Cinemark Holdings, Inc.
Form 10-K
February 28, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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.

Large accelerated filer	Accelerated filer
Non-accelerated filer	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 Act). Yes No

The aggregate market value of the voting and non-voting common equity owned by non-affiliates of the registrant on June 30, 2018, computed by reference to the closing price for the registrant's common stock on the New York Stock Exchange on such date was approximately $3.73 billion (106,350,432 shares at a closing price per share of $35.08).

As of February 22, 2019, 117,050,337 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement, in connection with its 2019 annual meeting of stockholders, to be filed within 120 days of December 31, 2018, are incorporated by reference into Part III, Items 10-14, of this annual report on Form 10-K.

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Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 10-K includes “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, or the Exchange Act. The “forward looking statements” include our current expectations, assumptions, estimates and projections about our business and our industry. They 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.

You can identify forward-looking statements by the use of words such as “may,” “should,” “could,” “estimates,” “predicts,” “potential,” “continue,” “anticipates,” “believes,” “plans,” “expects,” “future” and “intends” and similar expressions which are to identify 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. In evaluating forward-looking statements, you should carefully consider the risks and uncertainties described in the “Risk Factors” section in Item 1A of this Form 10-K and elsewhere in this Form 10-K. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained in this Form 10-K. Forward-looking statements contained in this Form 10-K reflect our view only as of the date of this Form 10-K. 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.

Certain Definitions

Unless the context otherwise requires, all references to “we,” “our,” “us,” the “issuer” or “Cinemark” relate to Cinemark Holdings, Inc. and its consolidated subsidiaries. All references to Latin America are to Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala, Bolivia, Curacao and Paraguay. Unless otherwise specified, all operating and other statistical data are as of and for the year ended December 31, 2018.

PART I

Item 1. Business

Our Company

Cinemark Holdings, Inc. and subsidiaries, or the Company, us or our, is a leader in the motion picture exhibition industry, with theatres in the United States, or U.S., Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala, Bolivia, Curacao and Paraguay.

As of December 31, 2018, we managed our business under two reportable operating segments: U.S. markets and international markets. See Note 19 to the consolidated financial statements.

Cinemark Holdings, Inc. is a Delaware corporation incorporated on August 2, 2006. Our principal executive offices are at 3900 Dallas Parkway, Suite 500, Plano, Texas 75093. Our telephone number is (972) 665-1000. We maintain a corporate website at www.cinemark.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, are available on our website free of charge under the heading "Investor Relations – Financials - SEC Filings" as soon as practicable after such reports are filed or furnished electronically to the Securities and Exchange Commission, or the SEC. Additionally, all of our filings with the SEC can be accessed on the SEC's website at www.sec.gov.

Description of Business

We are a leader and one of the most geographically diverse operators in the motion picture exhibition industry. As of December 31, 2018, we operated 546 theatres and 6,048 screens in the U.S. and Latin America and more than 282 million guests attended our theatres worldwide during the year ended December 31, 2018. Our U.S. circuit had 341 theatres and 4,586 screens in 41 states and our international circuit had 205 theatres and 1,462 screens in 15 countries. Our significant and diverse presence in the U.S. and Latin America has made us an important distribution channel for movie studios. We believe our portfolio of modern, high-quality theatres with multiple platforms provides a preferred destination for moviegoers and contributes to our consistent financial performance.

Revenues, operating income and net income attributable to Cinemark Holdings, Inc. for the year ended December 31, 2018, were $3,221.8 million, $388.3 million and $213.8 million, respectively. At December 31, 2018 we had cash and cash equivalents of $426.2 million and total long-term debt of $1,809.3 million. Approximately $202.9 million, or 11%, of our long-term debt accrues interest at variable rates and $8.0 million of our long-term debt matures in 2019.

Motion Picture Exhibition Industry Overview

Domestic Markets

The U.S. motion picture exhibition industry reported box office revenues of approximately $11.1 billion for 2017. Preliminary estimates for 2018 indicate that box office revenues reached an all-time high of $11.9 billion, an approximate 7% increase over 2017. The following table represents the results of a survey by MPAA published during March 2018, outlining the historical trends in U.S. box office performance for the ten year period from 2008 to 2017 (industry data for 2018 has not yet been released):

Year	U.S. Box Office Revenues ($ in billions)	Attendance (in billions)	Average Ticket Price
2008	$ 9.6	1.34	$ 7.18
2009	$ 10.6	1.42	$ 7.50
2010	$ 10.6	1.34	$ 7.89
2011	$ 10.2	1.28	$ 7.93
2012	$ 10.8	1.36	$ 7.96
2013	$ 10.9	1.34	$ 8.13
2014	$ 10.4	1.27	$ 8.17
2015	$ 11.1	1.32	$ 8.43
2016	$ 11.4	1.32	$ 8.65
2017	$ 11.1	1.24	$ 8.97

Over the past ten years, industry statistics have shown slight increases and decreases in attendance from one year to another, however domestic box office revenues have remained relatively stable during this period. The industry has not experienced highly volatile results, even during recessionary periods, demonstrating the stability of the industry, its continued ability to attract consumers and the fact that box office performance is primarily dependent on the quality and quantity of film product rather than economic cycles. Average ticket prices can also be driven by the mix of film product and availability of films in premium formats.

Films leading the box office during the year ended December 31, 2018 included Black Panther, Avengers: Infinity War, Incredibles 2, Jurassic World: Fallen Kingdom, Aquaman, Deadpool 2, Dr. Seuss' The Grinch, Mission Impossible – Fallout, Ant-Man and the Wasp, Solo: A Star Wars Story, Venom, A Quiet Place, Crazy Rich Asians, Halloween, Bumblebee, Ralph Breaks the Internet, Fantastic Beasts: The Crimes of Grindelwald, Mary Poppins Returns, A Star is Born, Bohemian Rhapsody and other films, as well as the carryover of The Greatest Showman, Jumanji: Welcome to the Jungle and Star Wars: The Last Jedi.

Films scheduled for release during 2019 include Avengers: Endgame, Star Wars: Episode IX, The Lion King, Frozen 2, Toy Story 4, Aladdin, Captain Marvel, It 2, Spider-Man: Far From Home, The Secret Life of Pets 2, Joker, Dumbo, and Godzilla 2 among other films.

International Markets

According to MPAA, international box office revenues increased approximately 7% to $29.5 billion for the year ended December 31, 2017, from $27.4 billion for the year ended December 31, 2016. More specifically, Latin American box office revenues were $3.4 billion for the year ended December 31, 2017, compared to $2.8 billion for the year ended December 31, 2016, an increase of approximately 22%. (Industry data for 2018 has not yet been released.)

While certain Latin American countries have experienced recent political and economic challenges, performance is also impacted by social behaviors, growing populations, continued retail development in select markets, and quality product from Hollywood, including 3-D and alternative content offerings. In many Latin American countries, including Brazil, Argentina, Colombia, Peru and Chile, successful local film product can also provide incremental box office growth opportunities.

We believe many international markets will expand as new theatre technologies are introduced to more locations, as film and other content offerings continue to broaden, as ancillary revenue opportunities grow and as local economies strengthen. We also believe most of these markets are underscreened in comparison to the U.S. and European markets.

Drivers of Continued Industry Success

We believe the following market trends will continue to drive the strength of our industry:

Importance of Theatrical Success in Establishing Movie Brands. Theatrical exhibition has long been the primary distribution channel for new major motion picture releases. A successful theatrical release "brands" a film and is one of the major contributors to a film's success in "downstream" markets, such as digital downloads, video on-demand, pay-per-view television, DVDs, SVOD, and network and syndicated television, as well as branded retail merchandise.

Convenient and Affordable Form of Out-Of-Home Entertainment. Movie going continues to be one of the most convenient and affordable forms of out-of-home entertainment, with an estimated average ticket price in the U.S. of $8.97 in 2017. Average prices in 2017 for other forms of out-of-home entertainment in the U.S., including sporting events and theme parks, ranged from approximately $31.67 to $94.98 per ticket according to MPAA. (As of the date of this report, 2018 industry data was not yet available.)

Expansion of Concepts and Product Offerings that Enhance the Movie-Going Experience. The motion picture exhibition industry continues to develop new movie theatre platforms and concepts to respond to varying and changing consumer preferences and to continue to differentiate the movie-going experience from watching a movie at home. In addition to changing the overall style of, and amenities offered in, some theatres, concession product offerings have continued to expand to more than just traditional popcorn and candy items. Many locations now offer hot foods, alcohol offerings and/or healthier snack options for guests. Motion seats are offered in some locations, further enhancing the movie viewing experience. Virtual reality has also been developed for in-theatre enjoyment. New and enhanced programming alternatives expand the industry's entertainment offerings to attract a broader customer base.

Contribution of International Markets to Box Office Performance. International markets continue to be an increasingly important component of the overall box office revenues generated by Hollywood films, accounting for $29.5 billion, or approximately 73%, of 2017 total worldwide box office revenues according to MPAA. (As of the date of this report, 2018 industry data was not yet available.) With the meaningful contribution of the international motion picture exhibition industry, we believe the relative contribution of markets outside North America will continue to be impactful. Many of the top U.S. films released during 2018 also performed exceptionally well in international markets. Avengers: Infinity War grossed $1,370.0 million in international markets, or 67% of its worldwide box office. Jurassic World: Fallen Kingdom generated $887.1 million in international markets, or 68% of its worldwide box office. Aquaman generated $774.2 million in international markets, or 71% of its worldwide box office.

Our Strategy

Key components of our strategy include:

Focus on Providing an Extraordinary Guest Experience to Maximize Attendance. We differentiate our theatres by focusing on providing an extraordinary guest experience through a variety of initiatives, as discussed below. We believe our focus on the guest experience is a catalyst for attendance growth and is a primary factor in our consistent industry-leading results.

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We have a market-adaptive approach with our theatre amenities, including Luxury Lounger recliner seats, enhanced food and beverage offerings, and our exhibitor-branded premium large format, XD, IMAX, motion seats, and a new virtual reality offering in one of our domestic theatres. Our innovative and advanced technology selections allow us to consistently deliver the highest quality presentation to fully immerse our guests in the on-screen action.

- We have taken a retail approach to our food and beverage offerings, which include the traditional concession items such as popcorn, soft drinks and candy as well as enhanced menu items, alcohol and various cultural foods. We also have merchandise stands in most theatres, bringing apparel, toys and other unique movie-themed products to our guests.
- Through our various marketing initiatives, including enhanced and tailored customer interactions, continued investment in our website and app experiences and development of our loyalty and membership programs, we are dedicated to further understanding our guests and enriching their movie-going experience. We are also committed to providing a great employee experience through ongoing training, incentive programs and offering a supportive environment, as our engaged employees are empowered to provide first-rate customer service to our guests.

