

National CineMedia, Inc.
Form 10-Q
August 02, 2013
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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 June 27, 2013

Commission file number: 001-33296

NATIONAL CINEMEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of

20-5665602
(I.R.S. Employer

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Incorporation or Organization)

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 July 31, 2013, 55,395,256 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 SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions, except share and per share data)****(UNAUDITED)**

	June 27, 2013	December 27, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 55.2	\$ 72.4
Short-term marketable securities	39.9	34.2
Receivables, net of allowance of \$5.1 and \$4.5, respectively	110.2	98.5
Prepaid expenses (including \$0.1 and \$0.0 to founding members, respectively)	3.5	2.4
Income tax receivable	10.5	8.3
Deferred tax assets	5.0	4.9
Total current assets	224.3	220.7
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of \$63.9 and \$63.1, respectively	26.8	25.7
Intangible assets, net of accumulated amortization of \$39.1 and \$32.5, respectively	436.5	280.3
Deferred tax assets, net of valuation allowance of \$3.2 and \$3.3, respectively	244.7	264.3
Debt issuance costs, net of accumulated amortization of \$13.6 and \$12.2, respectively	19.0	18.3
Other investment	0.8	0.8
Other long-term assets	0.4	0.4
Total non-current assets	728.2	589.8
TOTAL ASSETS	\$ 952.5	\$ 810.5
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	29.4	19.8
Payable to founding members under tax sharing agreement	19.5	19.6
Accrued expenses	18.9	18.5
Accrued payroll and related expenses	10.8	11.6
Accounts payable (including \$0.9 and \$0.9 to related party affiliates, respectively)	11.4	15.7
Deferred revenue	5.3	5.7
Deferred tax liability	0.2	0.2
Total current liabilities	95.5	91.1
NON-CURRENT LIABILITIES:		
Borrowings	884.0	879.0
Deferred tax liability	58.3	59.3
Payable to founding members under tax sharing agreement	139.3	137.5
Total non-current liabilities	1,081.6	1,075.8

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Total liabilities	1,177.1	1,166.9
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, 55,366,929 and 54,486,259 issued and outstanding, respectively	0.5	0.5
Additional paid in capital (deficit)	(305.3)	(362.4)
Retained earnings (distributions in excess of earnings)	(86.9)	(70.5)
Accumulated other comprehensive loss	(4.5)	(6.7)
Total NCM, Inc. stockholders equity/(deficit)	(396.2)	(439.1)
Noncontrolling interests	171.6	82.7
Total equity/(deficit)	(224.6)	(356.4)
TOTAL LIABILITIES AND EQUITY	\$ 952.5	\$ 810.5

See accompanying notes to condensed consolidated financial statements.

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	Three Months Ended June 27, 2013	Three Months Ended June 28, 2012	Six Months Ended June 27, 2013	Six Months Ended June 28, 2012
REVENUE:				
Advertising (including revenue from founding members of \$11.2, \$10.2, \$20.1 and \$20.0, respectively)	\$ 116.9	\$ 101.3	\$ 190.6	\$ 167.6
Fathom Events	5.9	8.8	14.4	21.6
Total	122.8	110.1	205.0	189.2
OPERATING EXPENSES:				
Advertising operating costs (including \$0.9, \$1.0, \$1.5 and \$1.7 to related party affiliates, respectively)	8.1	8.0	13.8	12.7
Fathom Events operating costs (including \$1.1, \$1.2, \$2.0 and \$3.2 to founding members, respectively)	4.2	6.5	10.0	15.5
Network costs	5.1	5.1	10.1	10.2
Theatre access fees founding members	18.1	16.3	33.7	32.0
Selling and marketing costs (including \$0.5, \$0.2, \$0.7 and \$0.4 to founding members, respectively)	15.7	15.5	31.1	30.0
Administrative and other costs	7.4	8.4	15.1	16.6
Depreciation and amortization	6.2	5.0	11.6	9.9
Total	64.8	64.8	125.4	126.9
OPERATING INCOME	58.0	45.3	79.6	62.3
NON-OPERATING EXPENSES:				
Interest on borrowings	12.8	14.3	26.1	28.4
Interest income	(0.1)	(0.1)	(0.2)	(0.2)
Accretion of interest on the discounted payable to founding members under tax sharing agreement	3.4	4.0	6.8	7.0
Change in derivative fair value		(0.8)		(1.5)
Amortization of terminated derivatives	2.7	0.8	5.2	1.1
Loss on swap terminations		26.7		26.7
Other non-operating expense	1.2	2.4	1.2	2.4
Total	20.0	47.3	39.1	63.9
INCOME (LOSS) BEFORE INCOME TAXES	38.0	(2.0)	40.5	(1.6)
Income tax expense (benefit)	6.0	(1.1)	6.6	(1.4)
CONSOLIDATED NET INCOME (LOSS)	32.0	(0.9)	33.9	(0.2)
Less: Net income attributable to noncontrolling interests	22.5	1.0	25.4	2.6

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NET INCOME (LOSS) ATTRIBUTABLE TO NCM, INC.	\$	9.5	\$	(1.9)	\$	8.5	\$	(2.8)
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NET INCOME (LOSS) PER NCM, INC. COMMON SHARE:

Basic	\$	0.17	\$	(0.03)	\$	0.16	\$	(0.05)
Diluted	\$	0.17	\$	(0.03)	\$	0.15	\$	(0.05)

WEIGHTED AVERAGE SHARES OUTSTANDING:

Basic	55,062,723	54,442,398	54,837,169	54,291,816
Diluted	55,716,742			