

AMC ENTERTAINMENT HOLDINGS, INC.  
Form 10-Q  
May 06, 2016

Use these links to rapidly review the document

[TABLE OF CONTENT](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

---

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2016

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-33892

---

**AMC ENTERTAINMENT HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**26-0303916**

(I.R.S. Employer  
Identification No.)

**One AMC Way**

**11500 Ash Street, Leawood, KS**  
(Address of principal executive offices)

**66211**

(Zip Code)

Registrant's telephone number, including area code: **(913) 213-2000**

---

## Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

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 Regulations 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 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  Smaller reporting company

(Do not check if a  
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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Title of each class of common stock</b>	<b>Number of shares outstanding as of April 15, 2016</b>
Class A common stock	21,613,532
Class B common stock	75,826,927

---

## AMC ENTERTAINMENT HOLDINGS, INC.

## INDEX

	Page Number	
<b><u>PART I FINANCIAL INFORMATION</u></b>		
<b><u>Item 1.</u></b>	<b><u>Financial Statements (Unaudited)</u></b>	<b><u>3</u></b>
	<u>Consolidated Statements of Operations</u>	<u>3</u>
	<u>Consolidated Statements of Comprehensive Income (Loss)</u>	<u>4</u>
	<u>Consolidated Balance Sheets</u>	<u>5</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<b><u>Item 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b><u>35</u></b>
<b><u>Item 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b><u>51</u></b>
<b><u>Item 4.</u></b>	<b><u>Controls and Procedures</u></b>	<b><u>52</u></b>
<b><u>PART II OTHER INFORMATION</u></b>		
<b><u>Item 1.</u></b>	<b><u>Legal Proceedings</u></b>	<b><u>53</u></b>
<b><u>Item 1A.</u></b>	<b><u>Risk Factors</u></b>	<b><u>53</u></b>
<b><u>Item 2.</u></b>	<b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b><u>53</u></b>
<b><u>Item 3.</u></b>	<b><u>Defaults Upon Senior Securities</u></b>	<b><u>53</u></b>
<b><u>Item 4.</u></b>	<b><u>Mine Safety Disclosures</u></b>	<b><u>53</u></b>
<b><u>Item 5.</u></b>	<b><u>Other Information</u></b>	<b><u>53</u></b>
<b><u>Item 6.</u></b>	<b><u>Exhibits</u></b>	<b><u>54</u></b>
	<b><u>Signatures</u></b>	<b><u>55</u></b>

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements. (Unaudited)**

**AMC ENTERTAINMENT HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	Three Months Ended	
	March 31, 2016	March 31, 2015
	(unaudited)	
Revenues		
Admissions	\$ 482,574	\$ 418,694
Food and beverage	244,152	200,524
Other theatre	39,291	33,906
<b>Total revenues</b>	<b>766,017</b>	<b>653,124</b>
Operating costs and expenses		
Film exhibition costs	262,354	223,088
Food and beverage costs	33,965	28,508
Operating expense	202,313	187,258
Rent	124,584	117,921
General and administrative:		
Merger, acquisition and transaction costs	4,604	1,578
Other	18,516	4,941
Depreciation and amortization	60,430	57,777
<b>Operating costs and expenses</b>	<b>706,766</b>	<b>621,071</b>
Operating income	59,251	32,053
Other expense (income):		
Other expense	26	
Interest expense:		
Corporate borrowings	24,867	26,079
Capital and financing lease obligations	2,195	2,373
Equity in earnings of non-consolidated entities	(4,264)	(1,324)
Investment income	(9,954)	(5,143)
<b>Total other expense</b>	<b>12,870</b>	<b>21,985</b>
Earnings before income taxes	46,381	10,068
Income tax provision	18,090	3,930
<b>Net earnings</b>	<b>\$ 28,291</b>	<b>\$ 6,138</b>

Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

Earnings per share:

Basic	\$	0.29	\$	0.06
-------	----	------	----	------

Diluted	\$	0.29	\$	0.06
---------	----	------	----	------

Average shares outstanding:

Basic	98,200	97,919
Diluted	98,207	97,919

Dividends declared per basic and diluted common share	\$	0.20	\$	0.20
---	----	------	----	------

See Notes to Consolidated Financial Statements.

Table of Contents**AMC ENTERTAINMENT HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	
Net earnings	\$ 28,291	\$ 6,138
Unrealized foreign currency translation adjustment, net of tax	(71)	976
Pension and other benefit adjustments:		
Net loss arising during the period, net of tax		(45)
Prior service credit arising during the period, net of tax		746
Amortization of net (gain) loss reclassified into general and administrative: other, net of tax	4	(1,699)
Amortization of prior service credit reclassified into general and administrative: other, net of tax		(1,762)
Curtailment gain reclassified into general and administrative: other, net of tax		(7,239)
Settlement gain reclassified into general and administrative: other, net of tax		(175)
Marketable securities:		
Unrealized net holding gain arising during the period, net of tax	339	825
Realized net gain reclassified into investment income, net of tax	(1,783)	(4)
Equity method investees' cash flow hedge:		
Unrealized net holding loss arising during the period, net of tax	(468)	(361)
Realized net loss reclassified into equity in earnings of non-consolidated entities, net of tax	97	122
Other comprehensive loss	(1,882)	(8,616)
Total comprehensive income (loss)	\$ 26,409	\$ (2,478)

See Notes to Consolidated Financial Statements.

Table of Contents**AMC ENTERTAINMENT HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	March 31, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 107,927	\$ 211,250
Receivables, net	85,048	105,509
Other current assets	93,698	97,608
Total current assets	286,673	414,367
Property, net	1,409,634	1,401,928
Intangible assets, net	235,508	237,376
Goodwill	2,410,580	2,406,691
Deferred tax asset	105,609	126,198
Other long-term assets	483,067	501,757
Total assets	\$ 4,931,071	\$ 5,088,317
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 240,807	\$ 313,025
Accrued expenses and other liabilities	141,037	158,664
Deferred revenues and income	183,072	221,679
Current maturities of corporate borrowings and capital and financing lease obligations	18,991	18,786
Total current liabilities	583,907	712,154
Corporate borrowings	1,851,160	1,902,598
Capital and financing lease obligations	90,992	93,273
Exhibitor services agreement	373,010	377,599
Other long-term liabilities	484,668	462,626
Total liabilities	3,383,737	3,548,250
<b>Commitments and contingencies</b>		
Class A common stock (temporary equity) (\$.01 par value, 140,014 shares issued and 103,245 shares outstanding as of March 31, 2016; 167,211 shares issued and 130,442 shares outstanding as of December 31, 2015)	1,080	1,364
<b>Stockholders' equity:</b>		
Class A common stock (\$.01 par value, 524,173,073 shares authorized; 21,510,287 shares issued and outstanding as of March 31, 2016; 21,445,090 shares issued and outstanding as of December 31, 2015)	215	214
Class B common stock (\$.01 par value, 75,826,927 shares authorized; 75,826,927 shares issued and outstanding as of March 31, 2016 and December 31, 2015)	758	758
Additional paid-in capital	1,184,121	1,183,218
Treasury stock (36,769 shares as of March 31, 2016 and December 31, 2015, at cost)	(680)	(680)
Accumulated other comprehensive income	922	2,804
Accumulated earnings	360,918	352,389

Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

Total stockholders' equity		1,546,254		1,538,703
Total liabilities and stockholders' equity		\$ 4,931,071	\$	5,088,317

See Notes to Consolidated Financial Statements.



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	March 31, 2016	March 31, 2015
	(unaudited)	
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 28,291	\$ 6,138
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	60,430	57,777
Amortization of discount (premium) on corporate borrowings	59	(1,566)
Deferred income taxes	16,235	3,525
Theatre and other closure expense	1,508	1,127
Gain on dispositions	(3,008)	
Stock-based compensation	1,087	5,739
Equity in earnings and losses from non-consolidated entities, net of distributions	6,199	7,810
Landlord contributions	20,309	10,991
Deferred rent	(7,087)	(5,519)
Net periodic benefit cost (credit)	199	(17,917)
Change in assets and liabilities, excluding acquisitions:		
Receivables	43,987	52,943
Other assets	(1,690)	(2,277)
Accounts payable	(81,480)	(58,998)
Accrued expenses and other liabilities	(63,227)	(34,492)
Other, net	1,059	(3,718)
Net cash provided by operating activities	22,871	21,563
<b>Cash flows from investing activities:</b>		
Capital expenditures	(57,657)	(69,590)
Acquisition of Starplex Cinemas, net of cash acquired	400	
Investments in non-consolidated entities, net	(9)	(152)
Proceeds from disposition of long-term assets	5,390	
Other, net	251	(1,636)
Net cash used in investing activities	(51,625)	(71,378)
<b>Cash flows from financing activities:</b>		
Cash used to pay dividends	(19,803)	(19,821)
Deferred financing costs	(501)	
Payments under revolving credit facility	(50,000)	
Principal payments under capital and financing lease obligations	(2,076)	(1,886)
Principal payments under Term Loan	(2,202)	(1,938)
Net cash used in financing activities	(74,582)	(23,645)
Effect of exchange rate changes on cash and equivalents	13	58
Net decrease in cash and equivalents	(103,323)	(73,402)
Cash and equivalents at beginning of period	211,250	218,206
Cash and equivalents at end of period	\$ 107,927	\$ 144,804

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

**Cash paid during the period for:**

Interest (net of amounts capitalized of \$46 and \$37)	\$	22,526	\$	20,289
Income taxes, net		806		505

**Schedule of non-cash operating and investing activities:**

Investment in NCM (See Note 3 Investments)	\$		\$	6,812
Receivable from sale of RealD Inc. shares (See Note 3 Investments)		13,451		

See Notes to Consolidated Financial Statements.

Table of Contents

**AMC ENTERTAINMENT HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

**(Unaudited)**

**NOTE 1 BASIS OF PRESENTATION**

AMC Entertainment Holdings, Inc. ("Holdings"), through its direct and indirect subsidiaries, including American Multi-Cinema, Inc. and its subsidiaries, (collectively with Holdings, unless the context otherwise requires, the "Company" or "AMC"), is principally involved in the theatrical exhibition business and owns, operates or has interests in theatres primarily located in the United States. Holdings is an indirect subsidiary of Dalian Wanda Group Co., Ltd. ("Wanda"), a Chinese private conglomerate.

On March 31, 2016, AMC Entertainment Inc. ("AMCE") merged with and into Holdings, its direct parent company. In connection with the merger, Holdings assumed all of the obligations of AMCE pursuant to the indentures to the 5.875% Senior Subordinated Notes due 2022, the 5.75% Senior Subordinated Notes due 2025 and the Credit Agreement, dated as of April 30, 2013 (as subsequently amended).

As of March 31, 2016, Wanda owned approximately 77.82% of Holdings' outstanding common stock and 91.32% of the combined voting power of Holdings' outstanding common stock and has the power to control Holdings' affairs and policies, including with respect to the election of directors (and, through the election of directors, the appointment of management), entering into mergers, sales of substantially all of the Company's assets and other extraordinary transactions.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to: (1) Impairments, (2) Film exhibition costs, (3) Income and operating taxes, (4) Theatre and other closure expense, and (5) Gift card and exchange ticket income. Actual results could differ from those estimates.

**Principles of Consolidation:** The accompanying unaudited consolidated financial statements include the accounts of Holdings and all subsidiaries, as discussed above, and should be read in conjunction with the Company's Annual Report on Form 10-K for the twelve months ended December 31, 2015. The accompanying consolidated balance sheet as of December 31, 2015, which was derived from audited financial statements, and the unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by the accounting principles generally accepted in the United States of America for complete consolidated financial statements. In the opinion of management, these interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the Company's financial position and results of operations. All significant intercompany balances and transactions have been eliminated in consolidation. There are no noncontrolling (minority) interests in the Company's consolidated subsidiaries; consequently, all of its stockholders' equity, net earnings and total comprehensive income for the periods presented are attributable to controlling interests. Due to the seasonal nature of the Company's business, results for the three months ended March 31, 2016 are not necessarily indicative

Table of Contents

**AMC ENTERTAINMENT HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**March 31, 2016**

**(Unaudited)**

**NOTE 1 BASIS OF PRESENTATION (Continued)**

of the results to be expected for the twelve months ending December 31, 2016. The Company manages its business under one reportable segment called Theatrical Exhibition.

**Change in Accounting Principle:** The Company adopted the provisions of Accounting Standards Update ("ASU") No. 2015-03 and 2015-15, Interest-Imputation of Interest (Subtopic 835-30) as of the beginning of 2016 on a retrospective basis. As a result of the adoption of ASU No. 2015-03 and ASU No. 2015-15, the Company reclassified \$21,768,000 of debt issuance costs for its term loan and senior subordinated notes from other long-term assets to corporate borrowings in the Consolidated Balance Sheet as of December 31, 2015. The Company continues to defer and present its debt issuance costs related to its line-of-credit arrangement as an asset regardless of whether there are any outstanding borrowings on the line-of-credit arrangement as provided in ASU No. 2015-15.

**NOTE 2 ACQUISITION**

In December 2015, the Company completed the acquisition of SMH Theatres, Inc. ("Starplex Cinemas") for cash. The purchase price for Starplex Cinemas was \$172,243,000, net of cash acquired, and was subject to working capital and other purchase price adjustments as described in the stock purchase agreement. Starplex Cinemas operates 33 theatres with 346 screens in small and mid-size markets in 12 states, which further complements the Company's large market portfolio. The Company expects to realize synergies and cost savings related to this acquisition as a result of purchasing and procurement economies of scale and general and administrative expense savings, particularly with respect to the consolidation of corporate related functions and elimination of redundancies.