Sustained Investment in Core Circuit Combined with Targeted Growth. We continually utilize our cash flows from operations to invest in our circuit to ensure the highest quality experience for our guests. Our commitment to investing in our theatre assets is demonstrated by our level of capital expenditures for the years ended December 31, 2017 and 2018, at approximately $380.9 million and $346.1 million, respectively. We selectively build or acquire new theatres in markets where we can establish and maintain a strong market position. During the year ended December 31, 2018, we built eleven new theatres with 81 screens and acquired three theatres with 19 screens.

Competitive Strengths

We believe the following strengths allow us to compete effectively:

Disciplined Operating Philosophy. We generated operating income and net income attributable to Cinemark Holdings, Inc. of $388.3 million and $213.8 million, respectively, for the year ended December 31, 2018. Our solid operating performance is a result of our disciplined and consistent operating philosophy that centers on building new, and reinvesting in our existing, high-quality theatres, focusing on the guest experience, maintaining favorable theatre-level economics, controlling operating costs and effectively reacting to economic and market changes.

We continue to grow organically as well as through the acquisition of high-quality theatres in select markets. Our growth strategy has centered around meeting our stringent return on investment thresholds while also complementing our existing theatre circuit. We continue to generate consistent cash flows from operating activities, which demonstrates the success of our growth strategy. We believe the combination of our strong balance sheet and our continued commitment to earn a strong return on our capital investments, will continue to provide us with the financial flexibility to pursue further expansion opportunities and maintain our existing locations at a high standard, while also allowing us to effectively service our debt obligations and continue to offer our stockholders a strong dividend yield.

Leading Position in Our U.S. Markets. We have a leading market share in most of the U.S. markets we serve, which includes a presence in 41 states. For the year ended December 31, 2018, we ranked either first or second, based on box office revenues, in 20 out of our top 25 U.S. markets, including the San Francisco Bay Area, Dallas, Houston, Salt Lake City, Sacramento, Cleveland, Austin and Las Vegas.

Located in Top Latin American Markets. We have successfully established a significant presence in major cities in Latin America, with theatres in fourteen of the twenty largest metropolitan areas in South America. As of December 31, 2018, we operated 205 theatres and 1,462 screens in 15 countries. Our international screens generated revenues of $682.8 million, or 21.2% of our total revenues, for the year ended December 31, 2018. We are the largest exhibitor in Brazil and Argentina and have significant market presence in Colombia, Peru and Chile. Our geographic diversity makes us an important global distribution channel for the movie studios.

State-of-the-Art Theatre Circuit. We offer a state-of-the-art movie-going experience, which we believe makes our theatres a preferred destination for moviegoers in our markets. During 2018, we built 81 new screens worldwide. As of December 31, 2018, we had commitments to open 212 additional new screens over the next three years.

We have incorporated Luxury Lounger recliner seats in all of our recent domestic new builds and have also repositioned many of our existing domestic theatres to offer this premium seating feature. We currently feature Luxury Loungers in 2,565 domestic auditoriums, representing 55.9% of our domestic circuit. We plan to continue to add additional Luxury Loungers in certain of our domestic locations during 2019.

Our XD screens represent the largest exhibitor-sponsored premium large format footprint in the industry. Our XD auditoriums offer a premium experience utilizing the latest in digital projection and enhanced custom sound, including a Barco Auro 11.1 or Dolby Atmos sound system in select locations. The XD experience includes wall-to-wall screens, wrap-around sound, plush seating and a maximum comfort entertainment environment for an immersive experience. The exceptional XD technology does not require special format movie prints, which allows us the flexibility to showcase any available digital print we choose, including 3-D content, in our XD auditoriums. We also prefer the economies of our exhibitor-sponsored format since there is no additional revenue share component outside of routine film rental. As of December 31, 2018, we had 256 XD auditoriums in our worldwide circuit. We expect to further expand our XD footprint during 2019.

We offer enhanced food and beverages such as fresh wraps, hot sandwiches, burgers, and gourmet pizzas, and a selection of beers, wines, and frozen cocktails, all of which can be enjoyed in the comfort of the auditoriums, at approximately 58% of our worldwide theatres. We also offer market-adaptive concepts with full bars or dine-in areas in certain of our theatres, and continue to expand to additional locations.

We currently have auditoriums that offer seats with immersive cinematic motion, which we refer to as motion seats, throughout our worldwide circuit. These motion seats are programmed in harmony with the audio and video content of the film and further immerse guests in the on-screen action. We offer motion seats in 229 auditoriums throughout our worldwide circuit. We plan to add motion seats to additional locations during 2019.

During 2018, we collaborated on an in-theatre immersive virtual reality technology in one of our domestic theatres that takes guests on a real-life, full-body journey where they engage with characters and their environment through sight, sound, touch, smell and motion. We plan to install this technology in at least one additional domestic theatre during 2019 and we are continuing to evaluate other locations at which we can offer our guests this unique entertainment option.

Experienced Management. Led by Chairman and founder Lee Roy Mitchell, Chief Executive Officer Mark Zoradi, Chief Operating Officer and Chief Financial Officer Sean Gamble, and President-International Valmir Fernandes, our operational management team has many years of industry experience. Each of our international offices is led by general managers that are local citizens familiar with cultural, political and economic factors impacting each country. Our worldwide management team has successfully navigated us through many industry and economic cycles over the years.

Theatre Operations

As of December 31, 2018, we operated 546 theatres and 6,048 screens in 41 U.S. states and 15 Latin American countries. The following tables summarize the geographic locations of our theatre circuit as of December 31, 2018.

United States Theatres

State	Total Theatres	Total Screens
Texas	86	1,136
California	67	855
Ohio	29	365
Utah	15	190
Nevada	9	140
Colorado	9	136
Illinois	9	126
Pennsylvania	9	125
Florida	6	110
Kentucky	8	109
Arizona	7	104
Oregon	6	90
North Carolina	7	83
Louisiana	6	83
Virginia	6	82
Oklahoma	5	65
Iowa	4	62
Washington	5	61
Connecticut	4	58
New Mexico	4	54
Michigan	3	46
Massachusetts	3	46
Arkansas	3	44
Mississippi	3	41
Maryland	2	39
Indiana	3	34
South Carolina	3	34
New Jersey	2	28
Georgia	2	27
South Dakota	2	26
Montana	2	25
Delaware	2	22
West Virginia	2	22
Kansas	1	20
New York	1	17
Alaska	1	16
Missouri	1	15
Alabama	1	14

Tennessee	1	14
Wisconsin	1	14
Minnesota	1	8
Total	341	4,586

International Theatres

Country	Total Theatres	Total Screens
Brazil	84	623
Colombia	36	202
Argentina	22	190
Central America[1]	20	141
Chile	19	133
Peru	13	93
Ecuador	8	51
Bolivia	1	13
Paraguay	1	10
Curacao	1	6
Total	205	1,462

[1] Includes Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala.

We first entered Latin America when we opened a theatre in Chile in 1993. Since then, through our focused international growth strategy, we have developed one of the most geographically diverse theatre circuits in the region. We have balanced our risk through a diversified international portfolio, which includes theatres in fourteen of the twenty largest metropolitan areas in South America. We have established significant presence in Brazil and Argentina, where we are the largest exhibitor. We also have significant market presence in Colombia, Peru and Chile.

We believe that certain markets within Latin America continue to be underserved as penetration of movie screens per capita in these markets is substantially lower than in the U.S. and European markets. We intend to continue to expand our presence in international markets, with emphasis on Latin America, and fund our expansion primarily with cash flow generated from operations. We are able to mitigate cash flow exposure to currency fluctuations by transacting local operating expenses primarily in their respective local currencies. Our geographic diversity throughout South and Central America has allowed us to maintain consistent local currency revenue performance, notwithstanding currency and economic fluctuations that may affect any particular market.

Content

We offer a variety of content at our theatres. We monitor upcoming films and other content and work diligently with film distributors to license the content that we believe will be most successful in our theatres. We play mainstream films from many different genres, such as animated films, family films, dramas, comedies, horror and action films. We offer content in both 2-D and 3-D formats in all of our theatres, and in many locations, we offer our exhibitor-branded premium large format, XD. We also offer a format that features motion seats and added sensory features in addition to the ultra-realistic images of 3-D technology in select locations.

We regularly play art and independent films at many of our U.S. theatres and offer local film product in our international markets, providing a variety of film choices to our guests. We offer a Classic Series at a majority of our U.S. theatres and some of our international theatres, which involves playing digitally re-mastered classic movies that change on a weekly basis. The program covers a variety of genres of classic films that are generally exhibited during non-peak times.

Our joint venture, AC JV, LLC, with Regal Entertainment Group, or Regal, and AMC Entertainment, Inc., or AMC, provides marketing and distribution of live and pre-recorded entertainment programming to movie theatres to augment theatres' feature film schedules, which includes the Metropolitan Opera, sports programs, concert events, e-sports gaming events and other special presentations, that may be live or pre-recorded. We, along with AC JV, LLC, continue to identify new ways to utilize our theatre platform to provide entertainment to consumers.

Film Licensing

In the domestic marketplace, our corporate film department negotiates with film distributors to license films for each of our domestic theatres. In each of our international offices, our local film personnel negotiate with local offices of major film distributors as well as local film distributors to license films for our international theatres. Film distributors are responsible for determining film release dates and film marketing campaigns and the related expenditures, while we are responsible for booking the films at each of our theatres at the optimal showtimes for our guests. In most instances, we are able to license each first-run, wide-release film without regard to the bookings of other exhibitors within that area. In certain limited situations, our theatres compete with other nearby theatres for film content from film distributors. We face competition for patrons from other exhibitors and other forms of entertainment, as discussed under Competition below, at all of our theatres in all markets. Our theatre personnel focus on providing an extraordinary guest experience, and we provide a high-quality facility with the most up-to-date sound systems, comfortable seating and other amenities preferred by our guests, which we believe gives us a competitive advantage in markets where competing theatres play the same films.

In both our domestic and international locations, we pay film rental fees based on a film’s box office receipts at our theatres. Film rental rates are negotiated based on either a sliding scale formula under which the rate is based on a standard rate matrix that is established prior to a film’s run; a firm terms formula, as determined prior to a film’s run, under which we pay a negotiated rate; or a rate that is negotiated after a film’s run.

Food and Beverage

Concession sales are our second largest revenue source, consistently representing approximately 35% of total revenues. We have devoted considerable management effort to expanding concession sales by enhancing our offerings and adapting to our customers’ changing preferences, as discussed below.

Concession Product Mix. Common concession products offered at all of our theatres may include various sizes and types of popcorn, soft drinks, coffees, non-carbonated drinks, candy and quickly-prepared or pre-prepared food, such as hot dogs, pizza, pretzel bites, nachos and ice cream. The food and beverage offerings vary based on consumer preferences in a particular market. We have introduced some healthier snack and beverage options for our guests, which are available at some locations, added alcohol offerings in a growing number of theatres, and also offer diverse ethnic foods based on market demographics.

