

AMC ENTERTAINMENT HOLDINGS, INC.

Form 10-Q

November 08, 2018

[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 September 30, 2018

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	26-0303916
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One AMC Way	
11500 Ash Street, Leawood, KS	66211
(Address of principal executive offices)	(Zip Code)

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

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 every Interactive Data File required to be submitted 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non accelerated filerSmaller reporting company

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act.

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 31, 2018
Class A common stock	51,744,412
Class B common stock	51,769,784

Table of Contents

AMC ENTERTAINMENT HOLDINGS, INC.

INDEX

	Page Number
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1.</u> <u>Financial Statements (Unaudited)</u>	3
<u>Consolidated Statements of Operations</u>	3
<u>Consolidated Statements of Comprehensive Loss</u>	4
<u>Consolidated Balance Sheets</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	54
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	83
<u>Item 4.</u> <u>Controls and Procedures</u>	84
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	85
<u>Item 1A.</u> <u>Risk Factors</u>	85
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	86
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	86
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	86
<u>Item 5.</u> <u>Other Information</u>	86
<u>Item 6.</u> <u>Exhibits</u>	87
<u>Signatures</u>	88

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except share and per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2018 (unaudited)	September 30, 2017	September 30, 2018 (unaudited)	September 30, 2017
Revenues				
Admissions	\$ 751.4	\$ 753.5	\$ 2,522.7	\$ 2,332.4
Food and beverage	384.8	361.4	1,236.4	1,133.1
Other theatre	85.2	63.8	288.4	196.9
Total revenues	1,221.4	1,178.7	4,047.5	3,662.4
Operating costs and expenses				
Film exhibition costs	378.8	364.8	1,276.7	1,164.2
Food and beverage costs	63.6	60.7	202.0	182.6
Operating expense, excluding depreciation and amortization below	400.5	383.2	1,236.9	1,128.8
Rent	203.7	200.7	593.1	590.9
General and administrative:				
Merger, acquisition and transaction costs	18.1	5.6	27.1	57.2
Other, excluding depreciation and amortization below	48.4	32.6	135.6	113.0
Depreciation and amortization	130.2	135.2	398.4	393.9
Operating costs and expenses	1,243.3	1,182.8	3,869.8	3,630.6
Operating income (loss)	(21.9)	(4.1)	177.7	31.8
Other expense (income):				
Other expense (income)	54.1	(0.4)	57.5	(1.9)
Interest expense:				
Corporate borrowings	64.3	60.8	188.2	171.7
Capital and financing lease obligations	9.4	10.6	29.5	31.7
Non-cash NCM exhibitor services agreement	10.3	—	31.2	—
Equity in (earnings) loss of non-consolidated entities	(70.0)	1.8	(74.0)	199.1
Investment income	(0.7)	(16.6)	(7.4)	(21.6)

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

Total other expense	67.4	56.2	225.0	379.0
Loss before income taxes	(89.3)	(60.3)	(47.3)	(347.2)
Income tax provision (benefit)	11.1	(17.6)	13.2	(136.4)
Net loss	\$ (100.4)	\$ (42.7)	\$ (60.5)	\$ (210.8)
Loss per share:				
Basic	\$ (0.82)	\$ (0.33)	\$ (0.48)	\$ (1.65)
Diluted	\$ (0.82)	\$ (0.33)	\$ (0.48)	\$ (1.65)
Average shares outstanding:				
Basic (in thousands)	123,126	131,077	126,386	127,902
Diluted (in thousands)	123,126	131,077	126,386	127,902

See Notes to Consolidated Financial Statements.

