Cinemark Holdings, Inc.
Form 10-Q
May 07, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

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 **75093**
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: (972) 665-1000

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

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

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of April 30, 2015, 115,874,516 shares of common stock were issued and outstanding.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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Cautionary Statement Regarding Forward-Looking Statements

Certain matters within this Quarterly Report on Form 10Q include forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements may include our current expectations, assumptions, estimates and projections about our business and our industry. They may include statements relating to future revenues, expenses and profitability, the future development and expected growth of our business, projected capital expenditures, attendance at movies generally or in any of the markets in which we operate, the number or diversity of popular movies released and our ability to successfully license and exhibit popular films, national and international growth in our industry, competition from other exhibitors and alternative forms of entertainment and determinations in lawsuits in which we are defendants. Forward-looking statements can be identified by the use of words such as may, should, could, estimates, predicts, potential, continue, anticipates, believes, plans, expects, future and in expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. For a description of the risk factors, please review the Risk Factors section or other sections in the Company s Annual Report on Form 10-K filed February 27, 2015 and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such risk factors. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data, unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 532,845	$ 638,869
Inventories	13,460	13,419
Accounts receivable	55,415	47,917
Current income tax receivable	836	19,350
Current deferred tax asset	9,928	10,518
Prepaid expenses and other	16,337	10,937
Total current assets	628,821	741,010
Theatre properties and equipment	2,562,729	2,549,092
Less: accumulated depreciation and amortization	1,109,986	1,098,280
Theatre properties and equipment, net	1,452,743	1,450,812
Other assets		
Goodwill	1,265,425	1,277,383
Intangible assets net	345,899	348,024
Investment in NCM	188,246	178,939
Investments in and advances to affiliates	84,094	77,658
Long-term deferred tax asset	164	164
Deferred charges and other assets net	80,895	77,990
Total other assets	1,964,723	1,960,158
Total assets	$ 4,046,287	$ 4,151,980
Liabilities and equity		
Current liabilities		
Current portion of long-term debt	$ 8,423	$ 8,423
Current portion of capital lease obligations	16,732	16,494
Current income tax payable	17,963	6,396
Current liability for uncertain tax positions	7,633	7,283
Accounts payable and accrued expenses	300,875	375,811

Total current liabilities	351,626	414,407
Long-term liabilities		
Long-term debt, less current portion	1,812,815	1,814,574
Capital lease obligations, less current portion	195,857	201,978
Long-term deferred tax liability	125,172	140,973
Long-term liability for uncertain tax positions	8,462	8,410
Deferred lease expenses	44,613	46,003
Deferred revenue NCM	348,670	335,219
Other long-term liabilities	65,839	67,287
Total long-term liabilities	2,601,428	2,614,444
Commitments and contingencies (see Note 17)		
Equity		
Cinemark Holdings, Inc. s stockholders equity:		
Common stock, $0.001 par value: 300,000,000 shares authorized, 120,051,213 shares issued and 115,874,516 shares outstanding at March 31, 2015 and 119,757,582 shares issued and 115,700,447 shares outstanding at December 31, 2014	120	120
Additional paid-in-capital	1,100,782	1,095,040
Treasury stock, 4,176,697 and 4,057,135 shares, at cost, at March 31, 2015 and December 31, 2014, respectively	(66,555)	(61,807)
Retained earnings	237,716	224,219
Accumulated other comprehensive loss	(189,546)	(144,772)
Total Cinemark Holdings, Inc. s stockholders equity	1,082,517	1,112,800
Noncontrolling interests	10,716	10,329
Total equity	1,093,233	1,123,129
Total liabilities and equity	$ 4,046,287	$ 4,151,980

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

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data, unaudited)