In select locations, we have expanded concession product offerings to include a broader variety of food and drink options, such as fresh wraps, hot sandwiches, burgers, gourmet pizzas, and a selection of beers, wines, and frozen cocktails, all of which can be enjoyed in the comfort of the auditoriums. We also have lobby bars and VIP lounges in many domestic and international theatres.

Our proprietary point-of-sale system allows our category managers to monitor product sales and readily make adjustments to product mix on a theatre-by-theatre or market-by-market basis, when necessary. This program flexibility also allows us to efficiently activate and manage both national or regional product launches and promotional initiatives to further grow food and beverage sales.

Pricing. New products and promotions are introduced on a regular basis to increase concession purchase incidence by existing buyers as well as to attract new buyers. We offer specially-priced product combinations at our theatres. We routinely offer discounts to our guests on certain products by offering weekly coupons as well as reusable popcorn tubs and soft drink cups that can be refilled at a discounted price. In certain international countries and in all of our domestic theatres, we offer a loyalty program that periodically offers food and beverage discounts. Our new Cinemark Movie Club membership program also allows our domestic guests to sign-up for exclusive concessions discounts.

Staff Training. Employees are continually trained in proper sales techniques, food preparation and handling and maintaining concession product quality. Some of our product promotions include a motivational element that rewards theatre staff for exceptional sales of certain promotional items.

Theatre Design. Our theatres are designed to optimize the guest purchase experience at the concession stands, which includes multiple concession counters throughout a theatre to facilitate serving guests in an expedited manner. We strategically place large concession stands within theatres to heighten visibility, reduce the length of concession lines, and improve traffic flow around the concession stands. We incorporate self-serve candy cases and bottled drink coolers at our traditional crew-serve theatres to help provide convenience for our guests, drive purchase incidence and increase product availability for these two core categories. We also have self-service cafeteria-style concession areas in many of our domestic theatres, which allow customers to select their own refreshments and proceed to the cash register when they are ready. This design allows for more efficient service, and superior visibility of concession items. In some of our international locations, we allow guests to pre-order concession items, either online or at a kiosk, and pick them up in a dedicated line at the concession counter.

Cost Control. We negotiate prices for concession supplies directly with concession vendors and manufacturers to obtain volume discounts and also negotiate volume-based and promotional-based rebates with our larger suppliers. Concession supplies are generally distributed through a distribution network. The concession distributor delivers inventory to the theatres after receiving orders directly from the theatres or through an online electronic ordering system. We conduct frequent inventory counts of concession products at every theatre to ensure proper stock levels are maintained to appropriately serve our guests.

Pre-Feature Screen Advertising

In our domestic markets, our theatres are part of the in-theatre digital network operated by National CineMedia, LLC, or NCM. NCM provides advertising to our theatres through its branded “Noovie” pre-show entertainment program and also handles lobby promotions and displays for our theatres. We believe that the reach, scope and digital delivery capability of NCM’s network provides an effective platform for national, regional and local advertisers to reach our audience. We receive a monthly theatre access fee for participation in the NCM network and also earn screen advertising revenue on a per patron basis. As of December 31, 2018, we had an approximate 25% ownership interest in NCM. See Note 6 to the consolidated financial statements for further discussion of our investment in NCM.

In our international markets, our wholly-owned subsidiary Flix Media Publicidade E Entretenimento, Ltda., or Flix Media, handles our screen advertising functions in Brazil. Our Flix Media marketing personnel work with local agencies and advertisers to coordinate screen advertising in our Brazil theatres. We have expanded the Flix Media advertising services to other exhibitors in Brazil through revenue share agreements. In Argentina, we have in-house personnel that work with local advertisers to arrange screen advertising in our Argentina theatres. We also operate advertising subsidiaries that support our theatres in Chile, Central America, Colombia, Paraguay, Bolivia, Ecuador and Curacao. In Chile, our Flix subsidiary also represents Cinepolis, making our subsidiary the local leader in cinema advertising. In addition to screen advertising in our theatres, we intend to expand Flix Media’s services to include, among other things, alternative content, digital media and other synergistic media opportunities. In a few of our other international markets, we outsource our screen advertising to local companies who have established relationships with local advertisers that provide similar programming benefits. The terms of our international screen advertising contracts vary by country, however, we generally earn a percentage of the screen advertising revenues for access to our screens.

Marketing and Promotions

We generally market our theatres and special events, including new theatre grand openings, remodel openings and VIP events, using email, organic and paid digital advertising, directory film schedules, and radio and television advertising spots. We exhibit previews of coming attractions and current films as part of our on-screen pre-feature program. We offer guests access to movie times, the ability to buy their tickets and reserve their seats in advance and purchase gift cards at our website www.cinemark.com and via our smart phone and tablet applications. Customers can subscribe to our weekly emails to receive information about current and upcoming films at their preferred Cinemark theatre(s), including details about upcoming Cinemark XD movies, advanced ticket sales, screenings, special events, concerts and live broadcasts; as well as contests, promotions, and coupons for concession savings. Email communications and push notifications are utilized to provide customers with the latest information or exclusive offers such as screenings, contests or promotions. We partner with film distributors on a regular basis to promote upcoming films through local, regional and national programs that are exclusive to our theatres. These programs may involve customer contests that include exclusive giveaways, cross-promotions with the media and other third parties and other means to impact patronage for films showing at our theatres.

We interact with guests every day on social media platforms, such as Facebook, on which we recently reached nine million followers, Twitter and Instagram. Through social media, we provide relevant information, quick access to advanced ticketing information and upcoming movies and events, as well as to respond to guest feedback. Guests can also utilize social media to ask us questions regarding their local Cinemark theatre offerings, movie-related information or to provide suggestions.

We launched a subscription membership program for our domestic circuit in December 2017. Cinemark Movie Club offers guests a monthly fixed-price 2D ticket, member-pricing for a companion ticket and concession and other transaction discounts. Cinemark Movie Club is a unique option to reward our loyal guests and allows us to stay informed of our frequent guests' preferences.

We offer a free domestic loyalty program to our guests, called Connections, which was launched in 2016. Connections allows our guests to earn points for different types of transactions as tracked through our Cinemark smart phone app. Points can then be redeemed for tickets, concession items and discounts, as well as unique and limited edition experiential rewards that relate to films currently playing at our theatres.

We also have loyalty programs in most of our international markets that either allow customers to pay a nominal fee for an annual membership card that provides them with certain admissions and concession discounts or that allows guests to earn loyalty points for each purchase. Similar to the Connections program, our points-based international programs offer discounts on movie tickets and concessions. Our global loyalty programs put us in direct contact with our guests and provides additional opportunities for us to partner with the studios and our vendors through targeted promotions.

Our domestic and international marketing departments also focus on expanding ancillary revenue, which includes the sale of our gift cards and our SuperSaver discount tickets. We generally market these programs to businesses as an employee-incentive or rewards program. Our marketing departments also coordinate the use of our auditoriums, generally during off-peak times, for corporate meetings, private movie screenings, brand and product launches, education and training sessions or other private events, which contribute to our ancillary revenue.

Competition

We are one of the leaders in the motion picture exhibition industry. We compete against local, regional, national and international exhibitors with respect to attracting guests, licensing films and developing new theatre sites. Our primary U.S. competitors include Regal and AMC and our primary international competitors, which vary by country, include Cinépolis, Cine Colombia, CinePlanet, Kinoplex (GSR), and Araujo.

We are generally able to book films without regard to the film bookings of other exhibitors at many of our theatres. In certain limited situations, distributors allocate movies to only one theatre in a market generally based on demographics, the conditions, capacity and grossing potential of each theatre, and the terms of exhibition. In all theatres, our success in attracting guests can depend on customer service quality, location, theatre capacity, quality of projection and sound equipment, film showtime availability and ticket prices.

We compete for new theatre sites with other movie theatre exhibitors as well as other entertainment venues. Securing a potential site depends upon factors such as committed investment and resources, theatre design and capacity, revenue potential, and financial stability.

We face competition for patrons from a number of alternative film distribution channels, such as digital downloads, video on-demand, pay-per-view television, DVDs, SVOD, network and syndicated television. We also face competition from other forms of entertainment competing for the public's leisure time and disposable income, such as family entertainment centers, concerts, theme parks and sporting events.

Seasonality

Our revenues have historically been seasonal, coinciding with the timing of releases of motion pictures by the major distributors. Generally, the most successful motion pictures have been released during summer months in the U.S., extending from May to July, and during the holiday season, extending from November through year-end. The timing of releases, however, has become less pronounced as distributors have begun releasing content more evenly throughout the year. In our Latin American markets, while Hollywood content has similar release dates as in the U.S., the local holidays and seasons can vary. The unexpected emergence of a hit film during other periods can impact this seasonality trend. The timing and quality of film releases can have a significant impact on our results of operations, and the results of one period are not necessarily indicative of results for the following period or for the same period in the following year.

Corporate Operations

Our worldwide headquarters, referred to as the Cinemark Service Center, is located in Plano, Texas. Personnel at the Cinemark Service Center provide oversight and support for our domestic and international theatres, including our executive team and department heads in charge of film licensing, food and beverage, theatre operations, theatre construction and maintenance, real estate, human resources, marketing, legal, finance, accounting, tax and information technology. Our U.S. operations are comprised of twenty regions, each of which is headed by a regional vice president. We have nine regional offices in Latin America responsible for the local management of theatres in fifteen countries (Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Curacao are managed out of one Central American regional office). Each regional office is headed by a general manager with additional personnel responsible for film licensing, marketing, human resources, information technology, operations and finance. We have divisional chief financial officers in Brazil and Argentina and a regional chief financial officer located in Chile that oversees Chile, Bolivia and Paraguay.

Employees

We have approximately 20,000 employees in the U.S., approximately 21% of whom are full time employees and 79% of whom are part time employees. We have approximately 9,500 employees in our international markets, approximately 78% of whom are full time employees and approximately 22% of whom are part time employees. Due to the seasonal nature of our business as discussed above, our headcount can vary throughout the year, depending on the timing and success of movie releases. Some of our international locations are subject to union regulations. We regard our relations with our employees to be satisfactory.

Regulations

The distribution of motion pictures is largely regulated by federal and state antitrust laws and has been the subject of numerous antitrust cases. The manner in which we can license films from certain major film distributors has been influenced by consent decrees resulting from these cases. Consent decrees bind certain major film distributors and require the films of such distributors to be offered and licensed to exhibitors, including Cinemark, on a theatre-by-theatre and film-by-film basis. Consequently, exhibitors cannot enter into long-term arrangements with major distributors, but must negotiate for licenses on a theatre-by-theatre and film-by-film basis.

