

AMC ENTERTAINMENT HOLDINGS, INC.

Form 10-Q

November 07, 2014

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**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 September 30, 2014

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)

(913) 213-2000

Registrant's telephone number, including area code:

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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.

Title of each class of common stock	Number of shares outstanding as of October 17, 2014
Class A common stock	21,559,189
Class B common stock	75,826,927

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	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Revenues				
Admissions	\$ 417,448	\$ 466,988	\$ 1,305,135	\$ 1,365,178
Food and beverage	189,065	201,612	582,426	589,026
Other theatre	27,391	27,384	95,674	82,247
Total revenues	633,904	695,984	1,983,235	2,036,451
Operating costs and expenses				
Film exhibition costs	220,608	242,006	689,928	718,725
Food and beverage costs	27,209	26,284	82,673	80,032
Operating expense	177,949	182,630	546,925	534,059
Rent	112,258	111,865	341,063	339,213
General and administrative:				
Merger, acquisition and transaction costs	78	299	1,012	1,952
Other	12,961	26,450	46,330	59,797
Depreciation and amortization	54,327	48,603	160,854	147,435
Operating costs and expenses	605,390	638,137	1,868,785	1,881,213
Operating income	28,514	57,847	114,450	155,238
Other expense (income)				
Other expense (income)	(11)	110	(8,397)	(184)
Interest expense:				
Corporate borrowings	26,897	32,221	84,544	97,704
Capital and financing lease obligations	2,448	2,606	7,459	7,914
Equity in earnings of non-consolidated entities	(13,087)	(14,323)	(17,300)	(38,143)
Investment expense (income)	181	(69)	(7,504)	(3,406)
Total other expense	16,428	20,545	58,802	63,885
Earnings from continuing operations before income taxes	12,086	37,302	55,648	91,353
Income tax provision	4,710	3,430	21,700	10,860
Earnings from continuing operations	7,376	33,872	33,948	80,493

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Gain (loss) from discontinued operations, net of income taxes	(407)	313	4,290
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Net earnings	\$	7,376	\$	33,465	\$	34,261	\$	84,783
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Basic earnings per share:

Earnings from continuing operations	\$	0.08	\$	0.45	\$	0.35	\$	1.06
Earnings (loss) from discontinued operations				(0.01)				0.06

Basic earnings per share	\$	0.08	\$	0.44	\$	0.35	\$	1.12
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Average shares outstanding Basic		97,506		76,000		97,506		76,000
Diluted earnings per share:								
Earnings from continuing operations	\$	0.08	\$	0.45	\$	0.35	\$	1.06
Earnings (loss) from discontinued operations				(0.01)				0.06

Diluted earnings per share	\$	0.08	\$	0.44	\$	0.35	\$	1.12
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Average shares outstanding Diluted		97,628		76,000		97,628		76,000
Dividends declared per basic and diluted common share	\$	0.20	\$		\$	0.40	\$	

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Net earnings	\$ 7,376	\$ 33,465	\$ 34,261	\$ 84,783
Foreign currency translation adjustment, net of tax	1,090	(1,624)	657	341
Pension and other benefit adjustments:				
Amortization of gains included in net periodic benefit costs, net of tax	(211)	(20)	(632)	(58)
Amortization of prior service credit included in net periodic benefit costs, net of tax	(254)		(762)	
Unrealized gains on marketable securities:				
Unrealized holding gains (losses) arising during the period, net of tax	(2,597)	(8,342)	762	(4,841)
Less: reclassification adjustment for gains included in investment expense (income), net of tax	(10)	(280)	(25)	(301)
Unrealized gains from equity method investees' cash flow hedge:				
Unrealized holding gains arising during the period, net of tax	408	21	136	2,489
Holding (gains) losses reclassified to equity in earnings of non-consolidated entities, net of tax	134	(43)	397	(290)
Other comprehensive income (loss)	(1,440)	(10,288)	533	(2,660)
Total comprehensive income	\$ 5,936	\$ 23,177	\$ 34,794	\$ 82,123

See Notes to Consolidated Financial Statements.