	Three months ended March 31, 2015	2014
Revenues		
Admissions	$ 400,662	$ 380,914
Concession	214,427	193,023
Other	30,309	28,343
Total revenues	645,398	602,280
Cost of operations		
Film rentals and advertising	215,659	200,657
Concession supplies	32,503	30,053
Salaries and wages	69,223	64,351
Facility lease expense	79,617	78,357
Utilities and other	75,357	75,932
General and administrative expenses	37,925	39,372
Depreciation and amortization	45,332	42,496
Impairment of long-lived assets	794	354
(Gain) loss on sale of assets and other	(1,450)	2,853
Total cost of operations	554,960	534,425
Operating income	90,438	67,855
Other income (expense)		
Interest expense	(28,207)	(28,480)
Interest income	1,519	1,014
Foreign currency exchange gain (loss)	(8,206)	3,052
Distributions from NCM	8,499	9,497
Equity in income of affiliates	5,239	3,620
Total other expense	(21,156)	(11,297)
Income before income taxes	69,282	56,558
Income taxes	26,380	20,862
Net income	$ 42,902	$ 35,696
Less: Net income attributable to noncontrolling interests	381	253
Net income attributable to Cinemark Holdings, Inc.	$ 42,521	$ 35,443

Weighted average shares outstanding

Basic		114,837		114,182
Diluted		115,058		114,610
Earnings per share attributable to Cinemark Holdings, Inc. s common stockholders				
Basic	$	0.37	$	0.31
Diluted	$	0.37	$	0.31
Dividends declared per common share	$	0.25	$	0.25

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

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, unaudited)

	Three months ended March 31,	
	2015	**2014**
Net income	$ 42,902	$ 35,696
Other comprehensive income (loss), net of tax		
Unrealized gain due to fair value adjustments on interest rate swap agreements, net of settlements, net of taxes of $453 and $368	757	497
Unrealized gain due to fair value adjustments on available-for-sale securities, net of taxes of $444 and $1,192	766	2,023
Other comprehensive income of equity method investments	384	262
Foreign currency translation adjustments	(46,675)	(9,189)
Total other comprehensive loss, net of tax	(44,768)	(6,407)
Total comprehensive income (loss), net of tax	(1,866)	29,289
Comprehensive income attributable to noncontrolling interests	(387)	(259)
Comprehensive income (loss) attributable to Cinemark Holdings, Inc.	$ (2,253)	$ 29,030

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

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

	Three months ended March 31, 2015	2014
Operating activities		
Net income	$ 42,902	$ 35,696
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	44,731	41,724
Amortization of intangible and other assets and favorable/unfavorable leases	601	772
Amortization of long-term prepaid rents	713	378
Amortization of debt issue costs	1,312	1,311
Amortization of deferred revenues, deferred lease incentives and other	(3,255)	(3,288)
Impairment of long-lived assets	794	354
Share based awards compensation expense	3,498	3,523
(Gain) loss on sale of assets and other	(1,450)	2,853
Deferred lease expenses	(703)	1,599
Equity in income of affiliates	(5,239)	(3,620)
Deferred income tax expenses	(14,349)	(16,436)
Distributions from equity investees	7,264	7,328
Changes in assets and liabilities and other	(51,705)	(10,317)
Net cash provided by operating activities	25,114	61,877
Investing activities		
Additions to theatre properties and equipment and other	(85,747)	(52,806)
Acquisition of theatre in Brazil	(2,651)	
Proceeds from sale of theatre properties and equipment and other	2,388	51
Investment in joint ventures and other	(713)	(946)
Net cash used for investing activities	(86,723)	(53,701)
Financing activities		
Proceeds from stock option exercises		112
Payroll taxes paid as a result of restricted stock withholdings	(4,748)	(9,776)
Dividends paid to stockholders	(28,923)	(28,845)
Repayments of long-term debt	(1,758)	(2,457)
Payments on capital leases	(3,913)	(3,989)
Other	2,244	3,518
Net cash used for financing activities	(37,098)	(41,437)
Effect of exchange rate changes on cash and cash equivalents	(7,317)	(3,965)
Decrease in cash and cash equivalents	(106,024)	(37,226)
Cash and cash equivalents:		

Beginning of period		638,869		599,929
End of period	$	532,845	$	562,703

Supplemental information (see Note 14)

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

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

1. The Company and Basis of Presentation

Cinemark Holdings, Inc. and subsidiaries (the Company) operates in the motion picture exhibition industry, with theatres in the United States (U.S.), Brazil, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Guatemala and Bolivia.