We are subject to various general regulations applicable to our operations including the Americans with Disabilities Act of 1990, or the ADA, and regulations recently issued by the U.S. Food and Drug Administration that require nutrition labels for certain menu items. Our domestic and international theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship, health and sanitation requirements and various business licensing and permitting.

Financial Information About Geographic Areas

We currently have operations in the U.S., Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala, Bolivia, Curacao, and Paraguay, which are reflected in the consolidated financial statements. See Note 19 to the consolidated financial statements for segment information and financial information by geographic area.

Item 1A. Risk Factors

Our business depends on film production and performance.

Our business depends on both the availability of suitable films for exhibition in our theatres and the success of those films in our markets. Reduced volume of film releases, poor performance of films, the disruption in the production of films due to events such as a strike by directors, writers or actors, a reduction in financing options for the film distributors, or a reduction in the marketing efforts of the film distributors to promote their films could have an adverse effect on our business by resulting in fewer patrons and reduced revenues.

Our results of operations fluctuate on a seasonal basis.

Our results of operations vary from period to period based upon the quantity and quality of the motion pictures that we show in our theatres. The major film distributors generally release the films they anticipate will be most successful during the summer and holiday seasons. Consequently, we typically generate higher revenues during these periods. The timing of releases, however, has become less pronounced as distributors have begun releasing content more evenly throughout the year. In our Latin American markets, while Hollywood content has similar release dates as in the U.S., the local holidays and seasons can vary. The unexpected emergence of a successful film during other periods or the failure of an expected success at a key time could alter this seasonality trend. Due to the dependency on the success of films released from one period to the next, results of operations for one period may not be indicative of the results for the following period or the same period in the following year.

A deterioration in relationships with film distributors could adversely affect our ability to obtain commercially successful films.

We rely on the film distributors to supply the films shown in our theatres. The film distribution business is highly concentrated, with seven major film distributors accounting for approximately 90% of U.S. box office revenues and 48 of the top 50 grossing films during 2018. Numerous antitrust cases and consent decrees resulting from the antitrust cases impact the distribution of films. Film distributors license films to exhibitors on a theatre-by-theatre and film-by-film basis. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theatre. A deterioration in our relationship with any of the seven major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

We face intense competition for patrons and films which may adversely affect our business.

The motion picture exhibition industry is highly competitive. We compete against local, regional, national and international exhibitors in many of our markets. We compete for both patrons and licensing of films. In markets where we do not face nearby competitive theatres, there is a risk of new theatres being built. The degree of competition for patrons is dependent upon such factors as location, theatre capacity, presentation quality, film showtime availability, customer service quality, products and amenities offered, and ticket prices. The principal competitive factors with respect to film licensing include the theatre’s location and its demographics, the condition, capacity and grossing potential of each theatre, and licensing terms. We also face competition from new concept theatres such as dine-in theatres and tavern style theatres that open in close proximity to our conventional theatres. If we are unable to attract patrons or to license successful films, our business may be adversely affected.

An increase in the use of alternative film distribution channels or other competing forms of entertainment may reduce movie theatre attendance and limit revenue growth.

We face competition for patrons from a number of alternative film distribution channels, such as digital downloads, video on-demand, pay-per-view television, DVDs, SVOD, network and syndicated television. Some of these distribution channels have seen growth in production in recent years. We also compete with other forms of entertainment, such as family entertainment centers, concerts, theme parks, gaming and sporting events, for our patrons' leisure time and disposable income. A significant increase in popularity of these alternative film distribution channels, competing forms of entertainment or improvements in technologies available at home could have an adverse effect on our business and results of operations.

Our results of operations may be impacted by shrinking video and digital release windows.

The average video and digital release window, which represents the time that elapses from the date of a film's theatrical release to the date a film is available to consumers at home has been approximately ninety days for the past several years. If patrons choose to wait for an in-home release rather than attend a theatre to view the film, it may adversely impact our business and results of operations, financial condition and cash flows. These release windows, which are determined by the studios, may shrink further or be eliminated altogether, which could have an adverse impact on our business and results of operations.

General political, social and economic conditions can adversely affect our attendance.

Our results of operations are dependent on general political, social and economic conditions, and the impact of such conditions on our theatre operating costs and on the willingness of consumers to spend money at movie theatres. If consumers' discretionary income declines during a period of an economic downturn or political uncertainty, our operations could be adversely affected. If theatre operating costs, such as utility costs, increase due to political or economic changes, our results of operations could be adversely affected. Political events, such as terrorist attacks, and health-related epidemics, such as flu outbreaks, could cause people to avoid our theatres or other public places where large crowds are in attendance, which could adversely affect our results of operations. In addition, a natural disaster, such as a hurricane or an earthquake, could impact our ability to operate certain of our theatres, which could adversely affect our results of operations.

Our foreign operations are subject to adverse regulations, economic instability and currency exchange risk.

We have 205 theatres with 1,462 screens in fifteen countries in Latin America. Brazil represented approximately 9% of our consolidated 2018 revenues. Governmental regulation of the motion picture industry in foreign markets differs from that in the U.S. Changes in regulations affecting prices and quota systems requiring the exhibition of locally-produced films may adversely affect our international operations. Our international operations are subject to certain political, economic and other uncertainties not encountered by our domestic operations, including risks of severe economic downturns and high inflation. We also face risks of currency fluctuations, hard currency shortages and controls of foreign currency exchange and cash transfers to the U.S., all of which could have an adverse effect on the results of our operations.

We have substantial long-term lease and debt obligations, which may restrict our ability to fund current and future operations and that restrict our ability to enter into certain transactions.

We have, and will continue to have, significant long-term debt service obligations and long-term lease obligations. As of December 31, 2018, we had $1,809.3 million in long-term debt obligations, $259.5 million in capital lease obligations and $1,784.5 million in long-term operating lease obligations. Our substantial lease and debt obligations pose risk by:

- requiring us to dedicate a substantial portion of our cash flows to payments on our lease and debt obligations, thereby reducing the availability of our cash flows from operations to fund working capital, capital expenditures, acquisitions and other corporate requirements and to pay dividends;
- impeding our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our variable rate debt, including our borrowings under our senior secured credit facility;
- limiting our ability to invest in innovations in technology and implement new platforms or concepts in our theatres; and

- making us more vulnerable to a downturn in our business and competitive pressures and limiting our flexibility to plan for, or react to, changes in our industry or the economy.

Our ability to make scheduled payments of principal and interest with respect to our indebtedness will depend on our ability to generate positive cash flows and on our future financial results. Our ability to generate positive cash flows is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. We may not be able to continue to generate cash flows at current levels, or guarantee that future borrowings will be available under our senior secured credit facility, in an amount sufficient to enable us to pay our indebtedness. If our cash flows and capital resources are insufficient to fund our lease and debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to take any of these actions, and these actions may not be successful or permit us to meet our scheduled debt service obligations and these actions may be restricted under the terms of our existing or future debt agreements, including our senior secured credit facility.

If we fail to make any required payment under the agreements governing our leases and indebtedness or fail to comply with the financial and operating covenants contained in them, we would be in default, and as a result, our debt holders would have the ability to require that we immediately repay our outstanding indebtedness and the lenders under our senior secured credit facility could terminate their commitments to lend us money and foreclose against the assets securing their borrowings. We could be forced into bankruptcy or liquidation. The acceleration of our indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default and cross-acceleration provisions. If our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt holders require immediate payment, we may not have sufficient assets to satisfy our obligations under our indebtedness.

We are rated by nationally recognized rating agencies. The rating scales and methodologies used to derive individual ratings may vary from agency to agency. Credit ratings are issued by credit rating agencies based on evaluations of our ability to pay back our outstanding debt and the likelihood that we would default on that debt prior to its maturity. The credit ratings issued by the rating agencies represent the rating agency's evaluation of both qualitative and quantitative information for our company. The credit ratings that are issued are based on the rating agency’s judgment and experience in determining what information should be considered in giving a rating to a particular company. Ratings are always subject to change and there can be no assurance that our current ratings will continue for any given period of time. A downgrade of our debt ratings, depending on the extent, could increase the cost to borrow funds.

A failure to adapt to future technological innovations could impact our ability to compete effectively and could adversely affect our results of operations.

While we continue to invest in technological innovations, such as motion seats and satellite distribution technologies, new technological innovations continue to impact our industry. If we are unable to respond to or invest in changes in technology and the technological preferences of our customers, we may not be able to compete with other exhibitors or other entertainment venues, which could adversely affect our results of operations.

We are subject to uncertainties relating to future expansion plans, including our ability to identify suitable acquisition candidates or new theatre site locations, and to obtain financing for such activities on favorable terms or at all.

We have greatly expanded our operations over the last decade through targeted worldwide theatre development and acquisitions. We continue to pursue a strategy of expansion that will involve the development of new theatres and may involve acquisitions of existing theatres and theatre circuits both in the U.S. and internationally. There is significant competition for new site locations and for existing theatre and theatre circuit acquisition opportunities. As a result of such competition, we may not be able to acquire attractive site locations, existing theatres or theatre circuits on terms we consider acceptable. The pace of our growth may also be impacted by delays in site development caused by other parties. Acquisitions and expansion opportunities may divert a significant amount of management's time away from the operation of our business. Growth by acquisition also involves risks relating to difficulties in integrating the operations and personnel of acquired companies and the potential loss of key employees of acquired companies. Our expansion strategy may not result in improvements to our business, financial condition, profitability, or cash flows. Further, our expansion programs may require financing above our existing borrowing capacity and operating cash flows. We may not be able to obtain such financing or ensure that such financing will be available to us on acceptable terms or at all.

If we do not comply with the ADA and the safe harbor framework included in the consent order we entered into with the Department of Justice, or the DOJ, we could be subject to further litigation.

Our theatres must comply with Title III of the ADA and analogous state and local laws. Compliance with the ADA requires among other things that public facilities "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or technically infeasible for alterations. On November 15, 2004, Cinemark and the DOJ entered into a consent order, which was filed with the U.S. District Court for the Northern District of Ohio, Eastern Division. Under the consent order, the DOJ approved a safe harbor framework for us to construct all of our future stadium-style movie theatres. The DOJ has stipulated that all theatres built in compliance with the consent order will comply with the wheelchair seating requirements of the ADA. If we fail to comply with the ADA, remedies could include imposition of injunctive relief, fines, awards for damages to private litigants and additional capital expenditures to remedy non-compliance. Imposition of significant fines, damage awards or capital expenditures to cure non-compliance could adversely affect our business and operating results.

We may be subject to increased labor and benefits costs.

In the U.S., we are subject to United States federal and state laws governing such matters as minimum wages, working conditions and overtime. We are also subject to union regulations in certain of our international markets, which can specify wage rates as well as minimum hours to be paid to certain employees. As federal and state minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover and health care mandates could also increase our labor costs. This in turn could lead us to increase prices, which could impact our sales. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our results of operations may be adversely impacted.

