

National CineMedia, Inc.
Form 10-Q
May 12, 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 April 2, 2015

Commission file number: 001-33296

NATIONAL CINEMEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5665602
(I.R.S. Employer
Identification No.)

9110 East Nichols Avenue, Suite 200

Centennial, Colorado
(Address of Principal Executive Offices)

80112-3405
(Zip Code)

Registrant's telephone number, including area code: (303) 792-3600

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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

As of May 7, 2015, 61,465,867 shares of the registrant's common stock (including unvested restricted shares), par value of \$0.01 per share, were outstanding.

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Table of Contents**PART I****Item 1. Financial Statements****NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions, except share and per share data)****(UNAUDITED)**

	April 2, 2015	January 1, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12.9	\$ 13.4
Short-term marketable securities	18.6	21.7
Receivables, net of allowance of \$4.5 and \$4.3, respectively	79.6	116.5
Prepaid expenses (including \$0.2 and \$0.0 to founding members, respectively)	4.3	3.6
Deferred tax assets	2.5	6.9
Income tax receivable	5.9	6.1
Current portion of notes receivable - founding members	4.2	4.2
Other current assets (including \$0.3 and \$0.0 with founding members, respectively)	0.6	
Total current assets	128.6	172.4
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of \$75.2 and \$72.9, respectively	21.6	22.4
Intangible assets, net of accumulated amortization of \$74.6 and \$69.3, respectively	515.2	488.6
Deferred tax assets	237.9	227.3
Debt issuance costs, net of accumulated amortization of \$18.4 and \$17.8, respectively	14.9	15.5
Long-term notes receivable, net of current portion - founding members	16.6	16.6
Other investments (including \$1.4 and \$1.3 with related parties, respectively)	4.2	2.5
Long-term marketable securities	46.0	45.5
Other assets	0.6	0.6
Total non-current assets	857.0	819.0
TOTAL ASSETS	\$ 985.6	\$ 991.4

LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	\$ 2.9	\$ 34.9
Payable to founding members under tax receivable agreement	9.0	19.6
Accrued expenses	20.6	19.2
Accrued payroll and related expenses	7.3	10.7
Accounts payable (including \$0.1 and \$1.0 to related party affiliates, respectively)	15.1	13.3
Deferred revenue	9.5	8.5
Deferred tax liability	0.7	1.0
Total current liabilities	65.1	107.2
NON-CURRENT LIABILITIES:		
Long-term debt	938.0	892.0
Deferred tax liability	53.9	54.2
Payable to founding members under tax receivable agreement	148.4	146.7
Total non-current liabilities	1,140.3	1,092.9
Total liabilities	1,205.4	1,200.1
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
EQUITY/(DEFICIT):		
NCM, Inc. Stockholders Equity/(Deficit):		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding, respectively		
Common stock, \$0.01 par value; 175,000,000 shares authorized, 58,944,045 and 58,750,926 issued and outstanding, respectively	0.6	0.6
Additional paid in capital (deficit)	(250.7)	(261.0)
Retained earnings (distributions in excess of earnings)	(169.8)	(147.4)
Accumulated other comprehensive income/(loss)		(0.4)
Total NCM, Inc. stockholders equity/(deficit)	(419.9)	(408.2)
Noncontrolling interests	200.1	199.5
Total equity/(deficit)	(219.8)	(208.7)
TOTAL LIABILITIES AND EQUITY/DEFICIT	\$ 985.6	\$ 991.4

See accompanying notes to Condensed Consolidated Financial Statements.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(In millions, except share and per share data)

(UNAUDITED)

	Three Months Ended	
	April 2, 2015	March 27, 2014
REVENUE:		
Advertising (including revenue from founding members of \$7.7 and 9.5, respectively)	\$ 76.9	\$ 70.2
OPERATING EXPENSES:		
Advertising operating costs (including \$0.0 and \$0.5 to related parties, respectively)	5.8	5.0
Network costs	4.5	4.6
Theatre access fees founding members	17.2	17.4
Selling and marketing costs (including \$0.2 and \$0.2 to founding members, respectively)	16.0	15.0
Merger termination fee and related merger costs	33.4	
Administrative and other costs	8.7	7.6
Depreciation and amortization	8.0	7.8
Total	93.6	57.4
OPERATING (LOSS) INCOME	(16.7)	12.8
NON-OPERATING EXPENSES:		
Interest on borrowings	13.1	13.1
Interest income (including \$0.3 and \$0.3 from founding members, respectively)	(0.6)	(0.4)
Accretion of interest on the discounted payable to founding members under tax receivable agreement	3.6	3.8
Amortization of terminated derivatives	1.6	2.5
Other non-operating expense	0.1	0.1
Total	17.8	19.1
LOSS BEFORE INCOME TAXES	(34.5)	(6.3)
Income tax benefit	(4.3)	(1.7)
CONSOLIDATED NET LOSS	(30.2)	(4.6)
Less: Net loss attributable to noncontrolling interests	(21.2)	(1.5)
NET LOSS ATTRIBUTABLE TO NCM, INC.	\$ (9.0)	\$ (3.1)