The accompanying condensed consolidated balance sheet as of December 31, 2014, which was derived from audited financial statements, and the unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. Majority-owned subsidiaries that the Company has control of are consolidated while those affiliates of which the Company owns between 20% and 50% and does not control are accounted for under the equity method. Those affiliates of which the Company owns less than 20% are generally accounted for under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the condensed consolidated financial statements effective with their formation or from their dates of acquisition. Intercompany balances and transactions are eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2014, included in the Annual Report on Form 10-K filed February 27, 2015 by the Company under the Securities Exchange Act of 1934, as amended (the Exchange Act). Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results to be achieved for the full year.

2. New Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, (ASU 2015-02). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with certain VIEs. ASU 2015-02 also provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2015-02 on its condensed consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company plans to adopt this ASU effective January 1, 2016 and will revise its presentation of debt issue costs at that time.

3. Earnings Per Share

The Company considers its unvested restricted stock awards, which contain non-forfeitable rights to dividends, participating securities, and includes such participating securities in its computation of earnings per share pursuant to the two-class method. Basic earnings per share for the two classes of stock (common stock and unvested restricted stock) is calculated by dividing net income by the weighted average number of shares of common stock and unvested restricted stock outstanding during the reporting period. Diluted earnings per share is calculated using the weighted average number of shares of common stock plus the potentially dilutive effect of common equivalent shares outstanding determined under both the two class method and the treasury stock method.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

The following table presents computations of basic and diluted earnings per share under the two-class method:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Numerator:		
Net income attributable to Cinemark Holdings, Inc.	$ 42,521	$ 35,443
Earnings allocated to participating share-based awards [(1)]	(218)	(211)
Net income attributable to common stockholders	$ 42,303	$ 35,232
Denominator (shares in thousands):		
Basic weighted average common stock outstanding	114,837	114,182
Common equivalent shares for restricted stock units	221	428
Diluted	115,058	114,610
Basic earnings per share attributable to common stockholders	$ 0.37	$ 0.31
Diluted earnings per share attributable to common stockholders	$ 0.37	$ 0.31

(1) For the three months ended March 31, 2015 and 2014, a weighted average of approximately 595 and 689 shares of unvested restricted stock, respectively, were considered participating securities.

4. Fair Value of Long-Term Debt

The Company estimates the fair value of its long-term debt primarily using quoted market prices, which fall under Level 2 of the U.S. GAAP fair value hierarchy as defined by FASB Accounting Standards Codification (ASC) Topic 820-10-35, *Fair Value Measurement*. The carrying value of the Company s long-term debt was $1,821,238 and $1,822,997 as of March 31, 2015 and December 31, 2014, respectively. The fair value of the Company s long-term debt was $1,835,398 and $1,790,987 as of March 31, 2015 and December 31, 2014, respectively.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

5. Equity

Below is a summary of changes in stockholders equity attributable to Cinemark Holdings, Inc., noncontrolling interests and total equity for the three months ended March 31, 2015 and 2014:

	Cinemark Holdings, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	$ 1,112,800	$ 10,329	$ 1,123,129
Share based awards compensation expense	3,498		3,498
Stock withholdings related to share based awards that vested during the three months ended March 31, 2015	(4,748)		(4,748)
Tax benefit related to share based awards vesting	2,244		2,244
Dividends paid to stockholders (1)	(28,923)		(28,923)
Dividends accrued on unvested restricted stock unit awards (1)	(101)		(101)
Net income	42,521	381	42,902
Fair value adjustments on interest rate swap agreements designated as hedges, net of settlements, net of taxes of $453	757		757
Fair value adjustments on available-for-sale securities, net of taxes of $444	766		766
Other comprehensive income in equity method investees	384		384
Foreign currency translation adjustments	(46,681)	6	(46,675)
Balance at March 31, 2015	$ 1,082,517	$ 10,716	$ 1,093,233

	Cinemark Holdings, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	$ 1,093,422	$ 8,995	$ 1,102,417
Share based awards compensation expense	3,523		3,523
Stock withholdings related to share based awards that vested during the three months ended March 31, 2014	(9,776)		(9,776)
Exercise of stock options	112		112
Tax benefit related to share based awards vesting	3,518		3,518
Dividends paid to stockholders (2)	(28,845)		(28,845)

Dividends accrued on unvested restricted stock unit awards [2]	(171)		(171)
Net income	35,443	253	35,696
Fair value adjustments on interest rate swap agreements designated as hedges, net of settlements, net of taxes of $368	497		497
Fair value adjustments on available-for-sale securities, net of taxes of $1,192	2,023		2,023
Other comprehensive income in equity method investees	262		262
Foreign currency translation adjustments	(9,195)	6	(9,189)
Balance at March 31, 2014	$ 1,090,813	$ 9,254	$ 1,100,067

(1) On February 17, 2015, the Company s board of directors declared a cash dividend for the fourth quarter of 2014 in the amount of $0.25 per share of common stock payable to stockholders of record on March 4, 2015. The dividend was paid on March 18, 2015.