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

(in thousands, except share data)

	September 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 155,506	\$ 546,454
Receivables, net	42,938	106,148
Deferred tax asset	90,109	110,097
Other current assets	80,735	80,824
Total current assets	369,288	843,523
Property, net	1,214,036	1,179,754
Intangible assets, net	227,716	234,319
Goodwill	2,289,800	2,289,800
Deferred tax asset	96,824	96,824
Other long-term assets	415,251	402,504
Total assets	\$ 4,612,915	\$ 5,046,724
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 181,727	\$ 268,163
Accrued expenses and other liabilities	148,391	170,920
Deferred revenues and income	150,065	202,833
Current maturities of corporate borrowings and capital and financing lease obligations	23,144	16,080
Total current liabilities	503,327	657,996
Corporate borrowings	1,780,270	2,069,672
Capital and financing lease obligations	103,525	109,258
Exhibitor services agreement	320,630	329,913
Other long-term liabilities	394,584	370,946
Total liabilities	3,102,336	3,537,785
Commitments and contingencies		
Class A common stock (temporary equity) (\$.01 par value, 173,150 shares issued and 136,381 shares outstanding as of September 30, 2014; 173,150 shares issued and 140,466 shares outstanding as of December 31, 2013)	1,426	1,469

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Stockholders' equity:

Class A common stock (\$.01 par value, 524,173,073 shares authorized; 21,422,808 shares issued and outstanding as of September 30, 2014; 21,412,804 shares issued and outstanding as of December 31, 2013)	214	214
Class B common stock (\$.01 par value, 75,826,927 shares authorized; 75,826,927 shares issued and outstanding as of September 30, 2014 and December 31, 2013)	758	758
Additional paid-in capital	1,167,285	1,161,152
Treasury stock (36,769 shares as of September 30, 2014 and 32,684 shares as of December 31, 2013, at cost)	(680)	(588)
Accumulated other comprehensive income	24,737	24,204
Accumulated earnings	316,839	321,730

Total stockholders' equity	1,509,153	1,507,470
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Total liabilities and stockholders' equity	\$	4,612,915	\$	5,046,724
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See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
	(unaudited)	
Cash flows from operating activities:		
Net earnings	\$ 34,261	\$ 84,783
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	160,854	147,435
Gain on extinguishment of debt	(8,544)	(422)
Amortization of premium on corporate borrowings		(9,447)
Deferred income taxes	19,665	8,430
Theatre and other closure expense	8,224	4,489
Gain on dispositions	(400)	(4,545)
Stock-based compensation	6,072	
Equity in earnings and losses from non-consolidated entities, net of distributions	(1,587)	(21,020)
Landlord contributions	45,188	13,959
Deferred rent	(13,146)	(4,202)
Change in assets and liabilities:		
Receivables	61,609	55,991
Other assets	54	(2,045)
Accounts payable	(91,265)	(24,690)
Accrued expenses and other liabilities	(98,285)	(44,228)
Other, net	(4,110)	177
Net cash provided by operating activities	118,590	204,665
Cash flows from investing activities:		
Capital expenditures	(182,968)	(175,361)
Investments in non-consolidated entities, net	(1,471)	(3,013)
Acquisition of Rave theatres		(1,128)
Proceeds from the disposition of long-term assets	9	4,646
Other, net	939	(5,422)
Net cash used in investing activities	(183,491)	(180,278)
Cash flows from financing activities:		
Proceeds from issuance of Senior Subordinated Notes due 2022	375,000	
Proceeds from issuance of Term Loan due 2020		773,063
Repurchase of Senior Subordinated Notes due 2019	(639,728)	
Repayment of Term Loan due 2016		(464,088)
Repayment of Term Loan due 2018		(296,250)
Payment of initial public offering costs	(281)	
Cash used to pay dividends	(39,003)	
Purchase of treasury stock	(92)	
Deferred financing costs	(7,952)	(9,549)
Principal payments under capital and financing lease obligations	(5,144)	(4,651)
Principal payments under Term Loan	(5,813)	(5,876)
Principal amount of coupon payment under Senior Subordinated Notes due 2020	(3,052)	
Payment of construction payables		(19,404)

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Net cash used in financing activities	(326,065)	(26,755)
Effect of exchange rate changes on cash and equivalents	18	(75)
Net decrease in cash and equivalents	(390,948)	(2,443)
Cash and equivalents at beginning of period	546,454	133,071
Cash and equivalents at end of period	\$ 155,506	\$ 130,628

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: