

National CineMedia, Inc.
Form 10-Q
May 07, 2010
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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 1, 2010

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 May 4, 2010, 43,131,707 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)**

	April 1, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 82.6	\$ 91.1
Receivables, net of allowance of \$2.8 and \$3.6 million, respectively	52.8	89.3
Prepaid expenses other current assets	2.0	4.6
Income taxes receivable	5.3	
Total current assets	142.7	185.0
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$42.5 and \$39.3 million, respectively	22.7	23.7
INTANGIBLE ASSETS, net of accumulated amortization of \$5.2 and \$4.4 million, respectively	172.8	134.2
OTHER ASSETS:		
Deferred tax assets, net of valuation allowance of \$1.9 million, respectively	265.7	267.7
Debt issuance costs, net	8.8	9.2
Other investment	6.8	7.4
Other long-term assets	0.9	1.0
Total other assets	282.2	285.3
TOTAL	\$ 620.4	\$ 628.2
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	5.7	29.8
Payable to founding members under tax sharing agreement	3.2	17.6
Accrued expenses	4.8	12.9
Income tax payable		3.8
Current portion of long-term debt	4.1	4.3
Accrued payroll and related expenses	5.5	9.3
Accounts payable	8.1	11.7
Deferred revenue and other current liabilities	4.4	2.8
Total current liabilities	35.8	92.2
OTHER LIABILITIES:		
Borrowings	805.0	799.0
Deferred tax liability	53.8	53.3
Payable to founding members under tax sharing agreement	128.3	121.9
Interest rate swap agreements	60.2	54.6
Other long-term liabilities		0.3
Total other liabilities	1,047.3	1,029.1

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Total liabilities	1,083.1	1,121.3
COMMITMENTS AND CONTINGENCIES (NOTE 5) EQUITY/(DEFICIT):		
NCM, Inc. Stockholders Equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding, respectively		
Common stock, \$0.01 par value; 120,000,000 shares authorized, 42,277,129 and 42,121,747 issued and outstanding, respectively	0.4	0.4
Additional paid in capital (deficit)	(471.9)	(490.2)
Accumulated other comprehensive loss	(12.5)	(11.8)
Retained earnings (distributions in excess of earnings)	(20.2)	(14.5)
Total NCM, Inc. stockholders equity/(deficit)	(504.2)	(516.1)
Noncontrolling interests	41.5	23.0
Total equity/(deficit)	(462.7)	(493.1)
TOTAL	\$ 620.4	\$ 628.2

See accompanying notes to condensed consolidated financial statements.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share data)

(UNAUDITED)

	Quarter Ended April 1, 2010	Quarter Ended April 2, 2009
REVENUE:		
Advertising (including revenue from founding members of \$9.2 and \$8.4 million, respectively)	\$ 67.8	\$ 60.1
Fathom Events	16.8	13.4
Total	84.6	73.5
OPERATING EXPENSES:		
Advertising operating costs	4.5	4.2
Fathom Events operating costs	11.1	8.7
Network costs	4.9	4.4
Theatre access fees founding members	12.9	12.4
Selling and marketing costs	13.1	11.8
Administrative and other costs	7.7	6.3
Depreciation and amortization	4.0	3.5
Total	58.2	51.3
OPERATING INCOME	26.4	22.2
Interest Expense and Other, Net:		
Borrowings	11.0	11.9
Change in derivative fair value	1.7	(1.9)
Accretion of interest on the discounted payable to founding members under tax sharing agreement	3.5	3.1
Interest income and other		(0.1)
Total	16.2	13.0
INCOME BEFORE INCOME TAXES	10.2	9.2
Provision for Income Taxes	0.9	0.9
Equity loss from investment, net	0.6	
CONSOLIDATED NET INCOME	8.7	8.3
Less: Net Income Attributable to Noncontrolling Interests	7.5	7.1
NET INCOME ATTRIBUTABLE TO NCM, INC	\$ 1.2	\$ 1.2
EARNINGS PER NCM, INC. COMMON SHARE:		
Basic	\$ 0.03	\$ 0.03
Diluted	\$ 0.03	\$ 0.03
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	42,209,698	42,115,552
Diluted	42,669,896	42,136,129

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See accompanying notes to condensed consolidated financial statements.

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

	Quarter Ended April 1, 2010	Quarter Ended April 2, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	\$ 8.7	\$ 8.3
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Deferred income tax expense	4.6	3.5
Depreciation and amortization	4.0	3.5
Non-cash share-based compensation	2.1	1.2
Non-cash non-operating loss	0.1	
Accretion of interest on the discounted payable to founding members under tax sharing agreement	3.5	3.1
Net unrealized hedging transactions	1.7	(1.9)
Equity in losses from investment	0.6	
Amortization of debt issuance costs	0.4	0.4
Changes in operating assets and liabilities:		
Receivables net	36.5	27.6
Accounts payable and accrued expenses	(15.1)	(2.5)
Amounts due to founding members		(0.1)
Income taxes and other	(22.3)	(4.7)
Net cash provided by operating activities	24.8	38.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2.0)	(2.4)
Net cash used in investing activities	(2.0)	(2.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(6.9)	(6.8)
Proceeds from borrowings	6.0	
Repayments of borrowings	(1.0)	
Proceeds from founding member contributions	1.2	1.6
Distribution to founding members	(31.1)	(28.7)
Proceeds from stock option exercises	0.7	
Repurchase of stock for restricted stock tax withholding	(0.2)	
Net cash used in financing activities	(31.3)	(33.9)
CHANGE IN CASH AND CASH EQUIVALENTS	(8.5)	2.1
CASH AND CASH EQUIVALENTS:		
Beginning of period	91.1	69.2
End of period	\$ 82.6	\$ 71.3

See accompanying notes to condensed consolidated financial statements.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In millions)
(UNAUDITED)