A credit market crisis may adversely affect our ability to raise capital and may materially impact our operations.

Severe dislocations and liquidity disruptions in the credit markets could materially impact our ability to obtain debt financing on reasonable terms or at all. The inability to access debt financing on reasonable terms could materially impact our ability to make acquisitions, invest in technology innovations or significantly expand our business in the future.

Our ability to pay dividends may be limited or otherwise restricted.

Our ability to pay dividends is limited by our status as a holding company and the terms of our senior notes indentures and our senior secured credit facility, which restrict our ability to pay dividends and the ability of certain of our subsidiaries to pay dividends, directly or indirectly, to us. Under our debt instruments, we may pay a cash dividend up to a specified amount, provided we have satisfied certain financial covenants in, and are not in default under, our debt instruments. The declaration of future dividends on our common stock, par value $0.001 per share, or Common Stock, will be at the discretion of our board of directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, limitations in our debt agreements and legal requirements.

Provisions in our corporate documents and certain agreements, as well as Delaware law, may hinder a change of control.

Provisions in our amended and restated certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law, could discourage unsolicited proposals to acquire us. These provisions include:

- authorization of our board of directors to issue shares of preferred stock without stockholder approval;
- a board of directors classified into three classes of directors with the directors of each class having staggered, three-year terms;
- provisions regulating the ability of our stockholders to nominate directors for election or to bring matters for action at annual meetings of our stockholders; and
- provisions of Delaware law that restrict many business combinations and provide that directors serving on classified boards of directors, such as ours, may be removed only for cause.

Certain provisions of our 4.875% senior notes indenture, our 5.125% senior notes indenture and our senior secured credit facility may have the effect of delaying or preventing future transactions involving a “change of control.” A “change of control” would require us to make an offer to the holders of each of our 4.875% senior notes and our 5.125% senior notes to repurchase all of the outstanding notes at a purchase price equal to 101% of the aggregate principal amount outstanding plus accrued and unpaid interest to the date of purchase. A “change of control” would also be an event of default under our senior secured credit facility.

Future sales of our Common Stock may adversely affect the prevailing market price.

If a large number of shares of our Common Stock is sold in the open market, or if there is a perception that such sales will occur, the trading price of our Common Stock could decrease. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional Common Stock. As of December 31, 2018, we had an aggregate of 170,248,650 shares of our Common Stock authorized but unissued and not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We may issue shares of our Common Stock in connection with acquisitions.

As of December 31, 2018, we had 116,830,530 shares of our Common Stock outstanding. Of these shares, approximately 105,931,731 shares were freely tradable. The remaining shares of our Common Stock were “restricted securities” as that term is defined in Rule 144 under the Securities Act. Restricted securities may not be resold in a public distribution except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom, including the exemptions provided by Regulation S and Rule 144 promulgated under the Securities Act.

We cannot predict whether substantial amounts of our Common Stock will be sold in the open market in anticipation of, or following, any divestiture by any of our large stockholders, our directors or executive officers of their shares of Common Stock.

As of December 31, 2018, there were 7,700,363 shares of our Common Stock reserved for issuance under our 2017 Omnibus Incentive Plan.

Legislative or regulatory initiatives related to global warming/climate change concerns may negatively impact our business.

Recently, there has been an increasing focus and continuous debate on global climate change including increased attention from regulatory agencies and legislative bodies. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts in the U.S. to combat climate change could result in future increases in the cost of raw materials, taxes, transportation and utilities for our vendors and for us which would result in higher operating costs for the Company. Also, compliance of our theatres and accompanying real estate with new and revised environmental, zoning, land-use or building codes, laws, rules or regulations, could have a material and adverse effect on our business. However, we are unable to predict at this time, the potential effects, if any, that any future environmental initiatives may have on our business.

We may be subject to liability under environmental laws and regulations.

We own and operate a large number of theatres and other properties within the U.S. and internationally, which may be subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment or human health. Such environmental laws and regulations include those that impose liability for the investigation and remediation of spills or releases of hazardous materials. We may incur such liability, including for any currently or formerly owned, leased or operated property, or for any site, to which we may have disposed, or arranged for the disposal of, hazardous materials or wastes. Certain of these laws and regulations may impose liability, including on a joint and several liability, which can result in a liable party being obliged to pay for greater than its share, regardless of fault or the legality of the original disposal. Environmental conditions relating to our properties or operations could have an adverse effect on our business and results of operations and cash flows.

Cyber security threats and our failure to protect our electronically stored data could adversely affect our business.

We collect, use, store and maintain electronic information and data necessary to conduct our business, including confidential and proprietary information of the company, our customers, and our employees. We also rely on the availability of information technology systems to operate our business, including for communications, receiving and displaying movies, ticketing, guest services, payments, and other general operations. We rely on some of our vendors to store and process certain data and to manage, host, and/or provide some of our information technology systems. Because of the scope and complexity of our information technology systems, our reliance on vendors to provide, support and protect our systems and data, and the constantly evolving cyber-threat landscape, our information technology systems are subject to the risk of disruption, failure, unauthorized access, cyber-terrorism, human error, misuse, tampering, theft, and other cyber-attacks. These or similar events, whether accidental or intentional, could result in theft, unauthorized access or disclosure, loss, fraudulent or unlawful use of customer, employee or company data, which could harm our reputation or result in a loss of business, as well as remedial and other costs, fines, investigations, enforcement actions or lawsuits. These or similar events could also lead to an interruption in the operation of our systems resulting in business impact, including loss of business. Those same scope, complexity, reliance, and changing cyber-threat landscape factors could also affect our ability to adapt to and comply with changing regulations and contractual obligations applicable to data security and privacy, which are increasingly demanding, both in the United States and in other jurisdictions where we operate. In order to address these risks, we have adopted security measures and technology, operate a security program, and work continuously to evaluate and improve our security posture. However, the development and maintenance of these systems and programs are costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. As such, there can be no assurance that these or similar events will not occur in the future or will not have an adverse effect on our business and results of operation. In addition to Company-specific cyber threats or events, our business and results of operations could also be impacted by cyber-related events affecting our peers and partners within the entertainment industry, as well as other retail companies. We maintain insurance designed to provide coverage for cyber risks related to what we believe to be adequate and collectible insurance in the event of the theft, loss, fraudulent or unlawful use of customer, employee or company data, but the foregoing events or future events could result in costs and business impacts which may not be covered or may be in excess of any available insurance that we may have procured. As a result, future events could have a material impact on our business and adversely affect our financial condition and results of operations.

Product recalls and associated costs could adversely affect our reputation and financial condition.

We may be found liable if the consumption of any of the products we sell causes illness or injury. We are also subject to recall by product manufacturers or if the food products become contaminated. Recalls could result in losses due to the cost of the recall, the destruction of the product and lost sales due to the unavailability of the product for a period of time.

Changes in privacy laws could adversely affect our ability to market our products effectively.

We rely on a variety of direct marketing techniques, including email marketing. Any expansion on existing and/or new laws and regulations regarding marketing, solicitation or data protection could adversely affect the continuing effectiveness of our email and other marketing techniques and could result in changes to our marketing strategy which could adversely impact our attendance levels and revenues.

We are subject to complex taxation and could be subject to changes in our tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

We are subject to many different forms of taxation both in the U.S. and in the foreign jurisdictions where we operate. The tax authorities may not agree with the determinations that we made and such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material impact on our results. Additionally, current economic and political conditions make tax rates in any jurisdiction, including the U.S., subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. If the Company’s effective tax rates were to increase, or if the ultimate determination of the Company’s taxes owed in the U.S. or foreign jurisdictions is for an amount in excess of amounts previously accrued, the Company’s operating results, cash flows, and financial condition could be adversely affected.

We may not be able to generate additional revenues or continue to realize value from our investment in NCM.

As of December 31, 2018, we owned 39,518,644 common units of NCM, which represented an ownership interest in NCM of approximately 25%. We receive a monthly theatre access fee under our Exhibitor Services Agreement with NCM and we are entitled to receive mandatory quarterly distributions of excess cash from NCM. During the years ended December 31, 2016, 2017 and 2018, the Company received approximately $11.0 million, $11.3 million and $12.1 million in other revenues from NCM, respectively, $14.2 million, $17.4 million and $22.2 million in cash distributions recorded as a reduction of our investment in NCM, respectively, and $14.7 million $16.4 million, $15.4 million in cash distributions in excess of our investment in NCM, respectively. Cinema advertising is a small component of the U.S. advertising market and therefore, NCM competes with larger, more established and well known media platforms such as broadcast radio and television, cable and satellite television, outdoor advertising and Internet portals. In-theatre advertising may not continue to attract advertisers or NCM's in-theatre advertising format may not continue to be received favorably by theatre patrons. If NCM is unable to continue to generate consistent advertising revenues, its results of operations may be adversely affected and our investment in and distributions and revenues from NCM may be adversely impacted.

Each of our common units in NCM is convertible into one share of NCM, Inc. common stock. As of December 31, 2018, the estimated fair value of our investment in NCM was approximately $256.1 million based on NCM, Inc.'s stock price as of December 31, 2018 of $6.48 per share, which was less than our carrying value of $275.6 million. We do not believe that the decline in NCM, Inc.'s stock price is other than temporary and therefore, we did not record an impairment of our investment in NCM during the year ended December 31, 2018. The market value of NCM, Inc.'s stock price may continue to vary due to the performance of the business, industry trends, general and economic conditions and other factors. If NCM, Inc.'s stock price continues to decline or stays at a level below our carrying value for an extended period of time, we may record an impairment in our investment.

We are subject to impairment losses due to potential declines in the fair value of our assets.

We have a significant amount of long-lived assets. We evaluate long-lived assets for impairment at the theatre level. Therefore, if a theatre is directly and individually impacted by increased competition, adverse changes in market demographics, or adverse changes in the development or condition of the areas surrounding the theatre, we may record impairment charges to reflect the decline in estimated fair value of that theatre.

We also have a significant amount of goodwill and tradename intangible assets. Declines in our stock price or market capitalization, declines in our attendance due to increased competition in certain regions and/or countries or economic factors that lead to a decline in attendance in any given region or country could result in impairments of goodwill and our intangible assets.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

United States

As of December 31, 2018, in the U.S., we operated 300 theatres with 3,978 screens pursuant to leases and own the land and building for 41 theatres with 608 screens. Our leases are generally entered into on a long-term basis with terms, including optional renewal periods, generally ranging from 20 to 45 years. As of December 31, 2018, approximately 8% of our theatre leases in the U.S., covering 25 theatres with 197 screens, have remaining terms, including optional renewal periods, of less than six years. Approximately 8% of our theatre leases in the U.S., covering 25 theatres with 326 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 84% of our theatre leases in the U.S., covering 250 theatres with 3,455 screens, have remaining terms, including optional renewal periods, of more than 15 years. The leases generally provide for a fixed monthly minimum rent payment, with certain leases also subject to additional percentage rent if a target annual revenue level is achieved. We currently own an office building in Plano, Texas, which is our worldwide headquarters. We also lease office space in Frisco, Texas for theatre support and maintenance personnel.