Table of Contents

AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net earnings (loss)	\$ (100.4)	\$ (42.7)	\$ (60.5)	\$ (210.8)
Other comprehensive income (loss)				
Unrealized foreign currency translation adjustment, net of tax	(5.7)	34.4	(101.6)	109.3
Realized loss on foreign currency transactions, net of tax	—	—	1.0	—
Pension and other benefit adjustments:				
Net gain (loss) arising during the period, net of tax	0.1	—	(1.3)	—
Amortization of net gain reclassified into general and administrative: other, net of tax	—	—	—	(0.5)
Marketable securities:				
Unrealized net holding gain arising during the period, net of tax	—	0.2	—	0.5
Realized net gain reclassified into investment income, net of tax	—	—	—	(0.1)
Equity method investees' cash flow hedge:				
Unrealized net holding gain arising during the period, net of tax	—	0.1	0.2	—
Realized net loss (gain) reclassified into equity in earnings of non-consolidated entities, net of tax	(1.9)	(1.0)	(2.2)	(0.9)
Other comprehensive income (loss)	(7.5)	33.7	(103.9)	108.3
Total comprehensive loss	\$ (107.9)	\$ (9.0)	\$ (164.4)	\$ (102.5)

See Notes to Consolidated Financial Statements.

Table of Contents

AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share data)	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 333.3	\$ 310.0
Restricted cash	11.0	8.3
Receivables, net	155.2	271.5
Assets held for sale	—	80.0
Other current assets	187.0	202.6
Total current assets	686.5	872.4
Property, net	3,028.6	3,116.5
Intangible assets, net	359.3	380.5
Goodwill	4,820.8	4,931.7
Deferred tax asset, net	29.5	28.9
Other long-term assets	438.3	475.9
Total assets	\$ 9,363.0	\$ 9,805.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 395.1	\$ 569.6
Accrued expenses and other liabilities	387.1	351.1
Deferred revenues and income	293.2	401.0
Current maturities of corporate borrowings and capital and financing lease obligations	83.0	87.7
Total current liabilities	1,158.4	1,409.4
Corporate borrowings	4,840.3	4,220.1
Capital and financing lease obligations	516.7	578.9
Exhibitor services agreement	567.7	530.9
Deferred tax liability, net	44.3	49.6
Other long-term liabilities	980.7	903.8
Total liabilities	8,108.1	7,692.7
Commitments and contingencies		
Class A common stock (temporary equity) (\$.01 par value, 75,712 shares issued; 38,943 shares outstanding as of September 30, 2018 and 112,817 shares issued; 76,048 shares outstanding as of December 31, 2017)	0.4	0.8
Stockholders' equity:	0.5	0.5

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

Class A common stock (\$.01 par value, 524,173,073 shares authorized; 55,401,325 shares issued and 51,705,469 outstanding as of September 30, 2018; 55,010,160 shares issued and 51,814,304 outstanding as of December 31, 2017)		
Class B common stock (\$.01 par value, 75,826,927 shares authorized; 51,769,784 shares issued and outstanding as of September 30, 2018 and 75,826,927 shares authorized; 75,826,927 shares issued and outstanding as of December 31, 2017)	0.5	0.8
Additional paid-in capital	1,994.5	2,241.6
Treasury stock (3,732,625 shares as of September 30, 2018 and 3,232,625 shares as of December 31, 2017, at cost)	(56.4)	(48.2)
Accumulated other comprehensive income	26.0	125.6
Accumulated deficit	(710.6)	(207.9)
Total stockholders' equity	1,254.5	2,112.4
Total liabilities and stockholders' equity	\$ 9,363.0	\$ 9,805.9

See Notes to Consolidated Financial Statements.

