (see Note 17)		
Equity		
Cinemark Holdings, Inc.'s stockholders' equity:		
Common stock, \$0.001 par value: 300,000,000 shares		
authorized, 121,385,985 shares issued and 116,778,802 shares outstanding		
at March 31, 2018 and 121,000,903 shares issued and 116,475,033 shares		
outstanding at December 31, 2017	121	121
Additional paid-in-capital	1,144,514	1,141,088
Treasury stock, 4,607,183 and 4,525,870 shares, at cost, at March 31, 2018		
and December 31, 2017, respectively	(79,049 )	(76,354 )
Retained earnings	647,298	582,222
Accumulated other comprehensive loss	(252,942 )	(253,282 )
Total Cinemark Holdings, Inc.'s stockholders' equity	1,459,942	1,393,795
Noncontrolling interests	12,049	11,893
Total equity	1,471,991	1,405,688
Total liabilities and equity	\$4,413,471	\$4,470,893

The accompanying notes are an integral part of the condensed consolidated financial statements.

## CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data, unaudited)

	Three Months Ended March 31,	
	2018	2017
<b>Revenues</b>		
Admissions	\$452,624	\$476,469
Concession	261,772	268,224
Other	65,575	34,917
<b>Total revenues</b>	<b>779,971</b>	<b>779,610</b>
<b>Cost of operations</b>		
Film rentals and advertising	240,915	252,818
Concession supplies	40,824	42,100
Salaries and wages	93,158	84,201
Facility lease expense	82,091	84,262
Utilities and other	109,432	88,357
General and administrative expenses	42,384	38,216
Depreciation and amortization	64,395	57,356
Impairment of long-lived assets	591	273
Loss on sale of assets and other	3,939	834
<b>Total cost of operations</b>	<b>677,729</b>	<b>648,417</b>
<b>Operating income</b>	<b>102,242</b>	<b>131,193</b>
<b>Other income (expense)</b>		
Interest expense	(27,115 )	(26,369 )
Loss on debt amendments	(1,484 )	—
Interest income	2,238	1,333
Foreign currency exchange gain	1,378	1,589
Distributions from NCM	6,358	6,788
Interest expense - NCM	(4,979 )	—
Equity in income of affiliates	8,636	10,060
<b>Total other expense</b>	<b>(14,968 )</b>	<b>(6,599 )</b>
<b>Income before income taxes</b>	<b>87,274</b>	<b>124,594</b>
Income taxes	25,097	44,400
<b>Net income</b>	<b>\$62,177</b>	