International

As of December 31, 2018, internationally, we operated 205 theatres with 1,462 screens, all of which are leased. Our international leases are generally entered into on a long term basis with terms, including optional renewal periods, generally ranging from 10 to 30 years. The leases generally provide for contingent rental based upon operating results with an annual minimum. As of December 31, 2018, approximately 12% of our international theatre leases, covering 24 theatres with 208 screens, have remaining terms, including optional renewal periods, of less than six years. Approximately 48% of our international theatre leases, covering 99 theatres and 720 screens, have remaining terms, including optional renewal periods, of between six and 15 years and approximately 40% of our international theatre leases, covering 82 theatres and 534 screens, have remaining terms, including optional renewal periods, of more than 15 years. The leases generally provide for a fixed monthly minimum rent payment, with certain leases also subject to additional percentage rent if a target annual revenue level is achieved. We also lease office space in seven regions in Latin America for our local management.

See Note 18 to the consolidated financial statements for information regarding our minimum lease commitments. We periodically review the profitability of each of our theatres, particularly those whose lease terms are nearing expiration, to determine whether to continue its operations.

Item 3. Legal Proceedings

Silken Brown v. Cinemark USA, Inc., Case No. 3:13cv05669, In the United States District Court for the Northern District of California, San Francisco Division. The case presents putative class action claims for penalties and attorney's fees arising from alleged violations of the California wage statement law. The claim is also asserted as a representative action under the California Private Attorney General Act (PAGA) for penalties. The Court granted class certification. The company denies the claims, denies that class certification is appropriate, denies that the plaintiff has standing to assert the claims alleged and is vigorously defending against the claims. The Company denies any violation of law; however, to avoid the cost and uncertainty associated with litigation the Company and the plaintiff entered into a Joint Stipulation of Class Action Settlement and Release of Claims (the “Settlement Agreement”) to fully and finally dismiss all claims that would be brought in the case. The Settlement Agreement must be approved by the Court. During the year ended December 31, 2018, the Company recorded a litigation reserve based on the proposed Settlement Agreement in loss on disposal of assets and other on the consolidated income statement.

Flagship Theatres of Palm Desert, LLC d/b/a Cinemas Palme D’Or v. Century Theatres, Inc., and Cinemark USA, Inc.; Superior Court of the State of California, County of Los Angeles. Plaintiff in this case alleges that the Company violated California antitrust and unfair competition laws by engaging in “circuit dealing” with various motion picture distributors and tortuously interfered with Plaintiff’s business relationships. Plaintiff seeks compensatory damages, trebling of those damages under California law, punitive damages, injunctive relief, attorneys’ fees, costs and interest. Plaintiff also alleges that the Company’s conduct ultimately resulted in closure of its theatre in June 2016. The Company denied the allegations. In 2008, the Company moved for summary judgment on Plaintiff’s claims, arguing primarily that clearances between the theatres at issue were lawful and that Plaintiff lacked proof sufficient to support certain technical elements of its antitrust claims. The trial court granted that motion and dismissed Plaintiff’s claims. Plaintiff appealed and, in 2011, the Court of Appeal reversed, holding, among other things, that Plaintiff’s claims were not about the illegality of clearances but were focused, instead, on “circuit dealing.” Having re-framed the claims in that manner, the Court of Appeal held that the trial court’s decision to limit discovery to the market where the theatres at issue operated was an error, as “circuit dealing” necessarily involves activities in different markets. Upon return to the trial court, the parties engaged in additional, broadened discovery related to Plaintiff’s “circuit dealing” claim. Thereafter, the Company moved again for summary judgment on all of Plaintiff’s claims. That new motion for summary judgment was pending when, on or about April 11, 2014, the trial court granted the Company’s motion for terminating sanctions and entered a judgment dismissing the case with prejudice. Plaintiff then appealed that second dismissal, seeking to have the judgment reversed and the case remanded to the trial court. The Court of Appeal issued a ruling on May 24, 2016, reversing the granting of terminating sanctions and instead imposed a lesser evidentiary and damages preclusion sanction. The case returned to the trial court on October 6, 2016. On May 10, 2018, after a five-week jury trial, the jury found no liability on one circuit dealing claim and awarded Plaintiff damages on the other claim, which are tripled for antitrust damage awards. Plaintiff would also be entitled to certain court costs and to seek at least some portion of its attorney's fees. During the year ended December 31, 2018, the Company recorded a litigation reserve based on an estimate of the jury award, which is reflected in loss on disposal of assets and other on the consolidated income statement. The trial court denied a motion for a judgment notwithstanding the verdict and a motion for a new trial. The Company intends to appeal the judgment. Although the Company denies that it engaged in any form of circuit dealing, it cannot predict the outcome of its pending motions or future appeals.

We received a Civil Investigative Demand ("CID") from the Antitrust Division of the United States Department of Justice. The CID relates to an investigation under Sections 1 and 2 of the Sherman Act. We also received CIDs from the Antitrust Section of the Office of the Attorney General of the State of Ohio and later from other states regarding similar inquiries under state antitrust laws. The CIDs request us to answer interrogatories, and produce documents, or both, related to the investigation of matters including film clearances, potential coordination and/or communication with other major theatre circuits and related joint ventures. We intend to fully cooperate with all federal and state government agencies. Although we do not believe that it has violated any federal or state antitrust or competition laws, we cannot predict the ultimate scope, duration or outcome of these investigations.

From time to time, we are involved in other various legal proceedings arising from the ordinary course of business operations, such as personal injury claims, employment matters, landlord-tenant disputes, patent claims and contractual disputes, some of which are covered by insurance or by indemnification from vendors. We believe our potential liability with respect to these types of proceedings currently pending is not material, individually or in the aggregate, to our financial position, results of operations and cash flows.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common equity consists of common stock, which has traded on the New York Stock Exchange since April 24, 2007 under the symbol “CNK."

Holders of Common Stock

As of December 31, 2018, there were 490 holders of record of the Company’s common stock and there were no other classes of stock issued and outstanding.

Dividend Policy

We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our common stock. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors. See Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources – Financing Activities for a discussion of dividend restrictions under our debt agreements.

See Note 5 to our consolidated financial statements for a detail of dividends paid during the years ended December 31, 2016, 2017 and 2018.

Performance Graph

The performance graph is incorporated by reference to the Company’s proxy statement for its annual stockholders meeting to be held on May 23, 2019 and to be filed with the SEC within 120 days after December 31, 2018.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding securities authorized for issuance under the Company’s long-term compensation plan is incorporated by reference to the Company’s proxy statement for its annual stockholders meeting to be held on May 23, 2019 and to be filed with the SEC within 120 days after December 31, 2018.

Item 6. Selected Financial Data

The following table provides our selected consolidated financial and operating data for the periods and at the dates indicated for each of the five most recent years ended December 31, 2018. You should read the selected consolidated financial and operating data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes appearing elsewhere in this report. We adopted ASC Topic 606, Revenue Recognition, effective January 1, 2018. See Note 3 to the consolidated financial statements for a summary of the impact of adoption.

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Statement of Income Data:	(Dollars in thousands, except per share data)				
Revenues:					
Admissions	$1,644,169	$1,765,519	$1,789,137	$1,794,982	$1,834,173
Concession	845,376	936,970	990,103	1,038,788	1,108,793
Other	137,445	150,120	139,525	157,777	278,769
Total revenues	2,626,990	2,852,609	2,918,765	2,991,547	3,221,735
Film rentals and advertising	856,388	945,640	962,655	966,510	999,755
Concession supplies	131,985	144,270	154,469	166,320	180,974
Salaries and wages	273,880	301,099	325,765	354,510	383,860
Facility lease expense	317,096	319,761	321,294	328,197	323,316
Utilities and other	335,109	355,801	355,926	355,041	448,070
General and administrative expenses	151,444	156,736	143,355	153,278	165,173
Depreciation and amortization	175,656	189,206	209,071	237,513	261,162
Impairment of long-lived assets	6,647	8,801	2,836	15,084	32,372
Loss on disposal of assets and other	15,715	8,143	20,459	22,812	38,702
Total cost of operations	$2,263,920	$2,429,457	$2,495,830	$2,599,265	$2,833,384
Operating income	$363,070	$423,152	$422,935	$392,282	$388,351
Interest expense	$113,698	$112,741	$108,313	$105,918	$109,994
Net income	$193,999	$218,728	$256,827	$266,019	$215,305
Net income attributable to Cinemark Holdings, Inc.	$192,610	$216,869	$255,091	$264,180	$213,827
Net income attributable to Cinemark Holdings, Inc. per share:					
Basic	$1.66	$1.87	$2.19	$2.26	$1.83
Diluted	$1.66	$1.87	$2.19	$2.26	$1.83
Cash dividends declared per common share	$1.00	$1.00	$1.08	$1.16	$1.28

	Year Ended December 31,				
	2014	2015	2016	2017	2018
	(Dollars in thousands)				
Other Financial Data:					
Cash flow provided by (used for):					
Operating activities	$454,634	$455,871	$462,910	$528,998	$556,915
Investing activities	(253,339)	(328,122)	(327,769)	(410,476)	(451,370)

Financing activities	(146,833)	(151,147)	(163,711)	(158,008)	(192,648)
Capital expenditures	(244,705)	(331,726)	(326,908)	(380,862)	(346,073)

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	As of December 31, 2014	2015	2016	2017	2018
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$638,869	$588,539	$561,235	$522,547	$426,222
Theatre properties and equipment, net	1,450,812	1,505,069	1,704,536	1,828,054	1,833,133
Total assets	4,120,561	4,126,497	4,306,633	4,470,893	4,481,838
Total long-term debt, including current portion, net of unamortized debt issue costs	1,791,578	1,781,335	1,788,112	1,787,480	1,780,611
Equity	1,123,129	1,110,813	1,272,960	1,405,688	1,456,117

Operating Data:	Year Ended December 31, 2014	2015	2016	2017	2018
United States					
Theatres operated (at period end)	335	337	339	339	341
Screens operated (at period end)	4,499	4,518	4,559	4,561	4,586
Total attendance (in 000s)	173,864	179,601	182,660	174,432	185,268
International					
Theatres operated (at period end)	160	176	187	194	205
Screens operated (at period end)	1,177	1,278	1,344	1,398	1,462
Total attendance (in 000s)	90,009	100,499	104,581	102,584	96,847
Worldwide					
Theatres operated (at period end)	495	513	526	533	546
Screens operated (at period end)	5,676	5,796	5,903	5,959	6,048
Total attendance (in 000s)	263,873	280,100	287,241	277,016	282,115

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and accompanying notes included in this report. This discussion contains forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of the uncertainties and risk associated with these statements.