Table of Contents

AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Nine Months Ended September 30, 2018 (Unaudited)		September 30, 2017 (Unaudited)	
Cash flows from operating activities:				
Net loss			\$ (60.5)	\$ (210.8)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation and amortization	398.4		393.9	
Loss on NCM charged to merger, acquisition and transaction costs	—		22.6	
Loss on extinguishment of debt	—		0.5	
Deferred income taxes	(3.5)		(137.9)	
Amortization of net premium on corporate borrowings	(2.1)		(1.9)	
Amortization of deferred charges to interest expense	11.5		9.2	
Theatre and other closure expense	3.1		1.1	
Non-cash portion of stock-based compensation	10.9		3.9	
Gain on dispositions	(2.9)		(4.5)	
(Gain) loss on disposition of NCM	(30.0)		22.2	
Gain on sale of Open Road	—		(17.2)	
Loss on derivative liability	54.1		—	
Repayment of Nordic interest rate swaps	—		(2.7)	
Equity in earnings from non-consolidated entities, net of distributions	(32.4)		(0.1)	
NCM held-for-sale impairment loss	16.0		204.5	
Landlord contributions	100.1		76.4	
Deferred rent	(81.3)		(35.2)	
Net periodic benefit cost	0.5		0.6	
Change in assets and liabilities, excluding acquisitions:				
Receivables	117.1		104.5	
Other assets	8.9		(3.1)	
Accounts payable	(191.0)		(116.3)	
Accrued expenses and other liabilities	(13.5)		(71.9)	
Other, net	(4.6)		(8.2)	
Net cash provided by operating activities	298.8		229.6	
Cash flows from investing activities:				
Capital expenditures	(374.9)		(467.7)	
Acquisition of Nordic Cinemas Group, net of cash and restricted cash acquired	—		(577.6)	
Acquisition of Carmike Cinemas, Inc., net of cash and restricted cash acquired	—		0.1	
Proceeds from sale leaseback transactions	50.1		128.4	

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

Proceeds from disposition of NCM	162.5	89.4
Proceeds from Screenvision merger	45.8	—
Proceeds from disposition of Open Road	—	9.2
Proceeds from disposition of long-term assets	13.9	22.5
Investments in non-consolidated entities, net	(11.0)	(10.0)
Other, net	(0.7)	(3.6)
Net cash used in investing activities	(114.3)	(809.3)
Cash flows from financing activities:		
Proceeds from issuance of Senior Unsecured Convertible Notes due 2024	600.0	—
Proceeds from issuance of Senior Subordinated Sterling Notes due 2024	—	327.8
Proceeds from issuance of Senior Subordinated Notes due 2027	—	475.0
Payment of Nordic SEK Term Loan	—	(144.4)
Payment of Nordic EUR Term Loan	—	(169.5)
Net proceeds from equity offering	—	616.8
Borrowings (repayments) under revolving credit facilities	6.6	60.0
Principal payment of Bridge Loan due 2017	—	(350.0)
Principal payments under Term Loan	(10.3)	(9.1)

Table of Contents

Principal payments under capital and financing lease obligations	(53.5)	(54.1)
Cash used to pay for deferred financing costs	(14.3)	(29.8)
Cash used to pay dividends	(237.4)	(78.7)
Taxes paid for restricted unit withholdings	(1.7)	(6.5)
Retirement of Class B common stock	(422.9)	—
Purchase of treasury stock	(21.8)	(16.5)
Net cash provided by (used in) financing activities	(155.3)	621.0
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(3.2)	19.9
Net increase (decrease) in cash and cash equivalents and restricted cash	26.0	61.2
Cash and cash equivalents and restricted cash at beginning of period	318.3	230.2
Cash and cash equivalents and restricted cash at end of period	\$ 344.3	\$ 291.4
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (including amounts capitalized of \$0.4 million and \$0.2 million)	\$ 175.1	\$ 161.5
Income taxes paid, net	\$ 9.9	\$ 9.6
Schedule of non-cash activities:		
Investment in NCM (See Note 5-Investments)	\$ (6.3)	\$ 235.2
Construction payables at period end	\$ 102.3	\$ 106.7

See Notes to Consolidated Financial Statements.

Table of Contents

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

(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 located in the United States and Europe. Holdings is an indirect subsidiary of Dalian Wanda Group Co., Ltd. (“Wanda”), a Chinese private conglomerate.