(2) On February 14, 2014, the Company s board of directors declared a cash dividend for the fourth quarter of 2013 in the amount of $0.25 per share of common stock payable to stockholders of record on March 4, 2014. The dividend was paid on March 19, 2014.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

6. Investment in National CineMedia

The Company has an investment in National CineMedia, LLC (NCM). NCM operates a digital in-theatre network in the U.S. for providing cinema advertising. Upon joining NCM, the Company entered into an Exhibitor Services Agreement with NCM (ESA), pursuant to which NCM provides advertising, promotion and event services to our theatres. As described further in Note 6 to the Company s financial statements as included in its 2014 Annual Report on Form 10-K, on February 13, 2007, National CineMedia, Inc. (NCM, Inc.), an entity that serves as the sole manager of NCM, completed an initial public offering (IPO) of its common stock. In connection with the NCM Inc. initial public offering, the Company amended its operating agreement and the ESA. Following the NCM, Inc. IPO, the Company does not recognize undistributed equity in the earnings on its original NCM membership units (referred to herein as the Company s 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 recognizes cash distributions it receives from NCM on its Tranche 1 Investment as a component of earnings as 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.

Below is a summary of activity with NCM included in the Company s condensed consolidated financial statements:

	Investment in NCM	Deferred Revenue	Distributions from NCM	Equity in Earnings	Other Revenue	Other Comprehensive Income	Cash Received
Balance as of January 1, 2015	$ 178,939	$ (335,219)					
Receipt of common units due to annual common unit adjustment	15,421	(15,421)	$	$	$	$	$
Revenues earned under ESA [1]					(2,756)		2,756
Receipt of excess cash distributions	(5,393)		(6,258)				11,651
Receipt under tax receivable agreement	(1,871)		(2,241)				4,112
Equity in earnings	795			(795)			
Equity in other comprehensive income	355					(355)	
Amortization of deferred revenue		1,970			(1,970)		
Balance as of and for the period ended March 31, 2015	$ 188,246	$ (348,670)	$ (8,499)	$ (795)	$ (4,726)	$ (355)	$ 18,519

(1) Amount includes the per patron and per digital screen theatre access fees due to the Company, net of amounts due to NCM for on-screen advertising time provided to the Company s beverage concessionaire of approximately $2,264.

During the three months ended March 31, 2015 and 2014, the Company recorded equity earnings of approximately $795 and $432, respectively.

Pursuant to a Common Unit Adjustment Agreement dated as of February 13, 2007 between NCM, Inc. and the Company, AMC Entertainment, Inc. (AMC) and Regal Entertainment Group (Regal), 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. As further discussed in Note 6 to the Company s financial statements as included in its 2014 Annual Report on Form 10-K, 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. During March 2015, NCM performed its annual common unit adjustment calculation under the Common Unit Adjustment Agreement. As a result of the calculation, the Company received an additional 1,074,910 common units of NCM, each of which is convertible into one share of NCM, Inc. common stock. The Company recorded the additional common units received at fair value with a corresponding adjustment to deferred revenue of approximately $15,421. The deferred revenue will be recognized over the remaining term of the ESA, which is approximately 21 years.

As of March 31, 2015, the Company owned a total of 25,631,046 common units of NCM, representing an ownership interest of approximately 20%.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

Below is summary financial information for NCM for the year ended January 1, 2015 and the quarter ended March 27, 2014.