Overview

We are a leader in the motion picture exhibition industry, with theatres in the U.S., Brazil, Argentina, Chile, Colombia, Ecuador, Peru, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala, Bolivia, Curacao and Paraguay. As of December 31, 2018, we managed our business under two reportable operating segments – U.S. markets and international markets. See Note 19 to the consolidated financial statements.

Revenues and Expenses

We generate revenues primarily from filmed entertainment box office receipts and concession sales with additional revenues from screen advertising sales and other revenue streams, such as transactional fees, vendor marketing promotions, studio trailer placements, meeting rentals and electronic video games located in some of our theatres. NCM provides our domestic theatres with various forms of in theatre advertising. We also offer alternative entertainment, such as live and pre-recorded sports programs, concert events, the Metropolitan Opera, in-theatre gaming and other special events in our theatres through our joint venture, AC JV, LLC. Our Flix Media initiative has also allowed us to expand our screen advertising and alternative content within our international circuit and to other international exhibitors.

Films leading the box office during the year ended December 31, 2018 included Black Panther, Avengers: Infinity War, Incredibles 2, Jurassic World: Fallen Kingdom, Aquaman, Deadpool 2, Dr. Seuss' The Grinch, Mission Impossible – Fallout, Ant-Man and the Wasp, Solo: A Star Wars Story, Venom, A Quiet Place, Crazy Rich Asians, Halloween, Bumblebee, Ralph Breaks the Internet, Fantastic Beasts: The Crimes of Grindelwald, Mary Poppins Returns, A Star is Born, Bohemian Rhapsody and other films, as well as the carryover of The Greatest Showman, Jumanji: Welcome to the Jungle and Star Wars: The Last Jedi.

Films scheduled for release during 2019 include Avengers: Endgame, Star Wars: Episode IX, The Lion King, Frozen 2, Toy Story 4, Aladdin, Captain Marvel, It 2, Spider-Man: Far From Home, The Secret Life of Pets 2, Joker, Dumbo, and Godzilla 2 among other films.

Film rental costs are variable in nature and fluctuate with our admissions revenues. Film rental costs as a percentage of revenues are generally higher for periods in which more blockbuster films are released. Advertising costs, which are expensed as incurred, are primarily related to campaigns for new and renovated theatres, loyalty and membership programs and brand advertising that vary depending on the timing of such campaigns.

Concession supplies expense is variable in nature and fluctuates with our concession revenues and product mix. We negotiate prices for concession supplies directly with concession vendors and manufacturers to obtain volume rates.

Although salaries and wages include a fixed cost component (i.e. the minimum staffing costs to operate a theatre facility during non-peak periods), salaries and wages move in relation to revenues as theatre staffing is adjusted to respond to changes in attendance. In some international locations, staffing levels are also subject to local regulations.

Facility lease expense is primarily a fixed cost at the theatre level as most of our facility leases require a fixed monthly minimum rent payment. Certain leases are subject to percentage rent only, while others are subject to percentage rent in addition to their fixed monthly rent if a target annual performance level is achieved. Facility lease expense as a percentage of revenues is also affected by the number of theatres under operating leases, the number of theatres under capital and finance leases and the number of owned theatres.

Utilities and other costs include both fixed and variable costs and primarily consist of utilities, expenses for projection and sound equipment maintenance and monitoring, property taxes, janitorial costs, repairs, maintenance and security services.

General and administrative expenses are primarily fixed in nature and consist of the costs to support the overall management of the Company, including salaries and wages, incentive compensation and benefit costs for our corporate office personnel, facility expenses for our corporate offices, consulting fees, legal fees, audit fees, supplies and other costs that are not specifically associated with the operations of our theatres.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with generally accepted accounting principles in the U.S., or U.S. GAAP. As such, we are required to make certain estimates and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies, which we believe are the most critical to aid in fully understanding and evaluating our reported consolidated financial results, include the following:

Revenue and Expense Recognition

Our patrons often have the option to purchase movie tickets well in advance of a movie showtime or right before the movie showtime, or at any point in between those two timeframes depending on seat availability. We recognize such admissions revenues when the showtime for a purchased movie ticket has passed. Concession revenues are recognized when sales are made at the registers. Other revenues primarily consist of screen advertising and other revenue streams, such as transactional fees, vendor marketing promotions, studio trailer placements, meeting rentals and electronic video games located in some of our theatres. Screen advertising revenues are recognized over the period that the related advertising is delivered on-screen or in-theatre. We sell gift cards and discount ticket vouchers, the proceeds from which are recorded as current liabilities. Revenues for gift cards and discount ticket vouchers are recognized when they are redeemed for movie tickets or concession items. We offer a subscription program in the U.S. whereby patrons can pay a monthly fee to receive a monthly credit for use towards a future movie ticket purchase. We record the monthly subscription program fees as current liabilities and record admissions revenues as the credits are redeemed for movie tickets. We also have loyalty programs in many of our locations that either have a prepaid annual membership fee or award points to customers as purchases are made. For those loyalty programs that have an annual membership fee, we recognize the fee collected as other revenues over the term of the membership. For those loyalty programs that award points to customers based on their purchases, we record a portion of the original transaction proceeds as liabilities based on the number of reward points issued to the customer and recognize revenues when the customer redeems such points.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), (“ASC Topic 606”), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASC Topic 606 replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from the contracts with customers. We adopted ASC Topic 606 effective January 1, 2018 under the modified retrospective method.

Changes to the way in which we recognize revenue resulted in the following impacts to our consolidated statements of income:

a) Recording of incremental other revenue and interest expense related to the significant financing component of our Exhibitor Services Agreement ("ESA") with NCM, LLC ("NCM"). See further discussion at Note 3 to the consolidated financial statements.
b) Deferral of a portion of admissions and concession revenues for transactions that include the issuance of loyalty points to customers. To determine the amount of revenues to defer upon issuance of points to customers under our points-based loyalty programs, we estimated the values of the rewards expected to be redeemed by our customers for those points. The estimates are based on the rewards that have historically been offered under the loyalty programs, which we believe is representative of the rewards to be offered in the future.
c) Increase in other revenues and an increase in utilities and other costs due to the presentation of transactional fees on a gross versus net basis.
d) Increase in other revenues due to the change in amortization methodology for deferred revenue – NCM that is now amortized on a straight-line basis and effective for the entire term of the ESA. The deferred revenue – NCM is related to our ESA and Common Unit Adjustment agreement with NCM, under which our performance obligation is to provide NCM with exclusive access to its domestic theatres for purposes of in-theatre advertising over the term of the ESA. Such exclusivity, and therefore the satisfaction of our performance obligation, is provided to NCM evenly over time. As a result of the change in amortization method, we recorded a cumulative effect of accounting change adjustment of $40,526, net of taxes, in retained earnings on January 1, 2018. See Notes 3 and 6 to the consolidated financial statements.

Film rental costs are accrued based on the applicable box office receipts and either firm terms or a sliding scale formula, which are generally established prior to the opening of the film, or estimates of the final settlement rate, which occurs at the conclusion of the film run, subject to the film licensing arrangement. Under a firm terms formula, we pay the distributor a percentage of box office receipts, which reflects either an aggregate rate for the life of the film or rates that decline over the term of the run. Under a sliding scale formula, we pay a percentage of box office revenues using a pre-determined matrix that is based upon box office performance of the film. The settlement process allows for negotiation of film rental fees upon the conclusion of the film run based upon how the film performs. Estimates are based on the expected success of a film. The success of a film can typically be determined a few weeks after a film is released when initial box office performance of the film is known. If actual settlements are different than those estimates, film rental costs are adjusted at that time. Our advertising costs are expensed as incurred.

Facility lease expense is primarily a fixed cost at the theatre level as most of our facility leases require a fixed monthly minimum rent payment. Certain of our leases are subject to monthly percentage rent only, which is accrued each month based on actual revenues. Certain of our other theatres require payment of percentage rent in addition to fixed monthly rent if an annual target revenue level is achieved. Percentage rent expense is estimated and recorded for these theatres on a monthly basis if the theatre's historical performance or forecasted performance indicates that the annual target revenue level will be reached. Once annual revenues are known, which is generally at the end of the year, the percentage rent expense is adjusted at that time. We record the fixed minimum rent payments on a straight-line basis over the lease term.

Theatre properties and equipment are depreciated using the straight-line method over their estimated useful lives. In estimating the useful lives of our theatre properties and equipment, we have relied upon our experience with such assets and our historical replacement period. We periodically evaluate these estimates and assumptions and adjust them as necessary. Leasehold improvements for which we pay and to which we have title are amortized over the lesser of useful life or the lease term.

Impairment of Long-Lived Assets

We review long-lived assets for impairment indicators on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. We also perform a full quantitative impairment evaluation on an annual basis. We assess many factors including the following to determine whether to impair individual theatre assets:

- actual theatre level cash flows;
- budgeted theatre level cash flows;
- theatre property and equipment carrying values;
- amortizing intangible asset carrying values;
- the age of a recently built theatre;
- competitive theatres in the marketplace;
- the impact of recent ticket price changes;
- the impact of recent theatre remodels or other substantial improvements;
- available lease renewal options; and
- other factors considered relevant in our assessment of impairment of individual theatre assets.

Long-lived assets are evaluated for impairment on a theatre basis, which we believe is the lowest applicable level for which there are identifiable cash flows. The impairment evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre's useful life. The remainder of the theatre's useful life correlates with the remaining lease period, which includes the probability of the exercise of available renewal periods for leased properties and the lesser of twenty years or the building's remaining useful life for owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset's carrying value, we then compare the carrying value of the asset group (theatre) with its estimated fair value. When estimated fair value is determined to be lower than the carrying value of the asset group (theatre), the asset group (theatre) is written down to its estimated fair value. Significant judgment is involved in estimating cash flows and fair value. Fair value is determined based on a multiple of cash flows, which was six and a half times for the evaluations performed during 2016, 2017 and 2018. Management's estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. The long-lived asset impairment charges recorded during each of the periods presented are specific to theatres that were directly and individually impacted by increased competition, adverse changes in market demographics, or adverse changes in the development or the conditions of the areas surrounding the theatre.

Impairment of Goodwill and Intangible Assets

We evaluate goodwill for impairment annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of the goodwill may not be fully recoverable. We evaluate goodwill for impairment at the reporting unit level and we have allocated goodwill to the reporting unit based on an estimate of its relative fair value. Management considers the reporting unit to be each of its twenty regions in the U.S. and seven of its international countries with Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala considered one reporting unit (the Company does not have goodwill recorded for all of its international locations). Under ASC Topic 350, Goodwill, Intangibles and Other ("ASC Topic 350"), we may perform a qualitative impairment assessment or a quantitative impairment assessment of our goodwill.