As of September 30, 2018, Wanda owned approximately 50.01% of Holdings’ outstanding common stock and 75.01% 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 U.S. 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 consolidated 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) Income and operating taxes, (3) Fair value of acquired assets and liabilities, and (4) 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 year ended December 31, 2017. The accompanying consolidated balance sheet as of December 31, 2017, 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 nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018. The Company manages its business under two reportable segments for its theatrical exhibition operations, U.S. markets and International markets.

Accumulated depreciation and amortization: Accumulated depreciation was \$1,587.4 million and \$1,266.9 million at September 30, 2018 and December 31, 2017, respectively, related to property. Accumulated amortization of intangible assets was \$68.5 million and \$55.5 million at September 30, 2018 and December 31, 2017, respectively.

Leases: During the nine months ended September 30, 2018, the Company modified the terms of an existing operating lease to reduce the lease term. The Company received a \$35.0 million incentive from the landlord to enter into the new lease agreement. The Company has recorded amortization of the lease incentive as a reduction to rent expense on a straight-line basis over the remaining lease term which reduced rent expense by \$35.0 million during the nine

Table of Contents

months ended September 30, 2018.

Sale and Leaseback Transaction: On June 18, 2018, the Company completed the sale and leaseback of the real estate assets associated with one theatre for proceeds, net of closing costs of \$50.1 million. The gain on the sale of approximately \$27.3 million has been deferred and will be amortized over the remaining lease term.

Presentation: Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation.

Other Expense (Income): The following table sets forth the components of other expense (income):

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Derivative liability fair value adjustment for embedded conversion feature in the Convertible Notes due 2024	\$ 54.1	\$ —	\$ 54.1	\$ —
Loss on GBP forward contract	—	—	0.4	—
Foreign currency transactions (gains) losses	—	(0.4)	1.1	(3.2)
Non-operating components of net periodic benefit cost	—	0.2	0.1	0.4
Loss on extinguishment of Bridge Loan	—	—	—	0.4
Fees related to modification of term loans	0.4	—	0.4	1.0
Other	(0.4)	(0.2)	1.4	(0.5)
Other expense (income)	\$ 54.1	\$ (0.4)	\$ 57.5	\$ (1.9)

Accounting Pronouncements Recently Adopted

Revenue from Contracts with Customers. The Company adopted the guidance of Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, (“ASC 606”) as of January 1, 2018 using the modified retrospective method. ASC 606 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 Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of accumulated deficit. ASC 606 was applied only to contracts that were not completed at January 1, 2018. The comparative information in the prior year has not been adjusted and continues to be reported under ASC 605, Revenue Recognition, which was the accounting standard in effect for those periods. See Note 2—Revenue for the required disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers per the guidance in ASC 606.

Reclassification of Certain Tax Effects. In February 2018, the FASB issued ASU No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”), which allows a reclassification from accumulated other comprehensive income to accumulated deficit for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act signed into law in December 2017. ASU 2018-02 is effective for the Company on January 1, 2019 and early adoption of the amendments is permitted, including adoption in any interim period. The Company early adopted ASU 2018-02, effective January 1, 2018, and recorded a reclassification related to the stranded tax effects that increased accumulated other comprehensive income and increased accumulated deficit by \$5.0 million in the consolidated balance sheets as of January 1, 2018. See Note 8—Income Taxes for further information.

Modification Accounting for Stock-Based Compensation. In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”), which amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms or conditions of the share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. The amendments in ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. The Company adopted ASU 2017-09 on January 1, 2018 and will apply the guidance in ASU 2017-09 to any future changes to the terms or conditions of stock-based payment awards should they

Table of Contents

occur. The Company's adoption of ASU 2017-09 did not have an impact on its consolidated financial statements.