	Year Ended January 1, 2015 [1]	Quarter Ended March 27, 2014
Gross revenues	$ 373,994	$ 70,215
Operating income	$ 159,624	$ 12,767
Net earnings (loss)	$ 96,309	$ (2,764)

(1) Financial information for the quarter ended April 2, 2015 is not yet available

7. Other Investments

The Company had the following other investments at March 31, 2015:

Digital Cinema Implementation Partners (DCIP), equity method investment	$ 56,009
RealD, Inc. (RealD), investment in marketable security	15,639
AC JV, LLC, equity method investment	8,297
Digital Cinema Distribution Coalition (DCDC), equity method investment	2,494
Other	1,655
Total	$ 84,094

Below is a summary of activity for each of the investments for the three months ended March 31, 2015:

	DCIP	RealD	AC JV, LLC	DCDC	Other	Total
Balance at January 1, 2015	$ 51,277	$ 14,429	$ 7,899	$ 2,438	$ 1,615	$ 77,658
Cash contributions	713					713
Equity in income	3,990		398	56		4,444
Equity in comprehensive income	29					29

Unrealized holding gain		1,210				1,210
Other					40	40
Balance at March 31, 2015	$ 56,009	$ 15,639	$ 8,297	$ 2,494	$ 1,655	$ 84,094

Digital Cinema Implementation Partners LLC

On February 12, 2007, the Company, AMC and Regal entered into a joint venture known as Digital Cinema Implementation Partners LLC to facilitate the implementation of digital cinema in the Company s theatres and to establish agreements with major motion picture studios for the financing of digital cinema. On March 10, 2010, the Company signed a master equipment lease agreement and other related agreements (collectively the Agreements) with Kasima LLC (Kasima), which is an indirect subsidiary of DCIP and a related party to the Company. Upon signing the Agreements, the Company contributed the majority of its U.S. digital projection systems to DCIP, which DCIP then contributed to Kasima. The Company has a variable interest in Kasima through the terms of its master equipment lease agreement; however, the Company has determined that it is not the primary beneficiary of Kasima, as the Company does not have the ability to direct the activities of Kasima that most significantly impact Kasima s economic performance. As of March 31, 2015, the Company had a 33% voting interest in DCIP and a 24.3% economic interest in DCIP. The Company accounts for its investment in DCIP and its subsidiaries under the equity method of accounting.

Below is summary financial information for DCIP for the three months ended March 31, 2015 and 2014.

	Three Months Ended	
	March 31, 2015	**March 31, 2014**
Revenues	$ 40,741	$ 42,688
Operating income	$ 23,764	$ 24,304
Net income	$ 17,444	$ 5,528

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

As of March 31, 2015, the Company had 3,701 digital projection systems being leased under the master equipment lease agreement with Kasima. The Company made equipment lease payments of approximately $1,010 and $1,001 during the three months ended March 31, 2015 and 2014, respectively, which is included in utilities and other costs on the condensed consolidated statements of income.

RealD, Inc.

The Company licenses 3-D systems from RealD. The Company owns 1,222,780 shares of RealD and accounts for its investment in RealD as a marketable security. The Company has determined that its RealD shares are available-for-sale securities in accordance with ASC Topic 320-10-35-1, therefore unrealized holding gains and losses are reported as a component of accumulated other comprehensive loss until realized.

As of March 31, 2015, the estimated fair value of the Company s investment in RealD was $15,639, which is based on the closing price of RealD s common stock on March 31, 2015, and falls under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. The Company paid licensing fees of $1,156 and $1,801 to RealD during the three months ended March 31, 2015 and 2014, which is included in utilities and other costs on the condensed consolidated statements of income.

AC JV, LLC

During December 2013, the Company, Regal, AMC and NCM entered into a series of agreements that resulted in the formation of a new joint venture that now owns the Fathom Events division (consisting of Fathom Events and Fathom Consumer Events) formerly operated by NCM. The Fathom Events business focuses on the marketing and distribution of live and pre-recorded entertainment programming to various theatre operators to provide additional programs to augment their feature film schedule. The Fathom Consumer Events business includes live and pre-recorded concerts featuring contemporary music, opera and symphony, DVD product releases and marketing events, theatrical premieres, Broadway plays, live sporting events and other special events. The Company paid event fees of $3,401 and $0 to AC JV during the three months ended March 31, 2015 and 2014, which is included in film rentals and advertising costs on the condensed consolidated statements of income.