The acquisition is being treated as a purchase in accordance with Accounting Standards Codification, ("ASC") 805, *Business Combinations*, which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction. The allocation of purchase price is based on management's judgment after evaluating several factors, including bid prices from potential buyers and a preliminary valuation assessment. The allocation of purchase price is preliminary and subject to changes as an appraisal of both tangible and intangible assets and liabilities is finalized, working capital and other purchase price adjustments are completed and additional information

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 2 ACQUISITION (Continued)**

regarding the tax bases of assets and liabilities becomes available. The following is a summary of a preliminary allocation of the purchase price:

(In thousands)	Total
Cash	\$ 2,519
Receivables	1,829
Other current assets	4,629
Property(1)	52,357
Intangible assets(2)	21,480
Goodwill(3)	120,780
Other long-term assets	290
Accounts payable	(4,211)
Accrued expenses and other liabilities	(5,052)
Deferred revenues and income	(2,467)
Deferred tax liability	(16,172)
Other long-term liabilities(4)	(1,220)
<b>Total estimated purchase price</b>	<b>\$ 174,762</b>

- 
- (1) Amounts recorded for property include land, buildings, leasehold improvements, furniture, fixtures and equipment.
- (2) Amounts recorded for intangible assets includes favorable leases, a non-compete agreement and trade name.
- (3) Amounts recorded for goodwill are generally not expected to be deductible for tax purposes.
- (4) Amounts recorded for other long-term liabilities consist of an unfavorable lease.

The fair value measurement of tangible and intangible assets and liabilities were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value measurement hierarchy. Level 3 fair market values were determined using a variety of information, including estimated future cash flows, appraisals, and market comparables.

During the three months ended March 31, 2016, the Company incurred integration and acquisition-related costs for Starplex Cinemas of approximately \$1,218,000, which were included in general and administrative expense: merger, acquisition and transaction costs in the Consolidated Statements of Operations. The Company's operating results for the three months ended March 31, 2015 were not materially impacted by this acquisition.

In connection with the acquisition of Starplex Cinemas, the Company classified two Starplex Cinemas theatres with 22 screens as held for sale as of December 31, 2015, that were divested in January 2016 as required by the Antitrust Division of the United States Department of Justice. Assets



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 2 ACQUISITION (Continued)**

held for sale of approximately \$5,390,000 were classified as other current assets in the Company's Consolidated Balance Sheets at December 31, 2015.

As of March 31, 2016, the Company recorded amounts due from Starplex of \$211,000 that relate to preliminary working capital adjustments and reduced the total estimated purchase price.

Activity of goodwill is presented below:

(In thousands)	Total
Balance as of December 31, 2015	\$ 2,406,691
Adjustments to acquisition of Starplex Cinemas	3,889
Balance as of March 31, 2016	\$ 2,410,580

**NOTE 3 INVESTMENTS**

Investments in non-consolidated affiliates and certain other investments accounted for under the equity method generally include all entities in which the Company or its subsidiaries have significant influence, but not more than 50% voting control, and are recorded in the Consolidated Balance Sheets in other long-term assets. Investments in non-consolidated affiliates as of March 31, 2016, include a 17.40% interest in National CineMedia, LLC ("NCM" or "NCM LLC"), a 29% interest in Digital Cinema Implementation Partners, LLC ("DCIP"), a 15.45% interest in Digital Cinema Distribution Coalition, LLC ("DCDC"), a 50% interest in Open Road Releasing, LLC, operator of Open Road Films, LLC ("Open Road Films"), a 32% interest in AC JV, LLC ("AC JV"), owner of Fathom Events, and a 50% interest in two U.S. motion picture theatres and one IMAX screen. Indebtedness held by equity method investees is non-recourse to the Company.

**RealD Inc. Common Stock.** The Company sold all of its 1,222,780 shares in RealD Inc. during the three months ended March 31, 2016 and recognized a gain on sale of \$3,008,000. The Company has recorded a \$13,451,000 receivable included in receivables, net related to the sale of its RealD Inc. shares as of March 31, 2016 and received the proceeds from the sale on April 9, 2016.

**Equity in Earnings (Losses) of Non-Consolidated Entities**

Aggregated condensed financial information of the Company's significant non-consolidated equity method investments for the three months ended March 31, 2016 and the three months ended March 31, 2015 is shown below:

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
Revenues	\$ 116,844	\$ 117,641
Operating costs and expenses	105,842	138,897
Net earnings (loss)	\$ 11,002	\$ (21,256)





Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 3 INVESTMENTS (Continued)

The components of the Company's recorded equity in earnings (losses) of non-consolidated entities are as follows:

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
National CineMedia, LLC	\$ (2,117)	\$ (6,639)
Digital Cinema Implementation Partners, LLC	5,764	5,429
Open Road Releasing, LLC		1,286
AC JV, LLC	259	1,038
Other	358	210
The Company's recorded equity in earnings	\$ 4,264	\$ 1,324

**NCM Transactions.** As of March 31, 2016, the Company owns 23,862,988 common membership units, or a 17.40% interest, in NCM and 200,000 common shares of NCM, Inc. The estimated fair market value of the common units in NCM and the common stock investment in NCM, Inc. was approximately \$365,998,000, based on the publically quoted price per share of NCM, Inc. on March 31, 2016 of \$15.21 per share.

The Company recorded the following transactions with NCM:

(In thousands)	March 31,	December 31,
	2016	2015
Due from NCM for on-screen advertising revenue	\$ 2,299	\$ 2,406
Due to NCM for Exhibitor Services Agreement	791	1,226
Promissory note payable to NCM	5,555	5,555

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
<i>Other theatre revenues:</i>		
Net NCM screen advertising revenues	\$ 10,539	\$ 8,648
<i>Operating expense:</i>		
NCM beverage advertising expense	1,509	2,514

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 3 INVESTMENTS (Continued)

The Company recorded the following changes in the carrying amount of its investment in NCM and equity in losses of NCM during the three months ended March 31, 2016:

(In thousands)	Investment in NCM(1)	Exhibitor Services Agreement(2)	Other Comprehensive (Income)	Cash Received	Equity in Losses	Advertising (Revenue)
Ending balance December 31, 2015	\$ 327,471	\$ (377,599)	\$ (4,014)			
Receipt of excess cash distributions	(10,170)			\$ 10,170	\$	\$
Reclassify book value of NCM, Inc. shares	408					
Amortization of deferred revenue		4,589				(4,589)
Equity in losses and loss from amortization of basis difference(3)(4)	(2,117)				2,117	
For the period ended or balance as of March 31, 2016	\$ 315,592	\$ (373,010)	\$ (4,014)	\$ 10,170	\$ 2,117	\$ (4,589)

(1)

The following table represents AMC's investment in common membership units including units received under the Common Unit Adjustment Agreement dated as of February 13, 2007:

	Common Membership Units	
	Tranche 1	Tranche 2(a)
Beginning balance at December 31, 2012	17,323,782	
Additional units received in March 2013		1,728,988
Additional units received in March 2014		141,731
Additional units received in March 2015		469,163
Additional units received in December 2015		4,399,324
Units exchange for NCM, Inc. shares in December 2015		(200,000)
Ending balance at March 31, 2016	17,323,782	6,539,206

(a)

The additional units received in March 2013, March 2014, March 2015, and December 2015 were measured at fair value (Level 1) using NCM, Inc.'s stock price of \$15.22, \$15.08, \$14.52 and \$15.75, respectively.

(2)

## Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

Represents the unamortized portion of the Exhibitor Services Agreement ("ESA") with NCM. Such amounts are being amortized to other theatre revenues over the remainder of the 30 year term of the ESA ending in 2036, using a units-of-revenue method, as described in ASC 470-10-35 (formerly EITF 88-18, *Sales of Future Revenues*).

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 3 INVESTMENTS (Continued)**

- (3) Represents percentage ownership of NCM's losses on both Tranche 1 and Tranche 2 Investments.
- (4) Certain differences between the Company's carrying value and the Company's share of NCM's membership equity have been identified and are amortized to equity in earnings over the respective lives of the assets and liabilities.

During the three months ended March 31, 2016 and March 31, 2015, the Company received payments of \$7,218,000 and \$5,352,000, respectively, related to the NCM tax receivable agreement. The receipts are recorded in investment income, net of related amortization for the NCM tax receivable agreement intangible asset.

**DCIP Transactions.** The Company will make capital contributions to DCIP for projector and installation costs in excess of an agreed upon cap (\$68,000 per system for digital conversions and \$39,000 for new build locations as of March 31, 2016). The Company pays equipment rent monthly and records the equipment rental expense on a straight-line basis over 12 years.

The Company recorded the following transactions with DCIP:

(In thousands)	March 31, 2016	December 31, 2015
Due from DCIP for equipment and warranty purchases	\$ 1,654	\$ 1,460
Deferred rent liability for digital projectors	8,648	8,725

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
<i>Operating expense:</i>		
Digital equipment rental expense	\$ 1,241	\$ 1,294
Warranty reimbursements from DCIP	(2,013)	(1,925)

**Open Road Films Transactions.** During the three months ended March 31, 2016, the Company continued to suspend equity method accounting for its investment in Open Road Films as the negative investment in Open Road Films had reached the Company's capital commitment of \$10,000,000. On April 1, 2016, the Company funded \$3,000,000 of the capital commitment. The Company's share of cumulative losses from Open Road Films in excess of the Company's capital commitment was \$27,560,000 as of March 31, 2016 and \$14,422,000 as of December 31, 2015.

The Company recorded the following transactions with Open Road Films:

(In thousands)	March 31, 2016	December 31, 2015
Due from Open Road Films	\$ 2,895	\$ 2,472
Film rent payable to Open Road Films	641	1,061

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 3 INVESTMENTS (Continued)

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
<i>Film exhibition costs:</i>		
Gross film exhibition cost on Open Road Films	\$ 3,580	\$ 1,400

*AC JV Transactions.* The Company recorded the following transactions with AC JV:

(In thousands)	March 31,	December 31,
	2016	2015
Due to AC JV for Fathom Events programming	\$ 384	\$ 445

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
<i>Film exhibition costs:</i>		
Gross exhibition cost on Fathom Events programming	\$ 1,979	\$ 2,586

## NOTE 4 STOCKHOLDERS' EQUITY

## Common Stock Rights and Privileges

The rights of the holders of Holdings' Class A common stock and Holdings' Class B common stock are identical, except with respect to voting and conversion applicable to the Class B common stock. Holders of Holdings' Class A common stock are entitled to one vote per share and holders of Holdings' Class B common stock are entitled to three votes per share. Holders of Class A common stock and Class B common stock will share ratably (based on the number of shares of common stock held) in any dividend declared by its board of directors, subject to any preferential rights of any outstanding preferred stock. The Class A common stock is not convertible into any other shares of Holdings' capital stock. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock shall convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in Holdings' certificate of incorporation.

## Dividends

The following is a summary of dividends and dividend equivalents paid to stockholders during the three months ended March 31, 2016:

Declaration Date	Record Date	Date Paid	Amount per Share of Common Stock
February 25, 2016	March 7, 2016	March 21, 2016	\$ 0.20

On February 25, 2016, the Company's Board of Directors declared a cash dividend of approximately \$19,762,000. During the three months ended March 31, 2016, the Company paid

Table of Contents

**AMC ENTERTAINMENT HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**March 31, 2016**

**(Unaudited)**

**NOTE 4 STOCKHOLDERS' EQUITY (Continued)**

dividends and dividend equivalents of \$19,803,000, increased additional paid-in capital for recognition of deferred tax assets of \$123,000 related to the dividends equivalents paid, decreased additional paid-in capital for reversal of deferred tax assets for the settlement of stock awards by \$119,000, decreased additional paid-in capital for 20,805 shares surrendered to pay payroll and income taxes by \$472,000, and accrued \$124,000 for the remaining unpaid dividends at March 31, 2016. The aggregate dividends paid for Class A common stock, Class B common stock, and dividend equivalents were approximately \$4,323,000, \$15,165,000, and \$315,000, respectively, during the three months ended March 31, 2016.

**Related Party Transaction**

As of March 31, 2016, the Company recorded a receivable due from Wanda of \$214,000 for reimbursement of general administrative and other expense incurred on behalf of Wanda.

**Temporary Equity**

Certain members of management have the right to require Holdings to repurchase the Class A common stock held by them under certain limited circumstances pursuant to the terms of a stockholders agreement. Beginning on January 1, 2016 (or upon the termination of a management stockholder's employment by the Company without cause, by the management stockholder for good reason, or due to the management stockholder's death or disability) management stockholders will have the right, in limited circumstances, to require Holdings to purchase shares that are not fully and freely tradeable at a price equal to the price per share paid by such management stockholder with appropriate adjustments for any subsequent events such as dividends, splits, or combinations. The shares of Class A common stock, subject to the stockholder agreement, are classified as temporary equity, apart from permanent equity, as a result of the contingent redemption feature contained in the stockholder agreement. The Company determined the amount reflected in temporary equity for the Class A common stock based on the price paid per share by the management stockholders and Wanda on August 30, 2012, the date Wanda acquired Holdings.

During the three months ended March 31, 2016, a former employee who held 27,197 shares, relinquished his put right, therefore the related share amount of \$284,000 was reclassified to additional paid-in capital, a component of stockholders' equity.

**Stock-Based Compensation**

Holdings adopted a stock-based compensation plan in December of 2013.

The Company recognized stock-based compensation expense of \$1,087,000 and \$5,739,000 within general and administrative: other during the three months ended March 31, 2016 and March 31, 2015, respectively. The Company's financial statements reflect an increase to additional paid-in capital related to stock-based compensation of \$1,087,000 during the three months ended March 31, 2016. As of March 31, 2016, there was approximately \$14,791,000 of total estimated unrecognized compensation cost, assuming attainment of the performance targets at 100%, related to stock-based compensation arrangements expected to be recognized during the remainder of calendar 2016 and in calendar 2017 and 2018. The Company expects to recognize compensation cost of \$5,179,000 during the remainder of calendar 2016 and \$4,806,000 in calendar 2017 and 2018.

Table of Contents

**AMC ENTERTAINMENT HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**March 31, 2016**

**(Unaudited)**

**NOTE 4 STOCKHOLDERS' EQUITY (Continued)**

***2013 Equity Incentive Plan***

The 2013 Equity Incentive Plan provides for grants of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance stock units, stock awards, and cash performance awards. The maximum number of shares of Holdings' common stock available for delivery pursuant to awards granted under the 2013 Equity Incentive Plan is 9,474,000 shares. At March 31, 2016, the aggregate number of shares of Holdings' common stock remaining available for grant was 7,677,942 shares.

***Awards Granted in 2016***

During the three months ended March 31, 2016, Holdings' Board of Directors approved awards of stock, restricted stock units ("RSUs"), and performance stock units ("PSUs") to certain of the Company's employees and directors under the 2013 Equity Incentive Plan. The fair value of the stock at the grant dates of January 4, 2016, February 24, 2016 and March 1, 2016 was \$23.17, \$22.55 and \$24.88 per share, respectively, and was based on the closing price of Holdings' stock.

The award agreements generally had the following features:

*Stock Award:* On January 4, 2016, 4 members of Holdings' Board of Directors were granted an award of 4,260 fully vested shares of Class A common stock each, and on February 24, 2016, 1 member of Holdings' Board of Directors was granted an award of 4,302 fully vested shares of Class A common stock, for a total award of 21,342 shares. The Company recognized approximately \$492,000 of expense in general and administrative: other expense during the three months ended March 31, 2016, in connection with these share grants.

*Restricted Stock Unit Awards:* On March 1, 2016, RSU awards of 145,739 units were granted to certain members of management. Each RSU represents the right to receive one share of Class A common stock at a future date. The RSUs vest over 3 years with  $\frac{1}{3}$  vesting on each of January 2, 2017, 2018 and 2019. The RSUs will be settled within 30 days of vesting. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the RSUs began to accrue with respect to the RSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the RSUs. The grant date fair value was \$3,626,000 based on a stock price of \$24.88 on March 1, 2016. The Company recognized approximately \$121,000 of expense in general and administrative: other expense during the three months ended March 31, 2016, in connection with these awards.

On March 1, 2016, RSU awards of 135,981 units were granted to certain executive officers covered by Section 162(m) of the Internal Revenue Code. The RSUs will be forfeited if Holdings does not achieve a specified cash flow from operating activities target for each of the twelve months ending December 31, 2016, 2017 and 2018. The RSUs vest over 3 years with  $\frac{1}{3}$  vesting in each of 2017, 2018 and 2019 if cash flow from operating activities target is met. The vested RSUs will be settled within 30 days of vesting. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the RSUs began to accrue with respect to the RSUs on the date of grant. Such accrued dividend equivalents are paid to

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 4 STOCKHOLDERS' EQUITY (Continued)**

the holder upon vesting of the RSUs. The grant date fair value was \$3,383,000 based on the probable outcome of the performance targets and a stock price of \$24.88 on March 1, 2016. The Company recognized expense for these awards of \$112,000 in general and administrative: other expense, during the three months ended March 31, 2016, based on current estimates that the performance condition for all years is expected to be achieved.

*Performance Stock Unit Award:* On March 1, 2016, PSU awards were granted to certain members of management and executive officers, with both a three year cumulative free cash flow and net income performance target condition and a service condition, covering a performance period beginning January 1, 2016 and ending on December 31, 2018. The PSUs will vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%. If the performance target is met at 100%, the PSU awards granted on March 1, 2016 will be 281,720 units. No PSUs will vest if Holdings does not achieve the three year cumulative free cash flow and net income minimum performance target or the participant's service does not continue through the last day of the performance period. The vested PSUs will be settled within 30 days of vesting. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the PSUs began to accrue with respect to the PSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the PSUs. Assuming attainment of the performance target at 100%, the Company recognized expense for these awards of approximately \$206,000 during the three months ended March 31, 2016 and will recognize \$2,060,000 in general and administrative: other expense during the twelve months ending December 31, 2016. The grant date fair value was \$7,009,000 based on the probable outcome of the performance conditions and a stock price of \$24.88 on March 1, 2016.

*Performance Stock Unit Transition Award:* In recognition of the shift from one year to three year performance periods for annual equity awards on March 1, 2016, PSU transition awards were granted to certain members of management and executive officers, with both a 2016 free cash flow and net income performance target condition and a service condition, covering a performance period beginning January 1, 2016 and ending on December 31, 2016. The PSUs will vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%. If the performance target is met at 100%, the transition PSU awards granted on March 1, 2016 will be 54,652 units. No PSUs will vest if Holdings does not achieve the free cash flow or net income minimum performance target or the participant's service does not continue through the last day of the performance period. The vested PSUs will be settled within 30 days of vesting. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the PSUs began to accrue with respect to the PSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the PSUs. Assuming attainment of the performance target at 100%, the Company recognized \$136,000 during the three months ended March 31, 2016 and will recognize expense for these awards of approximately \$1,360,000 in general and administrative: other expense during the twelve months ending December 31, 2016. The grant date fair value was



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 4 STOCKHOLDERS' EQUITY (Continued)**

\$1,360,000 based on the probable outcome of the performance condition and a stock price of \$24.88 on March 1, 2016.

The following table represents the nonvested RSU and PSU activity for the three months ended March 31, 2016:

	Shares of RSU and PSU	Weighted Average Grant Date Fair Value
Beginning balance at January 1, 2016	19,226	\$ 29.59
Granted(1)	618,092	24.88
Vested	(19,226)	29.59
Nonvested at March 31, 2016	618,092	\$ 24.88

- 
- (1) The number of shares granted under the PSU award, assumes Holdings will attain a performance target at 100%. The PSUs will vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%.

**NOTE 5 INCOME TAXES**

The Company's effective income tax rate is based on expected income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the annual income tax rate based on projected taxable income for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate, adjusted for discrete items, if any. The Company refines the estimates of the year's taxable income as new information becomes available, including actual year-to-date financial results. This continual estimation process often results in a change to the expected effective income tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected income tax rate. Significant judgment is required in determining the effective tax rate and in evaluating tax positions. The Company recognizes income tax-related interest expense and penalties as income tax expense and general and administrative expense, respectively.

The effective tax rate based on the projected annual taxable income for the year ending December 31, 2016 is 39.0%. The effective tax rate for the three months ended March 31, 2016 and March 31, 2015 was 39.0%. The Company's tax rate for the three months ended March 31, 2016 and March 31, 2015 differs from the statutory tax rate primarily due to state income taxes.

**NOTE 6 FAIR VALUE MEASUREMENTS**

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts business.

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

The inputs used to develop these fair value measurements are established in a hierarchy, which ranks the quality and reliability of the information used to determine the fair values. The fair value classification is based on levels of inputs. Assets and liabilities that are carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**Recurring Fair Value Measurements.** The following table summarizes the fair value hierarchy of the Company's financial assets carried at fair value on a recurring basis as of March 31, 2016:

(In thousands)	Fair Value Measurements at March 31, 2016 Using			
	Total Carrying Value at March 31, 2016(1)	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Other long-term assets:</b>				
Money market mutual funds	\$ 755	\$ 755	\$	\$
Equity securities, available-for-sale:				
Mutual fund large U.S. equity	1,856	1,856		
Mutual fund small/mid U.S. equity	2,235	2,235		
Mutual fund international	612	612		
Mutual fund balanced	474	474		
Mutual fund fixed income	1,014	1,014		
<b>Total assets at fair value</b>	<b>\$ 6,946</b>	<b>\$ 6,946</b>	<b>\$</b>	<b>\$</b>

(1)

The investments relate to a non-qualified deferred compensation arrangement on behalf of certain management. The Company has an equivalent liability for this related-party transaction recorded in other long-term liabilities for the deferred compensation obligation.

**Valuation Techniques.** The Company's money market mutual funds are invested in funds that seek to preserve principal, are highly liquid, and therefore are recorded on the balance sheet at the principal amounts deposited, which equals fair value. The equity securities, available-for-sale, primarily consist of common stock and mutual funds invested in equity, fixed income, and international funds and are measured at fair value using quoted market prices. See Note 8 Accumulated Other Comprehensive Income (Loss) for the unrealized gain on the equity securities recorded in accumulated other comprehensive income.



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

**Other Fair Value Measurement Disclosures.** The Company is required to disclose the fair value of financial instruments that are not recognized at fair value in the statement of financial position for which it is practicable to estimate that value:

(In thousands)	Total Carrying Value at March 31, 2016	Fair Value Measurements at March 31, 2016 Using		
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current maturities of corporate borrowings	\$ 10,195	\$	\$ 9,071	\$ 1,389
Corporate borrowings	1,851,160		1,913,867	4,166

**Valuation Technique.** Quoted market prices and observable market based inputs were used to estimate fair value for Level 2 inputs. The Level 3 fair value measurement represents the transaction price of the corporate borrowings under market conditions.

## NOTE 7 THEATRE AND OTHER CLOSURE AND DISPOSITION OF ASSETS

A rollforward of reserves for theatre and other closure and disposition of assets is as follows:

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
Beginning balance	\$ 42,973	\$ 52,835
Theatre and other closure expense	1,508	1,127
Transfer of assets and liabilities		59
Foreign currency translation adjustment	255	(1,613)
Cash payments	(3,303)	(2,909)
Ending balance	\$ 41,433	\$ 49,499

In the accompanying Consolidated Balance Sheets, as of March 31, 2016, the current portion of the ending balance totaling \$7,849,000 is included with accrued expenses and other liabilities and the long-term portion of the ending balance totaling \$33,584,000 is included with other long-term liabilities. Theatre and other closure reserves for leases that have not been terminated were recorded at the present value of the future contractual commitments for the base rents, taxes and maintenance.

During the three months ended March 31, 2016 and the three months ended March 31, 2015, the Company recognized theatre and other closure expense of \$1,508,000 and \$1,127,000, respectively. Theatre and other closure expense included the accretion on previously closed properties with remaining lease obligations.

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 8 ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables present the change in accumulated other comprehensive income (loss) by component:

(In thousands)	Foreign Currency	Pension and Other Benefits	Unrealized Net Gain on Marketable Securities	Unrealized Net Gain from Equity Method Investees' Cash Flow Hedge	Total
Balance, December 31, 2015	\$ 2,101	\$ (3,289)	\$ 1,465	\$ 2,527	\$ 2,804
Other comprehensive income (loss) before reclassifications	(71)	4	339	(468)	(196)
Amounts reclassified from accumulated other comprehensive income			(1,783)	97	(1,686)
Other comprehensive income (loss)	(71)	4	(1,444)	(371)	(1,882)
Balance, March 31, 2016	\$ 2,030	\$ (3,285)	\$ 21	\$ 2,156	\$ 922

(In thousands)	Foreign Currency	Pension and Other Benefits(1)	Unrealized Net Gain on Marketable Securities	Unrealized Net Gain from Equity Method Investees' Cash Flow Hedge	Total
Balance, December 31, 2014	\$ 729	\$ 6,675	\$ 2,677	\$ 2,763	\$ 12,844
Other comprehensive income (loss) before reclassifications	976	701	825	(361)	2,141
Amounts reclassified from accumulated other comprehensive income		(10,875)	(4)	122	(10,757)
Other comprehensive income (loss)	976	(10,174)	821	(239)	(8,616)
Balance, March 31, 2015	\$ 1,705	\$ (3,499)	\$ 3,498	\$ 2,524	\$ 4,228

(1)

See Note 9 Employee Benefit Plans for further information regarding amounts reclassified from accumulated other comprehensive income.

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 8 ACCUMULATED OTHER COMPREHENSIVE INCOME (Continued)**

The tax effects allocated to each component of other comprehensive income (loss) is as follows:

(In thousands)	Three Months Ended					
	March 31, 2016			March 31, 2015		
	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized foreign currency translation adjustment	\$ (117)	\$ 46	\$ (71)	\$ 1,600	\$ (624)	\$ 976
Pension and other benefit adjustments:						
Net loss arising during the period				(73)	28	(45)
Prior service credit arising during the period				1,223	(477)	746
Amortization of net (gain) loss reclassified into general and administrative: other	7	(3)	4	(2,786)	1,087	(1,699)
Amortization of prior service credit reclassified into general and administrative: other				(2,888)	1,126	(1,762)
Curtailment gain reclassified into general and administrative: other				(11,867)	4,628	(7,239)
Settlement gain reclassified into general and administrative: other				(288)	113	(175)
Marketable securities:						
Unrealized net holding gain arising during the period	555	(216)	339	1,352	(527)	825
Realized net gain reclassified into investment expense (income)	(2,923)	1,140	(1,783)	(6)	2	(4)
Equity method investees' cash flow hedge:						
Unrealized net holding loss arising during the period	(768)	300	(468)	(592)	231	(361)
Realized net loss reclassified into equity in earnings of non-consolidated entities	160	(63)	97	200	(78)	122
Other comprehensive income (loss)	\$ (3,086)	\$ 1,204	\$ (1,882)	\$ (14,125)	\$ 5,509	\$ (8,616)

**NOTE 9 EMPLOYEE BENEFIT PLANS**

The Company sponsors frozen non-contributory qualified and non-qualified defined benefit pension plans generally covering all employees who, prior to the freeze, were age 21 or older and had completed at least 1,000 hours of service in their first twelve months of employment, or in a calendar year ending thereafter, and who were not covered by a collective bargaining agreement. The Company also offered eligible retirees the opportunity to participate in a health plan. Certain employees were eligible for subsidized postretirement medical benefits. The eligibility for these benefits was based upon a participant's age and service as of January 1, 2009. The Company also sponsors a postretirement deferred compensation plan.