Improving Presentation of Net Benefit Costs. In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“ASU 2017-07”). The guidance requires the service cost component of defined benefit pension plans and other post-retirement benefit plans to be reported in the same line item as other compensation costs arising from the services rendered by the pertinent employees while the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and reported outside a subtotal of operating income. The amendments in this guidance should be applied retrospectively for the presentation of the service cost component and the other components of net benefit cost in the consolidated statements of operations. The Company adopted ASU 2017-07 effective January 1, 2018 and recorded a prior period adjustment for the three and nine months ended September 30, 2017 in the consolidated statements of operations to decrease general and administrative other by \$0.3 million and \$0.6 million, respectively, related to the other components of net benefit cost, with a corresponding increase to other expense (income) of \$0.3 million and decrease to other income of \$0.6 million, respectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Restricted Cash in Statement of Cash Flows. In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force) (“ASU 2016-18”). ASU 2016-18 requires that restricted cash be included with cash and cash equivalents when reconciling the beginning and end-of-period total amounts shown on the statement of cash flows. This guidance must be applied retrospectively to all periods presented. The Company adopted ASU 2016-18 effective January 1, 2018 and the prior period has been adjusted to conform to the current period presentation. This guidance also requires a new disclosure to reconcile the cash balances within the consolidated statement of cash flows to the consolidated balance sheets. The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the amounts shown in the consolidated statements of cash flows:

	September 30, 2018	December 31, 2017
(In millions)		
Cash and cash equivalents	\$ 333.3	\$ 310.0
Restricted cash	11.0	8.3
Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ 344.3	\$ 318.3

Classification of certain cash receipts and cash payments. In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). The amendments in this update provide guidance on eight specific cash flow classification issues. The update provides specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. The Company adopted ASU 2016-15 on January 1, 2018 and made an election to continue using the “nature of the distribution approach” to classify distributions received from equity method investments. The adoption of this guidance did not have an impact on the Company's consolidated statements of cash flows.

Classification and measurement of financial instruments. In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The amendments require that equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company adopted ASU 2016-01 on January 1, 2018 and recorded a decrease to accumulated other comprehensive income of \$0.6 million, net of tax, related to the unrealized gains on available-for-sale securities that are equity instruments with a corresponding decrease to accumulated deficit in the consolidated balance sheets as of the beginning of the year. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

Stockholders’ equity disclosure. On August 17, 2018, the Securities and Exchange Commission adopted

Table of Contents

amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. Disclosures are required to be provided for the current and comparative quarter and year-to-date interim periods. The amendments are effective for all filings made on or after November 5, 2018. The Company adopted this disclosure requirement during the third quarter of 2018. See Note 7 - Stockholders' Equity for the consolidated statements of stockholders' equity disclosure.

Accounting Pronouncements Issued Not Yet Adopted

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases, ("ASC 842") which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard is effective for the Company on January 1, 2019, with early adoption permitted. The Company plans to adopt the guidance on January 1, 2019, using a modified retrospective transition approach with the cumulative effect recognized at the date of initial application, whereby comparative prior period financial information and disclosures will not be adjusted to reflect the new standard. In January 2018, the FASB issued ASU No. 2018-01, Leases, which permits an entity to elect an optional transition practical expedient to not evaluate under ASU 842 land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases.

The Company expects that this standard will have a material effect on its consolidated financial statements. While the Company is continuing to assess the effect of adoption, the Company currently believes the most significant changes relate to (1) the recognition of new ROU assets and lease liabilities on its balance sheet for theatres currently subject to operating leases; (2) the derecognition of existing assets and liabilities for certain sale-leaseback transactions (those arising from build-to-suit lease arrangements for which construction is complete and the Company is leasing the constructed asset) that currently do not qualify for sale accounting and the recognition of new ROU assets and operating lease liabilities on its balance sheet; and (3) providing new disclosures about the Company's leasing activities. On January 1, 2019, the Company expects to recognize additional operating liabilities ranging from an estimated \$5 billion to \$7 billion, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments for the Company's existing operating leases. The Company has not finalized the effects of these expected changes from the new standard and expects that this estimated range of impact will narrow as the Company continues its assessment of the adoption of ASC 842. The Company does not expect a significant change in its leasing activity between now and adoption.