The joint venture, AC JV, LLC (AC), was formed by the Founding Members and NCM. NCM, under a contribution agreement, contributed the assets associated with its Fathom Events division to AC in exchange for 97% ownership of the Class A Units of AC. Under a separate contribution agreement, the Founding Members each contributed cash of approximately $268 to AC in exchange for 1% of the Class A Units of AC. Subsequently, NCM and the Founding Members entered into a Membership Interest Purchase Agreement, under which NCM sold each of the Founding Members 31% of its Class A Units in AC, the aggregate value of which was determined to be $25,000, in exchange for a six-year Promissory Note. Each of the Founding Members Promissory Notes were originally for $8,333, bear interest at 5% per annum and require annual principal and interest payments, with the first of such payments made during December 2014.

Digital Cinema Distribution Coalition

The Company is a party to a joint venture with certain exhibitors and distributors called DCDC, which operates a satellite distribution network that distributes all digital content to U.S. theatres via satellite. The Company has an approximate 14.6% ownership in DCDC. The Company paid approximately $208 and $201 to DCDC during the three months ended March 31, 2015 and 2014 related to content delivery services provided by DCDC, which is included in utilities and other costs on the condensed consolidated statements of income.

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8. Treasury Stock and Share Based Awards

Treasury Stock Treasury stock represents shares of common stock repurchased or withheld by the Company and not yet retired. The Company has applied the cost method in recording its treasury shares. Below is a summary of the Company s treasury stock activity for the three months ended March 31, 2015:

	Number of Treasury Shares	Cost
Balance at January 1, 2015	4,057,135	$ 61,807
Restricted stock withholdings [1]	107,825	4,748
Restricted stock forfeitures	11,737	
Balance at March 31, 2015	4,176,697	$ 66,555

(1) The Company withheld restricted shares as a result of the election by certain employees to satisfy their tax liabilities upon vesting in restricted stock and restricted stock units. The Company determined the number of shares to be withheld based upon market values ranging from $41.21 to $44.67 per share.

As of March 31, 2015, the Company had no plans to retire any shares of treasury stock.

Restricted Stock During the three months ended March 31, 2015, the Company granted 169,862 shares of restricted stock to employees. The fair value of the restricted stock granted was determined based on the market value of the Company s common stock on the date of grant, which was $43.28 per share. The Company assumed forfeiture rates ranging from 0% to 5% for the restricted stock awards. Certain of the restricted stock granted to employees vests over one year based on continued service and the remaining restricted stock granted to employees vests over four years based on continued service. The recipients of restricted stock are entitled to receive dividends and to vote their respective shares, however, the sale and transfer of the restricted shares is prohibited during the restriction period.

Below is a summary of restricted stock activity for the three months ended March 31, 2015:

	Shares of Restricted	Weighted Average Grant Date

	Stock	Fair Value
Outstanding at January 1, 2015	878,897	$ 24.92
Granted	169,862	$ 43.28
Vested	(298,251)	$ 22.97
Forfeited	(11,737)	$ 25.72
Outstanding at March 31, 2015	738,771	$ 29.93
Unvested restricted stock at March 31, 2015	738,771	$ 29.93

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Compensation expense recognized during the period	$ 2,590	$ 2,616
Fair value of restricted shares that vested during the period	$ 13,161	$ 17,466
Income tax deduction upon vesting of restricted stock awards	$ 3,311	$ 6,645

As of March 31, 2015, the estimated remaining unrecognized compensation expense related to restricted stock awards was $16,872 and the weighted average period over which this remaining compensation expense will be recognized is approximately two years.

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Restricted Stock Units During the three months ended March 31, 2015, the Company granted restricted stock units representing 137,982 hypothetical shares of common stock to employees. The restricted stock units vest based on a combination of financial performance factors and continued service. The financial performance factors are based on an implied equity value concept that determines an internal rate of return (IRR) during the two fiscal year periods ending December 31, 2016 based on a formula utilizing a multiple of Adjusted EBITDA subject to certain specified adjustments as specified by the Compensation Committee prior to the grant date. The financial performance factors for the restricted stock units have a threshold, target and maximum level of payment opportunity and vest on a prorata basis according to the IRR achieved by the Company during the performance period. If the IRR for the two-year period is at least 7.5%, which is the threshold, one-third of the restricted stock units vest. If the IRR for the two-year period is at least 9.5%, which is the target, two-thirds of the restricted stock units vest. If the IRR for the two-year period is at least 11.5%, which is the maximum, 100% of the restricted stock units vest. Grantees are eligible to receive a ratable portion of the common stock issuable if the IRR is within the targets previously noted. All payouts of restricted stock units that vest will be subject to an additional two-year service requirement and will be paid in the form of common stock if the participant continues to provide services through March 2019, which is the fourth anniversary of the grant date. Restricted stock unit award participants are eligible to receive dividend equivalent payments from the grant date if, and at the time that, the restricted stock unit awards vest.