A quantitative analysis requires us to estimate the fair value of each reporting unit and compare it with its carrying value. If the carrying value of the reporting unit exceeds its estimated fair value, goodwill would be written down such that the carrying value would equal estimated fair value. Fair value is determined based on a multiple of cash flows, which was eight times for the evaluations performed during 2017 and 2018. Significant judgment is involved in estimating cash flows and fair value. Management’s estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. A qualitative assessment includes consideration of historical and expected future industry performance, estimated future performance of the Company, current industry trading multiples and other economic factors, and a review of current carrying values compared to estimated fair values as determined during our most recent quantitative assessment.

We performed a qualitative assessment for all reporting units for the year ended December 31, 2016. We performed a quantitative goodwill impairment analysis for all reporting units during the year ended December 31, 2017. For the year ended December 31, 2018, we performed a quantitative goodwill assessment for three new domestic reporting units and a qualitative assessment for all other reporting units. As of December 31, 2018, the estimated fair value of our goodwill for each reporting unit exceeded its carrying value by more than 10%, with the exception of one reporting unit, whose fair value exceeded its carrying value by approximately 9%. We did not record any goodwill impairment charges as a result of the assessments performed during the years ended December 31, 2016, 2017 and 2018.

Tradename intangible assets are tested for impairment at least annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. Under ASC Topic 350, we can elect to perform a qualitative or quantitative impairment assessment for our tradename intangible assets. A quantitative tradename impairment assessment includes comparing the carrying values of tradename assets to an estimated fair value. Fair values are estimated by applying an estimated market royalty rate that could be charged for the use of our tradename to forecasted future revenues, with an adjustment for the present value of such royalties. If the estimated fair value is less than the carrying value, the tradename intangible asset is written down to its estimated fair value. Significant judgment is involved in estimating market royalty rates and long-term revenue forecasts. Management’s estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected revenue performance and industry trends. A qualitative assessment considers our historical and forecasted revenues and changes in estimated royalty rates, and a comparison of current carrying values to estimated fair values from our most recent quantitative assessment.

During the year ended December 31, 2016, we performed a quantitative tradename impairment assessment for our tradename in Ecuador and performed a qualitative tradename impairment analysis for all other tradename intangible assets. During the year ended December 31, 2017, we performed quantitative tradename impairment evaluations for all tradename assets. During the year ended December 31, 2018, we performed a qualitative tradename impairment analysis. As a result of the analysis performed during each year, no impairment charges were recorded related to tradename intangible assets for the years ended December 31, 2016, 2017 and 2018.

Income Taxes

We use an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes are provided when tax laws and financial accounting standards differ with respect to the amount of income for a year and the basis of assets and liabilities. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets unless it is more likely than not that such assets will be realized. Income taxes are provided on unremitted earnings from foreign subsidiaries unless such earnings are expected to be indefinitely reinvested. Income taxes have also been provided for potential tax assessments. The evaluation of an uncertain tax position is a two-step process. The first step is recognition: We determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position would be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements result in (1) a change in a liability for income taxes payable or (2) a change in an income tax refund receivable, a deferred tax asset or a deferred tax liability or both (1) and (2). We accrue interest and penalties on uncertain tax positions. See “Impact of Recent Accounting Developments” below.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made changes to the U.S. tax code, which included (1) reduced the U.S. corporate tax rate from 35 percent to 21 percent, (2) generally eliminated U.S. federal income taxes on dividends from foreign subsidiaries, (3) a one-time transition tax on certain undistributed earnings of foreign subsidiaries, and (4) created new taxes on certain foreign-sourced earnings. As of December 31, 2018, the amounts recorded for the Tax Act are final for the 2017 transition tax, the re-measurement of deferred taxes, and our reassessment of valuation allowances.

Accounting for Investment in National CineMedia, LLC and Related Agreements

We have an investment in NCM. NCM operates a digital in-theatre network in the U.S. for providing cinema advertising and non-film events. Upon joining NCM, we entered into an Exhibitor Services Agreement (“ESA”), with NCM pursuant to which NCM provides advertising, promotion and event services to our theatres. On February 13, 2007, National CineMedia, Inc., or NCM Inc., a newly formed entity that serves as a member and the sole manager of NCM, completed an initial public offering of its common stock. In connection with the NCM Inc. initial public offering, we amended our operating agreement and the Exhibitor Services Agreement, or ESA, with NCM and received proceeds related to the modification of the ESA and our sale of certain of shares in NCM. The ESA modification reflected a shift from circuit share expense under the prior Exhibitor Services Agreement, which obligated NCM to pay us a percentage of revenue, to a monthly theatre access fee, which significantly reduced the contractual amounts paid to the Company by NCM. The Company recorded the proceeds related to the ESA modification as deferred revenue. As a result of the proceeds received as part of the NCM, Inc. initial public offering, the Company had a negative basis in its original membership units in NCM (referred to herein as its Tranche 1 Investment). The Company does not recognize undistributed equity in the earnings on its Tranche 1 Investment until NCM's future net earnings, less distributions received, surpass the amount of the excess distribution. The Company recognizes equity in earnings on its Tranche 1 Investment only to the extent it receives cash distributions from NCM. The Company believes that the accounting model provided by ASC 323-10-35-22 for recognition of equity investee losses in excess of an investor's basis is analogous to the accounting for equity income subsequent to recognizing an excess distribution.

Pursuant to a Common Unit Adjustment Agreement dated as of February 13, 2007 between NCM, Inc. and Cinemark, AMC and Regal, collectively referred to as its Founding Members, annual adjustments to the common membership units are made primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each Founding Member. To account for the receipt of additional common units under the Common Unit Adjustment Agreement, the Company follows the guidance in ASC 323-10-35-29 (formerly EITF 02-18, Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition) by analogy, which also refers to AICPA Technical Practice Aid 2220.14, which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit adjustments equates to making additional investments in National CineMedia. The Company evaluated the receipt of the additional common units in National CineMedia and the assets exchanged for these additional units and has determined that the right to use its incremental new screens would not be considered funding of prior losses. The Company accounts for these additional common units (referred to herein as its Tranche 2 Investment) as a separate investment than its Tranche 1 Investment. The common units received are recorded at fair value as an increase in the Company’s investment in NCM with an offset to deferred revenue. The deferred revenue is amortized over the remaining term of the ESA. The Tranche 2 Investment is accounted for following the equity method, with undistributed equity earnings related to its Tranche 2 Investment included as a component of equity in income of affiliates and distributions received related to its Tranche 2 Investment are recorded as a reduction of its investment basis.

Impact of Recent Accounting Developments

Impact of New Revenue Recognition Standard

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASC Topic 606"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASC Topic 606 replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from the contracts with customers.

Impact of New Lease Accounting Standard

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), ("ASU 2016-02"). The purpose of ASU 2016-02 is to provide financial statement users a better understanding of the amount, timing, and uncertainty of cash flows arising from leases. The adoption of ASU 2016-02 will result in the recognition of a right-of-use asset and a lease liability for most operating leases. New disclosure requirements include qualitative and quantitative information about the amounts recorded in the financial statements related to leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 requires a modified retrospective transition by means of a cumulative-effect adjustment to retained earnings as of the earliest period presented with the option to elect certain practical expedients. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases ("ASU 2018-10"). In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), Targeted Improvements ("ASU 2018-11"). ASU 2018-11 provides an additional transition method to adopt ASU 2016-02. Under this new transition method, an entity initially applies ASU 2016-02 at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This additional transition method changes only when an entity is required to initially apply the transition requirements outlined in ASU 2016-02; it does not change how those requirements are applied. We used the transition method outlined in ASU 2018-11 upon adoption.

We adopted ASC Topic 842 and the related amendments in ASU 2016-02 and ASU 2018-11 (collectively referred to herein as "the New Leasing Standard") effective January 1, 2019. We are finalizing its evaluation of the impact of the New Leasing Standard on our consolidated financial statements, and expect the most significant impacts to be as follows:

1. We will recognize liabilities representing the present value of the remaining future minimum lease payments for all of our operating leases as of January 1, 2019. We estimate these liabilities will be between $1.4 billion and $1.7 billion.
2. We will recognize right of use assets for all of our operating leases equal to the liabilities calculated in (1) above, adjusted for the balances of long-term prepaid rent, favorable lease intangible assets, deferred lease expense, unfavorable lease liabilities and deferred lease incentive liabilities as of January 1, 2019.
3. We have theatre leases in which we were involved in construction that failed sale-leaseback accounting at the end of the construction period. These leases, which were accounted for as capital leases, will be derecognized upon adoption of the New Leasing Standard and evaluated to determine classification upon adoption. Some of these leases will be classified as operating leases upon adoption and, beginning in 2019, lease payments for these leases will be recorded as facility lease expense on the consolidated income statement. Previously, as capital leases, lease payments were classified as interest expense and reductions of the capital lease obligations.
4. For the capital leases derecognized as discussed in (3) above, we will write-off the net book value of the capital lease asset and capital lease liability, with the difference between those amounts resulting in an adjustment to beginning retained earnings as of January 1, 2019.

Recent Developments

On February 22, 2019, our board of directors approved a cash dividend for the fourth quarter of 2018 of $0.34 per share of common stock is payable to stockholders of record on March 8, 2019, and will be paid on March 22, 2019.

Results of Operations

The following table sets forth, for the periods indicated, the amounts for certain items reflected in our consolidated statements of income along with each of those items as a percentage of revenues.

	Year Ended December 31,					
	2016		2017		2018	
Operating data (in millions):						
Revenues						
Admissions	$1,789.2		$1,795.0		$1,834.2	
Concession	990.1		1,038.8		1,108.8	
Other	139.5		157.8		278.8	
Total revenues	$2,918.8		$2,991.6		$3,221.8	
Cost of operations						
Film rentals and advertising	962.7		966.5		999.8	
Concession supplies	154.5		166.3		181.0	
Salaries and wages	325.8		354.5		383.9	
Facility lease expense	321.3		328.2		323.3	
Utilities and other	355.9		355.0		448.0	
General and administrative expenses	143.4		153.3		165.2	
Depreciation and amortization	209.1		237.5		261.2	
Impairment of long-lived assets	2.8		15.1		32.4	
Loss on disposal of assets and other	20.4		22.8		38.7	
Total cost of operations	2,495.9		2,599.2		2,833.5	
Operating income	$422.9		$392.4		$388.3	
Operating data as a percentage of total revenues:						
Revenues						
Admissions	61.3	%	60.0	%	56.9	%
Concession	33.9	%	34.7	%	34.4	%
Other	4.8	%	5.3	%	8.7	%
Total revenues	100.0	%	100.0	%	100.0	%
Cost of operations [1]						