Financial Instruments. In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which provides new guidance regarding the measurement and recognition of credit impairment for certain financial assets. Such guidance will impact how the Company determines its allowance for estimated uncollectible receivables and evaluates its available-for-sale investments for impairment. ASU 2016-13 is effective for the Company in the first quarter of 2020, with early adoption permitted in the first quarter of 2019. The Company is currently evaluating the effect that ASU 2016-13 will have on its consolidated financial statements and related disclosures.

Fair Value Measurement. In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which eliminates, adds, and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for the Company in the first quarter of 2020. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2018-13 will have on its fair value measurement disclosures.

Cloud Computing Arrangement. In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (“ASU 2018-15”). ASU 2018-15 requires a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation, setup, and other upfront costs to capitalize as assets or expense as incurred. ASU 2018-15 is effective for the Company in the first quarter of 2020. Early adoption is permitted. Entities

Table of Contents

have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively in accordance with ASC 250-10-45. The Company is currently evaluating the effect that ASU 2018-15 will have on its consolidated financial statements.

NOTE 2—REVENUE RECOGNITION

The Company adopted ASC 606 on January 1, 2018 using the modified retrospective method; and therefore, the comparative information has not been adjusted for the three and nine months ended September 30, 2017.

The cumulative effect of the changes made to the consolidated balance sheet at January 1, 2018 for the adoption of ASC 606, are included in the following table:

(In millions)	Balance at December 31, 2017 Without Adoption of ASC 606	Adjustments Due to ASC 606	Balance at January 1, 2018
Assets:			
Other long-term assets	\$ 475.9	\$ 11.1	\$ 487.0
Current liabilities:			
Deferred revenues and income	401.0	(10.0)	391.0
Long-term liabilities:			
Exhibitor services agreement	530.9	52.9	583.8
Stockholders' equity:			
Accumulated deficit	(207.9)	(31.8)	(239.7)

The disclosure of the impact of the adoption of ASC 606 on the Company's consolidated statement of operations is as follows:

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

(In millions)	Three Months Ended September 30, 2018		
	Without Adoption of ASC 606	Adjustments	As Reported
Revenues:			
Admissions	\$ 751.7	\$ (0.3)	\$ 751.4
Food and beverage	384.9	(0.1)	384.8
Other theatre	73.9	11.3	85.2
Total revenues	1,210.5	10.9	1,221.4
Operating costs and expenses:			
Operating expense, excluding depreciation and amortization	395.2	5.3	400.5
Non-cash interest expense related to NCM exhibitor service agreement	—	10.3	10.3
Net loss	(95.7)	(4.7)	(100.4)

Table of Contents

(In millions)	Nine Months Ended September 30, 2018		
	Without Adoption of ASC 606	Adjustments	As Reported
Revenues:			
Admissions	\$ 2,523.7	\$ (1.0)	\$ 2,522.7
Food and beverage	1,236.7	(0.3)	1,236.4
Other theatre	252.3	36.1	288.4
Total revenues	4,012.7	34.8	4,047.5
Operating costs and expenses:			
Operating expense, excluding depreciation and amortization	1,216.4	20.5	1,236.9
Non-cash interest expense related to NCM exhibitor service agreement	—	31.2	31.2
Net loss	(43.6)	(16.9)	(60.5)

Revenues: The Company recognizes revenue, net of sales tax, when it satisfies a performance obligation by transferring control over a product or service to a customer. Admissions and food and beverage revenues are recognized at a point in time when a film is exhibited to a customer and when a customer takes possession of food and beverage offerings. The Company defers 100% of the revenue associated with the sales of gift cards and exchange tickets until such time as the items are redeemed or estimated income from non-redemption is recorded.