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 9 EMPLOYEE BENEFIT PLANS (Continued)

On January 12, 2015, the Compensation Committee and all of the Board of Directors of AMC Entertainment Holdings, Inc. adopted resolutions to terminate the AMC Postretirement Medical Plan with an effective date of March 31, 2015. During the three months ended March 31, 2015, the Company notified eligible associates that their retiree medical coverage under the plan would terminate after March 31, 2015. Payments to eligible associates were approximately \$4,300,000 during the three months ended March 31, 2015. The Company recorded net periodic benefit credits including curtailment gains, settlement gains, amortization of unrecognized prior service credits and amortization of actuarial gains recorded in accumulated other comprehensive income related to the termination and settlement of the plan during the three months ended March 31, 2015.

Net periodic benefit cost (credit) recognized for the plans during the three months ended March 31, 2016 and the three months ended March 31, 2015 consists of the following:

(In thousands)	Pension Benefits		Other Benefits	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Components of net periodic benefit cost:				
Service cost	\$	\$	\$	\$ 2
Interest cost	1,081	1,069		7
Expected return on plan assets	(889)	(1,166)		
Amortization of net (gain) loss	7	11		(2,797)
Amortization of prior service credit				(2,888)
Curtailment gain				(11,867)
Settlement (gain) loss		287		(575)
Net periodic benefit cost (credit)	\$ 199	\$ 201	\$	\$ (18,118)

## NOTE 10 COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, is a party to various ordinary course claims from vendors (including food and beverage suppliers and film distributors), landlords, competitors, and other legal proceedings. If management believes that a loss arising from these actions is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range and no point is more probable than another. As additional information becomes available, any potential liability related to these actions is assessed and the estimates are revised, if necessary. Management believes that the ultimate outcome of such matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations. However, litigation and claims are subject to inherent uncertainties and unfavorable outcomes can occur. An unfavorable outcome might include monetary damages. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the results of operations in the period in which the outcome occurs or in future periods.

On May 28, 2015, the Company received a Civil Investigative Demand ("CID") from the Antitrust Division of the United States Department of Justice in connection with an investigation under



Table of Contents

**AMC ENTERTAINMENT HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**March 31, 2016**

**(Unaudited)**

**NOTE 10 COMMITMENTS AND CONTINGENCIES (Continued)**

Sections 1 and 2 of the Sherman Antitrust Act. Beginning in May of 2015, the Company also received CIDs from the Attorneys General for the States of Ohio, Texas, Washington, Florida, New York, Kansas, and from the District of Columbia, regarding similar inquiries under those states' antitrust laws. The CIDs request the production of documents and answers to interrogatories concerning potentially anticompetitive conduct, including film clearances and participation in certain joint ventures. The Company may receive additional CIDs from antitrust authorities in other jurisdictions in which it operates. The Company does not believe it has violated federal or state antitrust laws and is cooperating with the relevant governmental authorities. However, the Company cannot predict the ultimate scope, duration or outcome of these investigations.

On March 3, 2016, the Company and Carmike Cinemas, Inc. ("Carmike") entered into a definitive merger agreement pursuant to which the Company will acquire all of the outstanding shares of Carmike for \$30.00 per share in cash or approximately \$757,000,000. The Company has entered into a debt financing commitment letter in connection with the merger agreement which provides senior secured incremental term loans in an aggregate amount of up to \$325,000,000 and a senior subordinated bridge loan in an aggregate amount of up to \$300,000,000 to fund the acquisition. There can be no assurance that the Company will be successful in completing the debt financing on favorable terms as it involves matters outside of the Company's control. The merger is subject to customary closing conditions, including regulatory approval and approval by Carmike's shareholders.

**NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS**

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employer Share-Based Payment Accounting which is intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. This standard requires entities to record all of the tax effects related to share-based payments at settlement or expiration through the income statement, removes the requirement to delay recognition of a windfall tax benefit until it reduces current taxes payable, requires all tax-related cash flows resulting from share-based payments to be reported as operating activities on the statement of cash flows, permits entities to withhold an amount up to the employee's maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award and permits entities to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. This standard will be effective for fiscal years beginning after December 15, 2016, and interim periods within that reporting period. Early adoption will be permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact the adoption of ASU 2016-09 will have on its consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by lease terms of more than 12 months. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial position, results of operations or cash flows.

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

**NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASU 2014-09"), 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. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. On July 9, 2015, the FASB decided to delay the effective date of ASU 2014-09 by one year. The new standard is effective for the Company on January 1, 2018. Companies may elect to adopt this application as of the original effective date for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

**NOTE 12 EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding. Diluted earnings per share includes the effects of unvested RSU's with a service condition only and unvested contingently issuable RSUs and PSUs that have service and performance conditions, if dilutive.

The following table sets forth the computation of basic and diluted earnings per common share:

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
<b>Numerator:</b>		
Net earnings	\$ 28,291	\$ 6,138
<b>Denominator</b> (shares in thousands):		
Weighted average shares for basic earnings per common share	98,200	97,919
Common equivalent shares for RSUs and PSUs	7	
Shares for diluted earnings per common share	98,207	97,919
Basic earnings per common share	\$ 0.29	\$ 0.06
Diluted earnings per common share	\$ 0.29	\$ 0.06

Vested RSUs and PSU's have dividend rights identical to the Company's Class A and Class B common stock and are treated as outstanding shares for purposes of computing basic and diluted earnings per share. Certain unvested RSUs and unvested PSUs are subject to performance conditions and are included in diluted earnings per share, if dilutive, using the treasury stock method based on the number of shares, if any, that

Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

would be issuable under the terms of the Company's 2013 Equity Incentive Plan ("Plan") if the end of the reporting period were the end of the contingency period. During the three months ended March 31, 2016, unvested RSUs of 135,981 and unvested PSUs of 100,912 at the minimum performance target, were not included in the computation of diluted earnings

Table of Contents

**AMC ENTERTAINMENT HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**March 31, 2016**

**(Unaudited)**

**NOTE 12 EARNINGS PER SHARE (Continued)**

per share since the shares would not be issuable under the terms of the Plan, if the end of the reporting period were the end of the contingency period.

**NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, *Financial statements of guarantors and issuers of guaranteed securities registered or being registered*. Each of the subsidiary guarantors are 100% owned by AMCEH. The subsidiary guarantees of the Company's Notes due 2022 and the Notes due 2025 are full and unconditional and joint and several and subject to customary release provisions. The Company and its subsidiary guarantors' investments in its consolidated subsidiaries are presented under the equity method of accounting.

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

Three months ended March 31, 2016:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
<b>Revenues</b>					
Admissions	\$	\$ 481,459	\$ 1,115	\$	\$ 482,574
Food and beverage		243,664	488		244,152
Other theatre		39,107	184		39,291
<b>Total revenues</b>		<b>764,230</b>	<b>1,787</b>		<b>766,017</b>
<b>Operating costs and expenses</b>					
Film exhibition costs		261,814	540		262,354
Food and beverage costs		33,871	94		33,965
Operating expense		201,452	861		202,313
Rent		124,093	491		124,584
<b>General and administrative:</b>					
Merger, acquisition and transaction costs		4,604			4,604
Other		18,516			18,516
Depreciation and amortization		60,416	14		60,430
<b>Operating costs and expenses</b>		<b>704,766</b>	<b>2,000</b>		<b>706,766</b>
Operating income (loss)		59,464	(213)		59,251
<b>Other expense (income)</b>					
Equity in net (earnings) loss of subsidiaries	(26,184)	185		25,999	
Other expense		26			26
<b>Interest expense:</b>					
Corporate borrowings	24,840	31,999		(31,972)	24,867
Capital and financing lease obligations		2,195			2,195
Equity in earnings of non-consolidated entities		(4,264)			(4,264)
Investment income	(26,947)	(14,951)	(28)	31,972	(9,954)
<b>Total other expense (income)</b>	<b>(28,291)</b>	<b>15,190</b>	<b>(28)</b>	<b>25,999</b>	<b>12,870</b>
Earnings (loss) before income taxes	28,291	44,274	(185)	(25,999)	46,381
Income tax provision		18,090			18,090
<b>Net earnings (loss)</b>	<b>\$ 28,291</b>	<b>\$ 26,184</b>	<b>\$ (185)</b>	<b>\$ (25,999)</b>	<b>\$ 28,291</b>



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

Three months ended March 31, 2015:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
<b>Revenues</b>					
Admissions	\$	\$ 417,689	\$ 1,005	\$	\$ 418,694
Food and beverage		200,108	416		200,524
Other theatre		33,779	127		33,906
<b>Total revenues</b>		<b>651,576</b>	<b>1,548</b>		<b>653,124</b>
<b>Operating costs and expenses</b>					
Film exhibition costs		222,628	460		223,088
Food and beverage costs		28,424	84		28,508
Operating expense	68	186,352	838		187,258
Rent		117,484	437		117,921
<b>General and administrative:</b>					
Merger, acquisition and transaction costs		1,578			1,578
Other		4,940	1		4,941
Depreciation and amortization		57,754	23		57,777
<b>Operating costs and expenses</b>	<b>68</b>	<b>619,160</b>	<b>1,843</b>		<b>621,071</b>
Operating income (loss)	(68)	32,416	(295)		32,053
<b>Other expense (income)</b>					
Equity in net (earnings) loss of subsidiaries	(3,186)	295		2,891	
<b>Interest expense:</b>					
Corporate borrowings	26,017	34,899		(34,837)	26,079
Capital and financing lease obligations		2,373			2,373
Equity in earnings of non-consolidated entities		(1,324)			(1,324)
Investment income	(29,037)	(10,943)		34,837	(5,143)
<b>Total other expense (income)</b>	<b>(6,206)</b>	<b>25,300</b>		<b>2,891</b>	<b>21,985</b>
<b>Earnings (loss) before income taxes</b>	<b>6,138</b>	<b>7,116</b>	<b>(295)</b>	<b>(2,891)</b>	<b>10,068</b>
Income tax provision		3,930			3,930
<b>Net earnings (loss)</b>	<b>\$ 6,138</b>	<b>\$ 3,186</b>	<b>\$ (295)</b>	<b>\$ (2,891)</b>	<b>\$ 6,138</b>





Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

Three months ended March 31, 2016:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
Net earnings (loss)	\$ 28,291	\$ 26,184	\$ (185)	\$ (25,999)	\$ 28,291
Equity in other comprehensive income (loss) of subsidiaries	(1,882)	226		1,656	
Foreign currency translation adjustment, net of tax		(297)	226		(71)
Pension and other benefit adjustments:					
Amortization of net loss reclassified into general and administrative: others, net of tax		4			4
Marketable securities:					
Unrealized holding gain arising during the period, net of tax		339			339
Realized net gain reclassified to net investment income, net of tax		(1,783)			(1,783)
Equity method investees' cash flow hedge:					
Unrealized net holding loss arising during the period, net of tax		(468)			(468)
Realized net holding loss reclassified to equity in earnings of non-consolidated entities, net of tax		97			97
Other comprehensive income (loss)	(1,882)	(1,882)	226	1,656	(1,882)
Total comprehensive income	\$ 26,409	\$ 24,302	\$ 41	\$ (24,343)	\$ 26,409

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

Three months ended March 31, 2015:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
Net earnings (loss)	\$ 6,138	\$ 3,186	\$ (295)	\$ (2,891)	\$ 6,138
Equity in other comprehensive income (loss) of subsidiaries	(8,616)	536		8,080	
Foreign currency translation adjustment, net of tax		440	536		976
Pension and other benefit adjustments:					
Net loss arising during the period, net of tax		(45)			(45)
Prior service credit arising during the period, net of tax		746			746
Amortization of net gain reclassified into general and administrative: other, net of tax		(1,699)			(1,699)
Amortization of prior service credit reclassified into general and administrative: other, net of tax		(1,762)			(1,762)
Curtailment gain reclassified into general and administrative: other, net of tax		(7,239)			(7,239)
Settlement gain reclassified into general and administrative: other, net of tax		(175)			(175)
Marketable securities:					
Unrealized holding gain arising during the period, net of tax		825			825
Realized net holding gain reclassified to net investment income, net of tax		(4)			(4)
Equity method investees' cash flow hedge:					
Unrealized holding loss arising during the period, net of tax		(361)			(361)
Realized net loss reclassified to equity in earnings of non-consolidated entities, net of tax		122			122
Other comprehensive income (loss)	(8,616)	(8,616)	536	8,080	(8,616)
Total comprehensive income (loss)	\$ (2,478)	\$ (5,430)	\$ 241	\$ 5,189	\$ (2,478)

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

As of March 31, 2016:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
<b>Assets</b>					
Current assets:					
Cash and equivalents	\$ 1,944	\$ 63,510	\$ 42,473	\$	\$ 107,927
Receivables, net		84,813	235		85,048
Other current assets		92,396	1,302		93,698
Total current assets	1,944	240,719	44,010		286,673
Investment in equity of subsidiaries	1,646,593	33,857		(1,680,450)	
Property, net		1,409,404	230		1,409,634
Intangible assets, net		235,508			235,508
Intercompany advances	1,757,647	(1,764,109)	6,462		
Goodwill	(2,143)	2,412,723			2,410,580
Deferred tax asset	299	105,310			105,609
Other long-term assets	9,202	473,852	13		483,067
Total assets	\$ 3,413,542	\$ 3,147,264	\$ 50,715	\$ (1,680,450)	\$ 4,931,071
<b>Liabilities and Stockholders' Equity</b>					
Current liabilities:					
Accounts payable	\$	\$ 240,420	\$ 387	\$	\$ 240,807
Accrued expenses and other liabilities	10,408	130,481	148		141,037
Deferred revenues and income		183,072			183,072
Current maturities of corporate borrowings and capital and financing lease obligations	8,806	10,185			18,991
Total current liabilities	19,214	564,158	535		583,907
Corporate borrowings	1,846,994	4,166			1,851,160
Capital and financing lease obligations		90,992			90,992
Exhibitor services agreement		373,010			373,010
Other long-term liabilities		468,345	16,323		484,668
Total liabilities	1,866,208	1,500,671	16,858		3,383,737
Temporary equity	1,080				1,080
Stockholders' equity	1,546,254	1,646,593	33,857	(1,680,450)	1,546,254
Total liabilities and stockholders' equity	\$ 3,413,542	\$ 3,147,264	\$ 50,715	\$ (1,680,450)	\$ 4,931,071



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

As of December 31, 2015:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
<b>Assets</b>					
Current assets:					
Cash and equivalents	\$ 1,944	\$ 167,023	\$ 42,283	\$	\$ 211,250
Receivables, net	(21)	105,477	53		105,509
Other current assets		96,302	1,306		97,608
Total current assets	1,923	368,802	43,642		414,367
Investment in equity of subsidiaries	1,638,903	31,609		(1,670,512)	
Property, net		1,401,686	242		1,401,928
Intangible assets, net		237,376			237,376
Intercompany advances	1,805,829	(1,811,112)	5,283		
Goodwill	(2,143)	2,408,834			2,406,691
Deferred income tax asset	295	125,903			126,198
Other long-term assets	9,686	492,057	14		501,757
Total assets	\$ 3,454,493	\$ 3,255,155	\$ 49,181	\$ (1,670,512)	\$ 5,088,317
<b>Liabilities and Stockholders' Equity</b>					
Current liabilities:					
Accounts payable	\$	\$ 312,591	\$ 434	\$	\$ 313,025
Accrued expenses and other liabilities	7,188	151,619	(143)		158,664
Deferred revenues and income		221,679			221,679
Current maturities of corporate borrowings and capital and financing lease obligations	8,806	9,980			18,786
Total current liabilities	15,994	695,869	291		712,154
Corporate borrowings	1,898,432	4,166			1,902,598
Capital and financing lease obligations		93,273			93,273
Exhibitor services agreement		377,599			377,599
Other long-term liabilities		445,345	17,281		462,626
Total liabilities	1,914,426	1,616,252	17,572		3,548,250
Temporary equity	1,364				1,364
Stockholders' equity	1,538,703	1,638,903	31,609	(1,670,512)	1,538,703
Total liabilities and stockholders' equity	\$ 3,454,493	\$ 3,255,155	\$ 49,181	\$ (1,670,512)	\$ 5,088,317



Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

Three months ended March 31, 2016:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
Cash flows from operating activities:					
Net cash provided by operating activities	\$ 7,092	\$ 15,164	\$ 615	\$	\$ 22,871
Cash flows from investing activities:					
Capital expenditures		(57,650)	(7)		(57,657)
Acquisition of Starplex, net of cash acquired		400			400
Investments in non-consolidated entities, net		(9)			(9)
Proceeds from disposition of long-term assets		5,390			5,390
Other, net		251			251
Net cash used in investing activities		(51,618)	(7)		(51,625)
Cash flows from financing activities:					
Cash used to pay dividends	(19,803)				(19,803)
Deferred financing fees	(501)				(501)
Payments under revolving credit facility	(50,000)				(50,000)
Principal payments under capital and financing lease obligations		(2,076)			(2,076)
Principle payments under Term Loan	(2,202)				(2,202)
Change in intercompany advances	65,414	(64,235)	(1,179)		
Net cash used in financing activities	(7,092)	(66,311)	(1,179)		(74,582)
Effect of exchange rate changes on cash and equivalents		(748)	761		13
Net decrease in cash and equivalents		(103,513)	190		(103,323)
Cash and equivalents at beginning of period	1,944	167,023	42,283		211,250
Cash and equivalents at end of period	\$ 1,944	\$ 63,510	\$ 42,473	\$	\$ 107,927

Table of Contents

## AMC ENTERTAINMENT HOLDINGS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(Unaudited)

## NOTE 13 CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

Three months ended March 31, 2015:

(In thousands)	AMCEH	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated AMC Entertainment Holdings, Inc.
Cash flows from operating activities:					
Net cash provided by operating activities	\$ 11,443	\$ 7,991	\$ 2,129	\$	\$ 21,563
Cash flows from investing activities:					
Capital expenditures		(69,582)	(8)		(69,590)
Investments in non-consolidated entities, net		(152)			(152)
Other, net		(1,636)			(1,636)
Net cash used in investing activities		(71,370)	(8)		(71,378)
Cash flows from financing activities:					
Cash used to pay dividends	(19,821)				(19,821)
Principal payments under capital and financing lease obligations		(1,886)			(1,886)
Principal payments under Term Loan	(1,938)				(1,938)
Change in intercompany advances	10,247	(7,889)	(2,358)		
Net cash used in financing activities	(11,512)	(9,775)	(2,358)		(23,645)
Effect of exchange rate changes on cash and equivalents		67	(9)		58
Net decrease in cash and equivalents	(69)	(73,087)	(246)		(73,402)
Cash and equivalents at beginning of period	2,454	174,117	41,635		218,206
Cash and equivalents at end of period	\$ 2,385	\$ 101,030	\$ 41,389	\$	\$ 144,804

## NOTE 14 SUBSEQUENT EVENT

On April 27, 2016, Holdings' Board of Directors declared a cash dividend in the amount of \$0.20 per share of Class A and Class B common stock, payable on June 20, 2016 to stockholders of record on June 6, 2016.



Table of Contents

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Forward Looking Statements**

In addition to historical information, this Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "may," "will," "forecast," "estimate," "project," "intend," "plan," "expect," "should," "believe" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Similarly, statements made herein and elsewhere regarding our pending acquisition of Carmike are also forward-looking statements, including statements regarding the anticipated closing date of the acquisition, the ability to obtain regulatory approvals or to satisfy closing conditions, the costs of the acquisition or the source or structure of the financings, the expected benefits of the acquisition on our future business, operations and financial performance and our ability to successfully integrate the recently acquired business. These forward-looking statements are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors, including those discussed in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

decreased supply of motion pictures or delayed access to motion pictures;

quality of motion picture production, spending levels on motion picture marketing, and performance of motion pictures in our markets;

risks and uncertainties relating to our significant indebtedness;

limitations on the availability of capital may prevent us from deploying strategic initiatives;

risks of poor financial results may prevent us from meeting our payment obligations;

our ability to utilize net operating loss carryforwards to reduce our future tax liability;

increased competition in the geographic areas in which we operate;

increased use of alternative film delivery methods or other forms of entertainment;

shrinking exclusive theatrical release windows;

certain covenants in the agreements that govern our indebtedness may limit our ability to take advantage of certain business opportunities;

general political, social and economic conditions;

Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

review by antitrust authorities in connection with acquisition opportunities;

dependence on key personnel for current and future performance and our ability to attract and retain senior executives and other key personnel;

optimizing our theatre circuit through construction and the transformation of our existing theatres may be subject to delay and unanticipated costs;

our ability to achieve expected synergies and benefits and performance from our strategic theatre acquisitions and strategic initiatives, execution risks related to our pending and completed acquisitions and other strategic initiatives;

Table of Contents

with respect to our pending Carmike acquisition, our ability to satisfy closing conditions in the anticipated time frame or at all, obtaining regulatory approval, including the risk that any approval may be on terms or subject to conditions that are not anticipated, obtaining Carmike stockholders approval; the possibility that the acquisition does not close, including in circumstances in which we would be obligated to pay Carmike a termination fee or other damage or expenses;

our ability to finance the Carmike acquisition on favorable terms;

our ability to refinance our indebtedness on terms favorable to us;

failures, unavailability or security breaches of our information systems;

our investment and equity in earnings from National CineMedia, LLC ("NCM") may be negatively impacted by the competitive environment in which NCM operates and by the risks associated with its strategic initiatives;

risks relating to impairment losses and theatre and other closure charges;

risks relating to the incurrence of legal liability;

increased costs in order to comply with governmental regulation and the impact of governmental investigations concerning potentially anticompetitive conduct including film clearances and partnering with other major exhibitors in joint ventures; and

we may not generate sufficient cash flows or have sufficient restricted payment capacity under our Senior Secured Credit Facility or the indentures governing our debt securities to pay our intended dividends on our Class A and Class B common stock.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative but not exhaustive. In addition, new risks and uncertainties may arise from time to time. Accordingly, all forward-looking statements should be evaluated with an understanding of their inherent uncertainty.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements. For further information about these and other risks and uncertainties as well as strategic initiatives, see Item 1A. "Risk Factors" and Item 1. "Business" in our Annual Report on Form 10-K for the year ended December 31, 2015 and our other public filings.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included herein are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

**Overview**

AMC is the guest experience leader in the movie exhibition industry. We operate productive theatres in the country's top markets, including No. 1 market share in the top three markets, New York, Los Angeles and Chicago.

Our theatrical exhibition revenues are generated primarily from box office admissions and theatre food and beverage sales. The balance of our revenues are generated from ancillary sources, including on-screen advertising, fees earned from our AMC Stubs customer frequency membership program, rental of theatre auditoriums, income from gift card and exchange ticket sales, on-line ticketing fees



Table of Contents

and arcade games located in theatre lobbies. As of March 31, 2016, we owned, operated or had interests in 385 theatres and 5,380 screens.

We are committed to maintaining a leadership position in the industry by focusing on innovations for the benefit of our guests. To ensure AMC is an imaginative and bold innovator today and in the years ahead, we have established these priorities:

We believe our guest-focused strategy and our commitment to strong fiscal stewardship will drive shareholder value and will be supported by our size and scale;

Through world-class marketing programs we plan to strengthen the bonds with our current guests and create new connections with potential guests, to drive more attendance and increase market share. Our focus is to grab guests' attention before they even leave their homes by paying close attention to our brands and to our loyalty program, and to communicate with movie-goers digitally via the internet, our web site, our apps and through social media. Given the high degree of acceptance by consumers in interacting with companies through their website and apps, AMC is developing an all-new website and mobile application. AMC will commence launching these enhancements in phases starting in the fall of 2016. We expect to continuously improve efforts to sell movie tickets in a world where more and more consumer buying takes place online and on mobile devices;

AMC has a keen focus on the quality of on-screen presentation and programming content. We plan to continue investing in technical innovation that will allow us to enhance the consumer experience through premium formats such as IMAX, Dolby Cinema, 3D and other premium format offerings. We believe the investment in premium formats increases the value of the movie going experience for our guests and leads to additional ticket revenue. Additionally, in recognizing guests' varied tastes we will continue to explore offerings of alternative content such as live concerts, sporting events, Broadway shows, opera and other non-traditional programming to provide incremental revenue;

We expect to quicken the pace of deploying our proven theatre innovations while simultaneously developing new concepts and initiatives that will elevate the movie-going experience at AMC;

We plan for our growth to be driven through our guest-focused strategy and profitable acquisitions. We believe the introduction of our proven guest focused strategies via acquisitions to new movie-goers will generate meaningful benefits to guests, associates, studio partners and our shareholders;

We will continue to motivate our associates by generating pride in their employment at AMC. Because so much of our guest satisfaction is determined by the service delivery of our theatre teams, taking good care of our associates should translate in turn to their taking good care of our guests;

Studios, film makers and other institutions of the movie industry, whether in Hollywood or abroad, are valued partners with whom we must have cooperative and productive relationships; and

AMC is committed to deploying new technologies that will allow us to prosper and thrive even as consumers look to other ways to watch movies. Our recent foray into food and beverage mobile ordering and the partnership we announced with Atom Tickets in April of 2016 are good examples of how we intend to leverage new technologies in our efforts to elevate the movie-going experience.

Table of Contents**Film Content**

Box office admissions are our largest source of revenue. We predominantly license "first-run" films from distributors owned by major film production companies and from independent distributors on a film-by-film and theatre-by-theatre basis. Film exhibition costs are accrued based on the applicable admissions revenues and estimates of the final settlement pursuant to our film licenses. Licenses that we enter into typically state that rental fees are based on aggregate terms established prior to the opening of the picture. In certain circumstances and less frequently, our rental fees are based on a mutually agreed settlement upon the conclusion of the picture. Under an aggregate terms formula, we pay the distributor a specified percentage of box office gross or pay based on a scale of percentages tied to different amounts of box office gross. The settlement process allows for negotiation based upon how a film actually performs.

During the 2015 calendar year, films licensed from our seven largest distributors based on revenues accounted for approximately 89% of our U.S. admissions revenues. Our revenues attributable to individual distributors may vary significantly from year to year depending upon the commercial success of each distributor's films in any given year.

Our revenues are dependent upon the timing and popularity of film releases by distributors. The most marketable films are usually released during the summer and the calendar year-end holiday seasons. Therefore, our business is highly seasonal, with higher attendance and revenues generally occurring during the summer months and holiday seasons. Our results of operations may vary significantly from quarter to quarter and from year to year.

**AMC Movie Screens**

During the three months ended March 31, 2016, we opened 12 new screens, permanently closed 38 screens, temporarily closed 79 screens and reopened 59 screens to implement our strategy and install consumer experience upgrades.

As of March 31, 2016, we had 2,609 3D enabled screens, including 152 IMAX, 17 Dolby Cinema at AMC and 11 Premium Large Format ("PLF"); approximately 48% of our screens were 3D enabled screens, including IMAX 3D enabled screens, and approximately 3% of our screens were IMAX 3D enabled screens.

Format	Number of Screens	Number of Screens
	As of March 31, 2016	As of December 31, 2015
Digital	5,380	5,426
3D enabled	2,609	2,643
IMAX (3D enabled)	152	152
Dolby Cinema at AMC	17	12
Other PLF (3D enabled)	11	13
Dine-in theatres	312	312
Premium seating	1,208	1,119

**IMAX®.** IMAX is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. IMAX offers a unique end-to-end cinematic solution combining proprietary software, theater architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX® brand has become known globally. Top filmmakers and studios utilize IMAX theaters to connect with audiences in innovative ways, and as such, IMAX's theater network is among the most important and successful theatrical distribution platforms for major event films around the world.

Table of Contents

As of March 31, 2016, AMC is the largest IMAX exhibitor in the U.S. with a 44% market share, and each of our IMAX local installations is protected by geographic exclusivity. As of March 31, 2016, our IMAX screen count is 70% greater than our closest competitor. AMC believes that we have had considerable success with our IMAX partnership, and is exploring with IMAX a significant increase to the number of our IMAX locations.

**Dolby Cinema at AMC.** On April 9, 2015, we, along with Dolby Laboratories, Inc., announced Dolby Cinema at AMC, a premium cinema offering for moviegoers that combines state-of-the-art image and sound technologies with inspired theatre design and comfort. Dolby Cinema at AMC includes Dolby Vision laser projection and object oriented Dolby Atmos® audio technology, as well as AMC's plush power reclining seats with seat transducers that vibrate with the action on screen.

As of March 31, 2016, we have 17 fully operational Dolby Cinema at AMC screens and we expect to open substantially more Dolby screens by the end of 2016.

**Other PLF.** AMC believes there is considerable opportunity to add a private label PLF format in many of our locations, with superior sight and sound technology and enhanced seating as contrasted with our traditional auditoriums. This PLF format will give AMC the capability to add a screen in theatres already outfitted with IMAX and/or Dolby Cinema at AMC. Also, this PLF should offer an enhanced theatrical experience for movie goers beyond AMC's current core theatres, but may not carry the same price premium as IMAX or Dolby Cinema at AMC. Therefore, it may be especially relevant in smaller or more price sensitive markets.

**Guest Amenities**

We continually upgrade the quality of our theatre circuit by adding new screens through new builds (including expansions) and acquisitions, substantial upgrades to seating concepts, expansion of food and beverage offerings (including dine-in theatres), and by disposing of older screens through closures and sales. We are an industry leader in the development and operation of theatres. Typically, our theatres have 12 or more screens and offer amenities to enhance the movie-going experience, such as stadium seating providing unobstructed viewing, digital sound and premium seat design.

**Recliner seating** is the key feature of theatre renovations. These renovations involve stripping theatres to their basic structure in order to replace finishes throughout, upgrade the sight and sound experience, install modernized points of sale and, most importantly, replace traditional theatre seats with plush, electric recliners that allow customers to deploy a leg rest and fully recline at the push of a button. The renovation process typically involves losing up to two-thirds of a given auditorium's seating capacity. For an industry historically focused on quantity, this reduction in seating capacity could be viewed as counter-intuitive and harmful to revenues. However, the quality improvement in the customer experience is driving a 60% increase in attendance at these locations. Our customers have responded favorably to the significant personal space gains from ample row depths, ability to recline or stretch their legs, extra-wide pillowed chaise and oversized armrests. The resealed theatres attract more midweek audiences than normal theatres and tend to draw more adults who pay higher ticket prices than teens or young children. We typically do not change ticket prices in the first year after construction, however, in subsequent years we typically increase our ticket prices at our resealed theatres.

Rebalancing of the new supply-demand relationship created by recliner seating presents us two further opportunities to improve customer convenience and maximize operating results: open-source internet ticketing and reserved seating.

**Open-source internet ticketing** makes all our seats (over 880,000) in all our theatres and auditoriums for all our showtimes as available as possible, on as many websites as possible. This is a significant departure from the years prior to 2012, when tickets to any one of our buildings were only

Table of Contents

available on one website. We believe increased online access is important because it captures customers' purchase intent more immediately and directly than if we had to wait until they showed up at the theatre box office to make a purchase. Once our customers buy a ticket, they are less likely to change their mind. Carefully monitoring internet pre-sales also lets us adjust capacity in real time, moving movies that are poised to over perform to larger capacity or more auditoriums, thereby maximizing yield.

**Reserved seating**, at some of our busiest theatres, allows our customers to choose a specific seat in advance of the movie. We believe that knowing there is a specifically chosen seat waiting for a show that promises to be a sellout is comforting to our customers, and removes anxiety around the experience. We believe reserved seating will become increasingly prevalent to the point of being a pre-requisite in the medium-term future.

We believe the comfort and personal space gains from recliner seating, coupled with the immediacy of demand captured from open-source internet ticketing and the certainty offered by reserved seating distinguish us from our competitors.

**Food and beverage** sales are our second largest source of revenue after box office admissions. Food and beverage items traditionally include popcorn, soft drinks, candy and hot dogs. Different varieties of food and beverage items are offered at our theatres based on preferences in the particular geographic region. Our traditional food and beverage strategy emphasizes prominent and appealing food and beverage offerings designed for rapid service and efficiency, including a customer friendly self-serve experience. We design our theatres to have more food and beverage capacity to make it easier to serve larger numbers of customers. Strategic placement of large food and beverage operations within theatres increases their visibility, aids in reducing the length of lines, allows flexibility to introduce new concepts and improves traffic flow around the food and beverage stands.

To address recent consumer trends, we are expanding our menu of enhanced food and beverage products to include made-to-order drinks and meals, customized coffee, healthy snacks, premium beers, wine and mixed drinks and other gourmet products. We plan to invest across a spectrum of enhanced food and beverage formats, ranging from simple, less capital-intensive food and beverage design improvements to the development of new dine-in theatre options to rejuvenate theatres approaching the end of their useful lives as traditional movie theatres and, in some of our larger theatres, to more efficiently monetize attendance. The costs of these conversions in some cases are partially covered by investments from the theatre landlord. We currently operate 19 *Dine-In Theatres* that deliver chef-inspired menus with seat-side or delivery service to luxury recliners with tables. Our recent *Dine-In Theatre* concepts are designed to capitalize on the latest food service trend, the fast casual eating experience.

**AMC Stubs**

*AMC Stubs* is a customer frequency program which allows members to earn rewards, including \$10 for each \$100 spent, redeemable on future purchases at AMC locations. The portion of the admissions and food and beverage revenues attributed to the rewards is deferred as a reduction of admissions and food and beverage revenues and is allocated between admissions and food and beverage revenues based on expected member redemptions.

Upon redemption, deferred rewards are recognized as revenues along with associated cost of goods. Progress rewards (member expenditures toward earned rewards) for expired memberships are forfeited upon expiration of the membership and recognized as admissions or food and beverage revenues. The program's annual membership fee is deferred, net of estimated refunds, and is recognized ratably over the one-year membership period.



Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

Table of Contents

As of March 31, 2016, we had 2,606,000 AMC Stubs members. Our AMC Stubs members represented approximately 20% of our attendance during 2016 with an average ticket price 3% lower than our non-members and food and beverage expenditures per patron 3% higher than non-members.

In April of 2016, AMC launched a test of a revised AMC Stubs program featuring both a traditional paid membership program, called AMC Stubs Premiere, and a new non-paid tier called AMC Stubs Insider. Both programs reward loyal guests for their patronage of AMC Theatres, but the Premiere program provides greater rewards for dollars spent than the free program, and offers other guest amenities. AMC anticipates launching nationally this revised AMC Stubs program in the summer of 2016.

The following table reflects AMC Stubs activity during the three month period ended March 31, 2016:

(In thousands)	AMC Stubs Revenue for Three Months Ended March 31, 2016				
	Deferred Membership Fees	Deferred Rewards	Other Theatre Revenues (Membership Fees)	Admissions Revenues	Food and Beverage Revenues
Balance, December 31, 2015	\$ 12,142	\$ 17,013			
Membership fees received	5,182		\$	\$	\$
Rewards accumulated, net of expirations:					
Admissions		3,848		(3,848)	
Food and beverage		5,373			(5,373)
Rewards redeemed:					
Admissions		(4,468)		4,468	
Food and beverage		(6,239)			6,239
Amortization of deferred revenue	(6,137)		6,137		
For the period ended or balance as of March 31, 2016	\$ 11,187	\$ 15,527	\$ 6,137	\$ 620	\$ 866

The following table reflects AMC Stubs activity during the three month period ended March 31, 2015:

(In thousands)	AMC Stubs Revenue for Three Months Ended March 31, 2015				
	Deferred Membership Fees	Deferred Rewards	Other Theatre Revenues (Membership Fees)	Admissions Revenues	Food and Beverage Revenues
Balance, December 31, 2014	\$ 11,408	\$ 16,129			
Membership fees received	5,942		\$	\$	\$
Rewards accumulated, net of expirations:					
Admissions		4,240		(4,240)	
Food and beverage		5,844			(5,844)
Rewards redeemed:					
Admissions		(4,448)		4,448	
Food and beverage		(6,057)			6,057
Amortization of deferred revenue	(6,111)		6,111		
For the period ended or balance as of March 31, 2015	\$ 11,239	\$ 15,708	\$ 6,111	\$ 208	\$ 213

Table of Contents

**Significant and Subsequent Events**

**RealD Inc.** We sold all of our 1,222,780 shares of common stock in RealD Inc. during the three months ended March 31, 2016 and recognized a gain on sale of \$3,008,000. We have recorded a \$13,451,000 receivable included in receivables, net related to the sale of our RealD Inc. shares as of March 31, 2016 and received the proceeds from the sale on April 9, 2016.

**Carmike Cinemas.** On March 3, 2016, we, and Carmike Cinemas, Inc. ("Carmike"), entered into a definitive merger agreement pursuant to which we will acquire all of the outstanding shares of Carmike for \$30.00 per share in cash or approximately \$757,000,000. We entered into a debt financing commitment letter in connection with the merger agreement which provides senior secured incremental term loans in an aggregate amount of up to \$325,000,000 and a senior subordinated bridge loan in an aggregate amount of up to \$300,000,000 to fund the acquisition. There can be no assurance that we will be successful in completing the debt financing on favorable terms as it involves matters outside of our control. The merger is subject to customary closing conditions, including regulatory approval and approval by Carmike's shareholders. Carmike is a U.S. leader in digital cinema, 3D cinema deployments and alternative programming and is one of the nation's largest motion picture exhibitors. Carmike operates 276 theatres and 2,954 screens in 41 states focused primarily in mid-sized communities.

**Starplex Cinemas.** In December 2015, the Company completed the acquisition of Starplex Cinemas for cash. The purchase price for Starplex Cinemas was \$172,243,000, net of cash acquired, and is subject to working capital and other purchase price adjustments as described in the stock purchase agreement. Starplex Cinemas operates 33 theatres with 346 screens in small and mid-size markets in 12 states, which further complements the Company's large market portfolio. The Company expects to realize synergies and cost savings related to this acquisition as a result of purchasing and procurement economies of scale and general and administrative expense savings, particularly with respect to the consolidation of corporate related functions and elimination of redundancies. In January 2016, we divested of two Starplex Cinemas theatres with 22 screens, as required by the Antitrust Division of the United States Department of Justice. We received proceeds from the divestiture of approximately \$5,390,000. For additional information about the Starplex Cinemas acquisition, see Note 2 Acquisition to our Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q.

**Corporate Borrowings.** On December 11, 2015, AMCE entered into a first amendment to its Senior Secured Credit Agreement dated April 30, 2013 ("First Amendment"). The First Amendment provides for the incurrence of \$125,000,000 incremental term loans ("Incremental Term Loan"). In addition, the First Amendment, among other things, (a) extends the maturity date with respect to (i) the existing Term Loan due 2020 and the Incremental Term Loan (together "Term Loan due 2022") to December 15, 2022 and (ii) the Revolving Credit Facility from April 30, 2018 to December 15, 2020 and (b) increases the applicable margin for the Term Loan due 2022 from 1.75% with respect to base rate borrowings to 2.25% and 2.75% with respect to LIBOR borrowings to 3.25%. We capitalized deferred financing costs of approximately \$6,545,000 related to the modification of the Revolving Credit Facility and approximately \$3,329,000 related to the modification of the term loans under the Senior Secured Credit Facility. The proceeds of the Incremental Term Loan were used by AMCE to pay expenses related to the First Amendment transactions and the Starplex Cinemas acquisition. At March 31, 2016, the aggregate principal balance of the Term Loan due 2022 was \$878,423,000 and borrowings under the Revolving Credit Facility were \$25,000,000. As of March 31, 2016, AMCE had approximately \$112,384,000 available for borrowing, net of letters of credit, under its Revolving Credit Facility.