Below is a table summarizing the potential number of shares that could vest under restricted stock unit awards granted during the three months ended March 31, 2015 at each of the three target levels of financial performance (excluding forfeiture assumptions):

	Number of Shares Vesting	**Value at Grant**
at IRR of at least 7.5%	45,994	$ 1,991
at IRR of at least 9.5%	91,988	$ 3,981
at IRR of at least 11.5%	137,982	$ 5,972

Due to the fact that the IRR for the two-year performance period could not be determined at the time of grant, the Company estimated that the most likely outcome is the achievement of the mid-point IRR level. The fair value of the restricted stock unit awards was determined based on the market value of the Company s common stock on the date of grant, which was $43.28 per share. The Company assumed forfeiture rates ranging from 0% to 5% for the restricted stock unit awards. If during the service period, additional information becomes available to lead the Company to believe a different IRR level will be achieved for the two-year performance period, the Company will reassess the number of units that will vest for the grant and adjust its compensation expense accordingly on a prospective basis over the remaining service period.

	Three Months Ended March 31,			
	2015		2014	
Number of restricted stock unit awards that vested during the period		123,769		392,238
Fair value of restricted stock unit awards that vested during the period	$	5,501	$	11,194
Accumulated dividends paid upon vesting of restricted stock unit awards (1)	$	46	$	
Income tax benefit recognized upon vesting of restricted stock unit awards	$	2,303	$	4,751
Compensation expense recognized during the period	$	908	$	907

(1) Additional dividends of approximately $396 and $1,341 were paid during April 2015 and 2014, respectively.

As of March 31, 2015, the estimated remaining unrecognized compensation expense related to the outstanding restricted stock unit awards was $7,705. The weighted average period over which this remaining compensation expense will be recognized is approximately two years. As of March 31, 2015, the Company had restricted stock units outstanding that represented a total of 539,141 hypothetical shares of common stock, net of actual cumulative forfeitures of 19,934 units, assuming an IRR of 11.1% was reached for the 2012 grant and the maximum IRR level is achieved for each of the 2013, 2014, and 2015 grants.

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9. Interest Rate Swap Agreements

The Company is currently a party to three interest rate swap agreements that are used to hedge interest rate risk associated with the variable interest rates on the Company s term loan debt and qualify for cash flow hedge accounting. The fair values of the interest rate swaps are recorded on the Company s condensed consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps gains or losses reported as a component of accumulated other comprehensive loss and the ineffective portion reported in earnings. The changes in fair values are reclassified from accumulated other comprehensive loss into earnings in the same period that the hedged items affect earnings.

The valuation technique used to determine fair value is the income approach and under this approach, the Company uses projected future interest rates as provided by counterparties to the interest rate swap agreements and the fixed rates that the Company is obligated to pay under these agreements. Therefore, the Company s measurements use significant unobservable inputs, which fall in Level 3 of the U.S. GAAP hierarchy as defined by FASB ASC Topic 820-10-35. There were no changes in valuation techniques during the period and no transfers in or out of Level 3. See Note 12 for a summary of unrealized gains or losses recorded in accumulated other comprehensive loss and earnings.

Below is a summary of the Company s current interest rate swap agreements designated as cash flow hedges as of March 31, 2015:

Nominal Amount	Effective Date	Pay Rate	Receive Rate	Expiration Date	Current Liability [1]	Long-Term Liability [2]	Estimated Total Fair Value at March 31, 2015
$175,000	December 2010	1.3975%	1-Month LIBOR	September 2015	$ 961	$	$ 961
$175,000	December 2010	1.4000%	1-Month LIBOR	September 2015	970	$	970
$100,000	November 2011	1.7150%	1-Month LIBOR	April 2016	1,340	91	1,431