NET LOSS PER NCM, INC. COMMON SHARE:		
Basic	\$ (0.15)	\$ (0.05)
Diluted	\$ (0.15)	\$ (0.05)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	58,888,674	58,618,800
Diluted	58,888,674	58,618,800
Dividends declared per common share	\$ 0.22	\$ 0.72

See accompanying notes to Condensed Consolidated Financial Statements.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions)

(UNAUDITED)

	Three Months Ended	
	April 2, 2015	March 27, 2014
CONSOLIDATED NET LOSS, NET OF TAX OF \$(4.3) AND \$(1.7), RESPECTIVELY	\$ (30.2)	\$ (4.6)
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Amortization of terminated derivatives, net of tax of \$0.3 and \$0.4, respectively	1.3	2.1
CONSOLIDATED COMPREHENSIVE LOSS	(28.9)	(2.5)
Less: Comprehensive loss attributable to noncontrolling interests	(20.3)	(0.1)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NCM, INC.	\$ (8.6)	\$ (2.4)

See accompanying notes to Condensed Consolidated Financial Statements.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(UNAUDITED)

	Three Months Ended	
	April 2, 2015	March 27, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	\$ (30.2)	\$ (4.6)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Deferred income tax (benefit) expense	(4.4)	6.2
Depreciation and amortization	8.0	7.8
Non-cash share-based compensation	3.0	2.0
Excess tax benefit from share-based compensation	(0.1)	0.2
Accretion of interest on the discounted payable to founding members under tax receivable agreement	3.6	3.8
Amortization of terminated derivatives	1.6	2.5
Amortization of debt issuance costs	0.6	0.7
Other	(0.1)	
Changes in operating assets and liabilities:		
Receivables, net	35.2	35.0
Accounts payable and accrued expenses	(0.3)	(17.0)
Amounts due to founding members	0.4	2.7
Payment to founding members under tax receivable agreement	(17.2)	(25.1)
Income taxes and other	0.2	(2.3)
Net cash provided by operating activities	0.3	11.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2.0)	(2.1)
Purchases of marketable securities	(18.4)	(37.3)
Proceeds from sale and maturities of marketable securities	20.6	46.5
Purchases of intangible assets from network affiliates	(0.9)	(0.5)
Net cash (used in) provided by investing activities	(0.7)	6.6
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(13.3)	(42.3)
Proceeds from borrowings	96.0	49.0
Repayments of borrowings	(50.0)	(32.0)
Founding member integration payments	0.8	0.7
Distributions to founding members	(32.9)	(31.0)

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Excess tax benefit from share-based compensation	0.1	(0.2)
Proceeds from stock option exercises	0.4	0.5
Repurchase of stock for restricted stock tax withholding	(1.2)	(1.3)
Net cash used in financing activities	(0.1)	(56.6)
CHANGE IN CASH AND CASH EQUIVALENTS	(0.5)	(38.1)
Cash and cash equivalents at beginning of period	13.4	54.7
Cash and cash equivalents at end of period	\$ 12.9	\$ 16.6

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****(In millions)****(UNAUDITED)**

	Three Months Ended	
	April 2, 2015	March 27, 2014
Supplemental disclosure of non-cash financing and investing activity:		
Purchase of an intangible asset with NCM LLC equity	\$ 31.4	\$ 16.4
Accrued distributions to founding members	\$	\$ 6.2
Increase (decrease) in dividends not requiring cash in the period	\$ 0.1	\$ (0.9)
Increase in cost and equity method investments	\$ 1.6	\$
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 10.3	\$ 10.2
Payments (refunds) for income taxes, net	\$ 0.2	\$ (7.0)

See accompanying notes to Condensed Consolidated Financial Statements.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT)

(In millions, except share and per share data)

(UNAUDITED)

		NCM, Inc.						
			Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Accumulated Other Comprehens Loss	Noncontrolling Interest
	Consolidated	Shares	Amount					
Balance January 1, 2015	\$ (208.7)	58,750,926	\$ 0.6		\$ (261.0)	\$ (147.4)	\$ (0.4)	\$ 199.5
NCM LLC equity issued for purchase of intangible asset	31.4				14.1			17.3
Income tax and other impacts of NCM LLC ownership changes	(2.4)				(5.0)			2.6
Comprehensive income, net of tax	(28.9)					(9.0)	0.4	(20.3)
Share-based compensation issued	(0.8)	193,119			(0.8)			