**Notes due 2025.** On June 5, 2015, AMCE issued \$600,000,000 aggregate principal amount of its Notes due 2025 in a private offering. AMCE capitalized deferred financing costs of approximately \$11,378,000, related to the issuance of the Notes due 2025. The Notes due 2025 mature on June 15,

Table of Contents

2025. AMCE will pay interest on the Notes due 2025 at 5.75% per annum, semi-annually in arrears on June 15th and December 15th, commencing on December 15, 2015. AMCE may redeem some or all of the Notes due 2025 at any time on or after June 15, 2020 at 102.875% of the principal amount thereof, declining ratably to 100% of the principal amount thereof on or after June 15, 2023, plus accrued and unpaid interest to the redemption date. Prior to June 15, 2020, AMCE may redeem the Notes due 2025 at par plus a make-whole premium. AMCE used the net proceeds from the Notes due 2025 private offering and cash on hand, to pay the consideration for the tender offer for the 9.75% Senior Subordinated Notes due 2020 ("Notes due 2020"), plus any accrued and unpaid interest and related transaction fees and expenses.

On June 5, 2015, in connection with the issuance of the Notes due 2025, AMCE entered into a registration rights agreement. Subject to the terms of the registration rights agreement, AMCE filed a registration statement on June 19, 2015 pursuant to the Securities Act of 1933, as amended, relating to an offer to exchange the original Notes due 2025 for exchange Notes due 2025 registered pursuant to an effective registration statement; the registration statement was declared effective on June 29, 2015, and AMCE commenced the exchange offer. The exchange notes have terms substantially identical to the original notes except that the exchange notes do not contain terms with respect to transfer restrictions and registration rights and additional interest payable for the failure to consummate the exchange offer within 210 days after the issue date. After the exchange offer expired on July 27, 2015, all of the original Notes due 2025 were exchanged.

*Notes due 2020.* On May 26, 2015, AMCE launched a cash tender offer for any and all of its outstanding Notes due 2020 at a purchase price of \$1,093 for each \$1,000 principal amount of Notes due 2020 validly tendered and accepted by AMCE on or before June 2, 2015 (the "Expiration Date"). Holders of \$581,324,000, or approximately 96.9%, of the Notes due 2020 validly tendered and did not withdraw their Notes due 2020 on or prior to the Expiration Date. On October 30, 2015, AMCE gave notice of its intention to redeem any and all of the remaining \$18,676,000 principal amount of the Notes due 2020 on December 1, 2015 at 104.875% of the principal amount, plus accrued and unpaid interest to the redemption date. AMCE completed the redemption of all of its outstanding Notes due 2020 on December 1, 2015.

On March 31, 2016, AMCE merged with and into Holdings, its direct parent company. In connection with the merger, Holdings assumed all of the obligations of AMCE pursuant to the indentures to the 5.875% Senior Subordinated Notes due 2022, the 5.75% Senior Subordinated Notes due 2025 and the Credit Agreement, dated as of April 30, 2013 (as subsequently amended).

**Postretirement Medical Plan Termination.** On January 12, 2015, the Compensation Committee and the Board of Directors of Holdings, adopted resolutions to terminate the AMC Postretirement Medical Plan with an effective date of March 31, 2015. During the three months ended March 31, 2015, we notified eligible associates that their retiree medical coverage under the plan will terminate after March 31, 2015. Payments to eligible associates were approximately \$4,300,000 during the twelve months ended December 31, 2015. We recorded net periodic benefit credits of \$18,118,000, including curtailment gains, settlement gains, amortization of unrecognized prior service credits and amortization of actuarial gains recorded in accumulated other comprehensive income related to the termination and settlement of the plan during the three months ended March 31, 2015.

Table of Contents

**Dividends.** The following is a summary of dividends and dividend equivalents declared to stockholders:

Declaration Date	Record Date	Date Paid	Amount per Share of Common Stock	Total Amount Declared (In thousands)
February 25, 2016	March 7, 2016	March 21, 2016	\$ 0.20	\$ 19,762
February 3, 2015	March 9, 2015	March 23, 2015	0.20	19,637
April 27, 2015	June 8, 2015	June 22, 2015	0.20	19,635
July 28, 2015	September 8, 2015	September 21, 2015	0.20	19,622
October 29, 2015	December 7, 2015	December 21, 2015	0.20	19,654
April 25, 2014	June 6, 2014	June 16, 2014	0.20	19,576
July 29, 2014	September 5, 2014	September 15, 2014	0.20	19,576
October 27, 2014	December 5, 2014	December 15, 2014	0.20	19,577

During the three months ended March 31, 2016 and the three months ended March 31, 2015, we paid dividends and dividend equivalents of \$19,803,000 and \$19,821,000, respectively. At March 31, 2016 and March 31, 2015, we accrued \$124,000 and \$41,000, respectively, for the remaining unpaid dividends.

On April 27, 2016, Holdings' Board of Directors declared a cash dividend in the amount of \$0.20 per share of Class A and Class B common stock, payable on June 20, 2016 to stockholders of record on June 6, 2016.

**Executive Officers.** On July 17, 2015, Mr. Gerardo I. Lopez provided us with notice of his resignation from his positions as Chief Executive Officer, President and Director, effective August 6, 2015. Holdings' Board of Directors appointed Mr. Craig R. Ramsey, Holdings' current Executive Vice President and Chief Financial Officer, to serve in the additional capacities of Interim Chief Executive Officer and Interim President of Holdings, which he did until January 4, 2016. The Board hired Mr. Adam M. Aron as the Chief Executive Officer and President of the Company, and Mr. Aron became a member of the Board of Directors, effective as of January 4, 2016. Mr. Ramsey will continue to serve as the Company's Executive Vice President and Chief Financial Officer.

Table of Contents**Operating Results**

The following table sets forth our revenues, operating costs and expenses attributable to our theatrical exhibition operations.

(In thousands)	Three Months Ended		
	March 31, 2016	March 31, 2015	% Change
<b>Revenues</b>			
Theatrical exhibition			
Admissions	\$ 482,574	\$ 418,694	15.3%
Food and beverage	244,152	200,524	21.8%
Other theatre	39,291	33,906	15.9%
<b>Total revenues</b>	<b>\$ 766,017</b>	<b>\$ 653,124</b>	<b>17.3%</b>
<b>Operating Costs and Expenses</b>			
Theatrical exhibition			
Film exhibition costs	\$ 262,354	\$ 223,088	17.6%
Food and beverage costs	33,965	28,508	19.1%
Operating expense	202,313	187,258	8.0%
Rent	124,584	117,921	5.7%
General and administrative expense:			
Merger, acquisition and transaction costs	4,604	1,578	*%
Other	18,516	4,941	*%
Depreciation and amortization	60,430	57,777	4.6%
<b>Operating costs and expenses</b>	<b>706,766</b>	<b>621,071</b>	<b>13.8%</b>
Operating income	59,251	32,053	84.9%
Other expense (income):			
Other expense	26		*%
Interest expense:			
Corporate borrowings	24,867	26,079	4.6%
Capital and financing lease obligations	2,195	2,373	7.5%
Equity in (earnings) losses of non-consolidated entities	(4,264)	(1,324)	*%
Investment income	(9,954)	(5,143)	93.5%
<b>Total other expense</b>	<b>12,870</b>	<b>21,985</b>	<b>41.5%</b>
<b>Earnings before income taxes</b>	<b>46,381</b>	<b>10,068</b>	<b>*%</b>
Income tax provision	18,090	3,930	*%
<b>Net earnings</b>	<b>\$ 28,291</b>	<b>\$ 6,138</b>	<b>*%</b>

---

\*

Percentage change in excess of 100%

Table of Contents

	Three Months Ended	
	March 31, 2016	March 31, 2015
<b>Operating Data:</b>		
Screen additions	12	
Screen acquisitions		8
Screen dispositions	38	
Construction openings (closures), net	(20)	4
Average screens(1)	5,313	4,884
Number of screens operated	5,380	4,959
Number of theatres operated	385	345
Screens per theatre	14.0	14.4
Attendance (in thousands)(1)	51,245	44,758

(1)

Includes consolidated theatres only and excludes screens offline due to construction.

We present Adjusted EBITDA as a supplemental measure of our performance that is commonly used in our industry. We define Adjusted EBITDA as net earnings plus (i) income tax provision (benefit), (ii) interest expense and (iii) depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance and to include any cash distributions of earnings from our equity method investees. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The following table sets forth our reconciliation of Adjusted EBITDA:

**Reconciliation of Adjusted EBITDA  
(unaudited)**

(In thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
Net earnings	\$ 28,291	\$ 6,138
Plus:		
Income tax provision	18,090	3,930
Interest expense	27,062	28,452
Depreciation and amortization	60,430	57,777
Certain operating expenses(1)	3,402	4,064
Equity in earnings of non-consolidated entities	(4,264)	(1,324)
Cash distributions from non-consolidated entities	17,681	14,486
Investment income	(9,954)	(5,143)
Other expense	26	
General and administrative expense unallocated:		
Merger, acquisition and transaction costs	4,604	1,578
Stock-based compensation expense(2)	1,087	5,739
Adjusted EBITDA	\$ 146,455	\$ 115,697

(1)

Edgar Filing: AMC ENTERTAINMENT HOLDINGS, INC. - Form 10-Q

Amounts represent preopening expense, theatre and other closure expense, deferred digital equipment rent expense, and disposition of assets and other gains included in operating expenses.

(2)

Non-cash expense included in general and administrative: other.

Table of Contents

Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net earnings (loss) as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with U.S. GAAP). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. We have included Adjusted EBITDA because we believe it provides management and investors with additional information to measure our performance and liquidity, estimate our value and evaluate our ability to service debt.

Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. For example, Adjusted EBITDA:

does not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments;

does not reflect changes in, or cash requirements for, our working capital needs;

does not reflect the significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt;

excludes income tax payments that represent a reduction in cash available to us; and

does not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future.

**Results of Operations For the Three Months Ended March 31, 2016 and March 31, 2015**

**Revenues.** Total revenues increased 17.3%, or \$112,893,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. Admissions revenues increased 15.3%, or \$63,880,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily due to a 14.5% increase in attendance and a 0.7% increase in average ticket price. The increase in attendance was primarily due to the popularity of film product during the current period, the acquisition of Starplex Cinemas in December of 2015 and our comfort and convenience theatre renovation initiatives. Total admissions revenues were increased by rewards redeemed, net of deferrals, of \$620,000 and \$208,000 related to rewards accumulated under AMC Stubs during the three months ended March 31, 2016 and the three months ended March 31, 2015, respectively. The rewards accumulated under AMC Stubs are deferred and recognized in future periods upon redemption or expiration of customer rewards. The increase in average ticket price was primarily due to an increase in tickets purchased for 3D and IMAX premium format film product, partially offset by lower average ticket prices at Starplex Cinemas.

Food and beverage revenues increased 21.8%, or \$43,628,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily due to the increase in attendance and an increase in food and beverage revenues per patron of 6.2%. The increase in food and beverage revenues per patron reflects increased prices effective at the start of the fourth quarter of calendar 2015 and the contribution of our food and beverage strategic initiatives. Total food and beverage revenues were increased by rewards redeemed, net of deferrals, of \$866,000 and \$213,000 related to rewards accumulated under AMC Stubs during the three months ended March 31, 2016 and the three months ended March 31, 2015, respectively.

Total other theatre revenues increased 15.9%, or \$5,385,000 during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily due to increases in income from internet ticket fees related to our comfort and convenience initiatives and higher attendance levels, gift card sales, and advertising revenues.



Table of Contents

**Operating costs and expenses.** Operating costs and expenses increased 13.8%, or \$85,695,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. Film exhibition costs increased 17.6%, or \$39,266,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily due to the increase in admissions revenues and the increase in film exhibition costs as a percentage of admission revenues. As a percentage of admissions revenues, film exhibition costs were 54.4% for the three months ended March 31, 2016 and 53.3% for the three months ended March 31, 2015 due to a change in mix to higher grossing film product carrying higher percentage film rent.

Food and beverage costs increased 19.1%, or \$5,457,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. As a percentage of food and beverage revenues, food and beverage costs were 13.9% for the three months ended March 31, 2016 and 14.2% for the three months ended March 31, 2015 due to increases in retail selling prices in excess of cost increases at the start of the fourth quarter of 2015 for our food and beverage products. The increase in food and beverage costs was primarily due to the increase in food and beverage revenues. Food and beverage gross profit per patron increased 6.8%, and is calculated as food and beverage revenues less food and beverage costs divided by attendance.

As a percentage of revenues, operating expense was 26.4% for the three months ended March 31, 2016 as compared to 28.7% for the three months ended March 31, 2015, primarily due to the increase in revenues, partially offset by increases in salaries, 3D and IMAX format and licensing fees and credit card expense. Rent expense increased 5.7%, or \$6,663,000 during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily from the increase in the number of theatres operated including the acquisition of Starplex Cinemas, partially offset by declines in common area maintenance expense.

**General and Administrative Expense:**

**Merger, acquisition and transaction costs.** Merger, acquisition and transaction costs were \$4,604,000 during the three months ended March 31, 2016 compared to \$1,578,000 during the three months ended March 31, 2015, primarily due to an increase in professional and consulting costs and increased merger and acquisition activity associated with our proposed Carmike merger.

**Other.** Other general and administrative expense increased \$13,575,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, due primarily to the net periodic benefit credit of \$18,118,000 related to the termination and settlement of the AMC Postretirement Medical Plan recorded in the prior year and an increase in legal expenses of \$1,674,000 partially offset by declines in stock-based compensation expense of \$4,652,000 due to an increase in vesting periods compared to the prior year. See Note 9 Employee Benefit Plans of the Notes to Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information regarding the components of net periodic benefit credit, including recognition of the prior service credits and net actuarial gains recorded in accumulated other comprehensive income, curtailment gains, and settlement gains during the three months ended March 31, 2015.

**Depreciation and amortization.** Depreciation and amortization increased 4.6%, or \$2,653,000, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily due to the increase in depreciable assets resulting from capital expenditures of \$57,657,000 and \$333,423,000 during the three months ended March 31, 2016 and the twelve months ended December 31, 2015, respectively and the acquisition of Starplex Cinemas, partially offset by declines in depreciation expense for assets that have become fully depreciated.

Table of Contents

**Other Expense (Income):**

**Other expense.** Other expense during the three months ended March 31, 2016 was due to legal costs related to the cash tender offer and redemption of the Notes due 2020 of \$26,000.

**Interest expense.** Interest expense decreased 4.9%, or \$1,390,000, for the three months ended March 31, 2016 compared to the three months ended March 31, 2015, primarily due to the decrease in interest rates for corporate borrowings partially offset by an increase in aggregate average principal amounts outstanding during the three months ended March 31, 2016. In June 2015, we completed an offering of \$600,000,000 principal amount of our 5.75% Senior Subordinated Notes due 2025 and extinguished \$581,324,000 principal amount of our 9.75% Senior Subordinated Notes due 2020. In December 2015, we extinguished the remaining \$18,676,000 principal amount of our 9.75% Senior Subordinated Notes due 2020, issued additional term loans due 2022 of \$125,000,000 under our Senior Secured Credit Agreement and borrowed \$75,000,000 on our Revolving Credit Facility. During the three months ended March 31, 2016 we repaid \$50,000,000 of amounts borrowed on our Revolving Credit Facility.

**Equity in earnings of non-consolidated entities.** Equity in earnings of non-consolidated entities were \$4,264,000 for the three months ended March 31, 2016 compared to \$1,324,000 for the three months ended March 31, 2015. The increase in equity in earnings of non-consolidated entities of \$2,904,000 was primarily due to decreases in losses from NCM of \$4,522,000, partially offset by decreases in equity in earnings from Open Road Films of \$1,286,000. During the three months ended March 30, 2016, we continued to suspend equity method accounting for our investment in Open Road Films as the negative investment in Open Road Films had reached our commitment of \$10,000,000. The cash distributions from non-consolidated entities were \$17,681,000 during the three months ended March 31, 2016, and \$14,486,000 during the three months ended March 31, 2015, which includes payments related to the NCM tax receivable agreement recorded in investment income. See Note 3 Investments of the Notes to Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

**Investment income.** Investment income was \$9,954,000 for the three months ended March 31, 2016 compared to investment income of \$5,143,000 for the three months ended March 31, 2015. Investment income for the three months ended March 31, 2016 includes payments received of \$7,218,000 related to the NCM tax receivable agreement compared to payments received of \$5,352,000 during the three months ended March 31, 2015. Investment income for the three months ended March 31, 2016 also includes a \$3,008,000 gain on sale of all of our 1,222,780 common shares held in RealD Inc.

**Income tax provision.** The income tax provision from continuing operations was \$18,090,000 for the three months ended March 31, 2016 and \$3,930,000 for the three months ended March 31, 2015. See Note 5 Income Taxes of the Notes to Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

**Net earnings.** Net earnings were \$28,291,000 and \$6,138,000 during the three months ended March 31, 2016 and March 31, 2015, respectively. Net earnings during the three months ended March 31, 2016 compared to the three months ended March 31, 2015 were positively impacted by the increase in attendance, food and beverage revenue per patron and average ticket price, the increase in investment income, the decrease in interest expense, and the increase in equity in earnings of non-consolidated entities. Net earnings were negatively impacted by the increase in general and administrative: other and merger acquisition and transaction costs, income tax provision, rent and the increase in depreciation expense.

Table of Contents

**LIQUIDITY AND CAPITAL RESOURCES**

Our consolidated revenues are primarily collected in cash, principally through box office admissions and food and beverage sales. We have an operating "float" which partially finances our operations and which generally permits us to maintain a smaller amount of working capital capacity. This float exists because admissions revenues are received in cash, while exhibition costs (primarily film rentals) are ordinarily paid to distributors from 20 to 45 days following receipt of box office admissions revenues. Film distributors generally release the films which they anticipate will be the most successful during the summer and year-end holiday seasons. Consequently, we typically generate higher revenues during such periods.

We had working capital deficit as of March 31, 2016 and December 31, 2015 of \$297,234,000 and \$297,787,000, respectively. Working capital included \$183,072,000 and \$221,679,000 of deferred revenues and income as of March 31, 2016 and December 31, 2015, respectively. We have the ability to borrow under our Senior Secured Credit Facility to meet obligations as they come due (subject to limitations on the incurrence of indebtedness in our various debt instruments). As of March 31, 2016, we had \$112,384,000 available for borrowing, net of letters of credit, under our revolving Senior Secured Credit Facility.

We believe that cash generated from operations and existing cash and equivalents and "float" will be sufficient to fund operations and planned capital expenditures currently and for at least the next 12 months and enable us to maintain compliance with covenants related to the Senior Secured Credit Facility, the Notes due 2022, and the Notes due 2025.

As of March 31, 2016, we were in compliance with all financial covenants relating to the Senior Secured Credit Facility, the Notes due 2022, and the Notes due 2025.

**Cash Flows from Operating Activities**

Cash flows provided by operating activities, as reflected in the Consolidated Statements of Cash Flows, were \$22,871,000 and \$21,563,000 during the three months ended March 31, 2016 and March 31, 2015, respectively. The increase in cash flows provided by operating activities was primarily due to increases in net earnings and contributions from landlords partially offset by increases in payments for working capital items.

**Cash Flows from Investing Activities**

Cash flows used in investing activities, as reflected in the Consolidated Statements of Cash Flows, were \$51,625,000 and \$71,378,000, during the three months ended March 31, 2016 and March 31, 2015, respectively. Cash outflows from investing activities include capital expenditures of \$57,657,000 and \$69,590,000 during the three months ended March 31, 2016 and March 31, 2015, respectively. Our capital expenditures primarily consisted of strategic growth initiatives and remodels, capital improvements to existing locations in our theatre circuit, and technology upgrades. We expect that our gross cash outflows for capital expenditures will be approximately \$400,000,000 to \$420,000,000 for 2016, before giving effect to expected landlord contributions of approximately \$120,000,000 to \$130,000,000, resulting in a net cash outlay of approximately \$280,000,000 to \$290,000,000.

We fund the costs of constructing, maintaining and remodeling our theatres through existing cash balances; cash generated from operations, landlord contributions, or borrowed funds, as necessary. We generally lease our theatres pursuant to long-term non-cancelable operating leases which may require the developer, who owns the property, to reimburse us for the construction costs. We may decide to own the real estate assets of new theatres and, following construction, sell and leaseback the real estate assets pursuant to long-term non-cancelable operating leases.

Table of Contents

**Cash Flows from Financing Activities**

Cash flows used in financing activities, as reflected in the Consolidated Statements of Cash Flows, were \$74,582,000 and \$23,645,000 during the three months ended March 31, 2016 and March 31, 2015, respectively. Financing activities for the current period consisted of dividend payments and repayments of \$50,000,000 related to our revolving Senior Secured Credit Facility and capital and financing lease obligations. On February 25, 2016, our Board of Directors declared a cash dividend in the amount of \$0.20 per share of Class A and Class B common stock, payable on March 21, 2016 to stockholders of record on March 7, 2016. We paid dividends and dividend equivalents of \$19,803,000 during the three months ended March 31, 2016 and \$19,821,000 during the three months ended March 31, 2015.

**Investment in NCM LLC**

We hold an investment of 17.40% in NCM LLC and 200,000 shares of NCM, Inc. accounted for under the equity method as of March 31, 2016. The estimated fair market value of our investment in NCM and NCM, Inc. was approximately \$365,998,000, based upon the publically quoted price per share of NCM, Inc. on March 31, 2016 of \$15.21 per share. We have little tax basis in these units, therefore the sale of all these units at March 31, 2016 would require us to report taxable income of approximately \$453,800,000, including distributions received from NCM LLC that were previously deferred. Our investment in NCM LLC is a source of liquidity for us and we expect that any sales we may make of NCM LLC units would be made in such a manner to most efficiently manage any related tax liability. We have available net operating loss carryforwards which could reduce any related tax liability.

**Commitments and Contingencies**

The Company has commitments and contingencies for capital and financing leases, corporate borrowings, operating leases, capital related betterments and pension funding that were summarized in a table in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Since December 31, 2015, there have been no material changes to the commitments and contingencies of the Company outside the ordinary course of business.

**New Accounting Pronouncements**

See Note 11 New Accounting Pronouncements of the Notes to the Company's Consolidated Financial Statements in Item 1 of Part I for further information regarding recently issued accounting standards.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to various market risks.

**Market risk on variable-rate financial instruments.** At March 31, 2016, we maintained a Senior Secured Credit Facility comprised of a \$150,000,000 revolving credit facility and \$900,000,000 of Senior Secured Term Loans due 2022. The Senior Secured Credit Facility provides for borrowings at a rate equal to an applicable margin plus, at our option, either a base rate or LIBOR, with a minimum base rate of 1.75% and a minimum rate for LIBOR borrowings of 0.75%. The rate in effect at March 31, 2016 for the outstanding Senior Secured Term Loan due 2022 was a LIBOR-based rate of 4.00% per annum. Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. At March 31, 2016, we had \$25,000,000 variable-rate borrowings under our revolving credit facility and had an aggregate principal balance of \$878,423,000 outstanding under the Senior Secured Term Loan due 2022. A 100 basis point change in market interest rates

Table of Contents

would have increased or decreased interest expense on the Senior Secured Credit Facility by \$2,294,000 during the three months ended March 31, 2016.

**Market risk on fixed-rate financial instruments.** Included in long-term corporate borrowings at March 31, 2016 were principal amounts of \$600,000,000 of our Notes due 2025 and \$375,000,000 of our Notes due 2022. Increases in market interest rates would generally cause a decrease in the fair value of the Notes due 2025 and Notes due 2022 and a decrease in market interest rates would generally cause an increase in fair value of the Notes due 2025 and Notes due 2022.

**Item 4. Controls and Procedures.**

- (a) Evaluation of disclosure controls and procedures.

The Company maintains a set of disclosure controls and procedures designed to ensure that material information required to be disclosed in its filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that material information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have evaluated these disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q and have determined that such disclosure controls and procedures were effective.

- (b) Changes in internal controls.

There has been no change in our internal control over financial reporting during our most recent calendar quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Table of Contents

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

Reference is made to Note 10 Commitments and Contingencies of the Notes to the Company's Consolidated Financial Statements contained elsewhere in this quarterly report on Form 10-Q for information on certain litigation to which we are a party.

**Item 1A. Risk Factors**

Reference is made to Part I Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes in our risk factors from those previously discussed in our Annual Report on Form 10-K for the year ended December 31, 2015.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

Table of Contents

**Item 6. Exhibits.**

**EXHIBIT INDEX**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
2.1	Agreement and Plan of Merger dated as of March 3, 2016, by and among AMC Entertainment Holdings, Inc., Congress Merger Subsidiary, Inc., and Carmike Cinemas, Inc. (incorporated by reference from Exhibit 2.1 to the Company's Form 8-K (File No. 1-333829) filed on March 4, 2016).
4.1	Second Supplemental Indenture, dated as of March 31, 2016, with respect to \$600 million aggregate principal amount of 5.75% Senior Subordinated Notes due 2025, by and between AMC Entertainment Holdings, Inc., AMC Entertainment Inc., the guarantors party thereto and U.S. Bank National Association, as trustee. (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-33892) filed on March 31, 2016).
4.2	Second Supplemental Indenture, dated as of March 31, 2016, with respect to \$375 million aggregate principal amount of 5.875% Senior Subordinated Notes due 2022, by and between AMC Entertainment Holdings, Inc., AMC Entertainment Inc., the guarantors party thereto and U.S. Bank National Association, as trustee. (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 1-33892) filed on March 31, 2016).
10.1	Debt Commitment Letter dated March 3, 2016, by and among AMC Entertainment Inc. and Citigroup Global Markets, Inc. (incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (File No. 1-333892) filed on March 4, 2016).
*10.2	Amended Debt Commitment Letter, dated March 3, 2016, by and among AMC Entertainment Inc. and Citigroup Capital Markets, Inc.
*10.3***	Non-Employee Director Compensation Program
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.
*32.1	Section 906 Certifications of Adam M. Aron (Chief Executive Officer) and Craig R. Ramsey (Chief Financial Officer) furnished in accordance with Securities Act Release 33-8212.
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

---

\*  
Filed herewith

\*\*  
Submitted electronically with this Report.

\*\*\*

Management contract, compensatory plan or arrangement.



Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**AMC ENTERTAINMENT HOLDINGS, INC.**

Date: May 6, 2016

/s/ ADAM M. ARON

---

Adam M. Aron  
*Chief Executive Officer, Director and President*

Date: May 6, 2016

/s/ CRAIG R. RAMSEY

---

Craig R. Ramsey  
*Executive Vice President and Chief Financial Officer*