The Company recognizes income from non-redeemed or partially redeemed gift cards in proportion to the pattern of rights exercised by the customer (“proportional method”) where it applies an estimated non-redemption rate for its gift card sales channels, which range from 12% to 18% of the current month sales, and the Company recognizes in other theatre revenues the total amount of expected income for non-redemption for that current month’s sales as income over the next 24 months in proportion to the pattern of actual redemptions. The Company has determined its non-redeemed rates and redemption patterns using data accumulated over ten years. Prior to January 1, 2018, income for non-redeemed exchange tickets were recognized 18 months after purchase when the redemption of these items was determined to be remote. At January 1, 2018, the Company changed its method for recognizing income from non-redeemed exchange tickets to the proportional method, where it applies a non-redemption rate of 10% to the current month sales, and the Company recognizes the total amount of income for that current month’s sales as income over the next 24 months in proportion to the pattern of actual redemptions. Management believes the 24-month estimate is supported by its continued development of redemption history and that it is reflective of management’s current best estimate. The adoption of the proportional method of recognizing income from non-redeemed exchange tickets did not have a material impact on the Company’s consolidated financial statements.

Prior to January 1, 2018, the Company recorded online ticket fee revenues net of third-party commission or service fees. In accordance with ASC 606 guidance, the Company believes that it is a principal (as opposed to agent) in the arrangement with third-party internet ticketing companies in regard to the sale of online tickets because the Company controls the online tickets before it is transferred to the customer. Upon adoption of ASC 606 on January 1, 2018, the

Company recognizes ticket fee revenues based on a gross transaction price. The online ticket fee revenues and the third-party commission or service fees are recorded in the line items other theatre revenues and operating expense, respectively, in the consolidated statements of operations. These changes did not have any impact on net income or cash flows from operations.

Exhibitor Services Agreement: The Company recognizes advertising revenues, which are included in other theatre revenues in the consolidated statements of operations, when it satisfies a performance obligation by transferring a promised good or service to the customers. The advertising contracts with customers generally consist of a series of distinct periods of service, satisfied over time, to provide rights to advertising services. The Company's ESA with NCM includes a significant financing component due to the significant length of time between receiving the noncash consideration and fulfilling the performance obligation. The Company receives the non-cash consideration in the form of common membership units from NCM, in exchange for rights to exclusive access to the Company's theatre screens and attendees through February 2037. Upon adoption of ASC 606, the Company's advertising revenues have significantly increased with a similar offsetting increase in non-cash interest expense, which is recorded to non-cash NCM exhibitor service agreement in the consolidated statements of operations. Upon adoption of ASC 606 and pursuant to the calculation requirements for the time value of money, the amortization method reflects the front-end loading of the significant financing component where more interest expense is recognized earlier during the term of the agreement than

Table of Contents

the back-end recognition of the deferred revenue amortization where more revenue is recognized later in the term of the agreement. See Note 5—Investments for further information regarding the common unit adjustment and the fair value measurement of the noncash consideration. The interest expense was calculated using discount rates that ranged from 6.5% to 8.5%, which are the rates at which the Company believes it could borrow in separate financing transactions. The Company recognized a cumulative effect transition adjustment of initially applying ASC 606 by increasing accumulated deficit on January 1, 2018 by approximately \$52.9 million, including income tax effect of \$0, as a result of this change. These changes did not have any impact on the Company's cash flows from operations.

Customer Frequency Program: AMC Stubs® is a customer loyalty program which allows members to earn rewards, receive discounts and participate in exclusive members-only offerings and services. In July 2016, the Company completed a national relaunch of its AMC Stubs® loyalty program featuring both a traditional paid tier 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. The AMC Stubs Insider™ tier rewards guests for simply coming to the movies, and benefits include free refills on certain food items, discount ticket offers, a birthday gift and 20 reward points earned for every dollar spent. For a \$15.00 annual membership fee, AMC Stubs Premiere™ members enjoy express service with specially marked shorter lines at the box office and concession stand, free size upgrades on certain food and beverage items, discount ticket offers, a birthday gift, discounted online ticketing fees and 100 reward points for every dollar spent. Some of the rewards earned are redeemable on future purchases at AMC locations. Once an AMC Stubs Premiere™ or AMC Stubs Insider™ member accumulates 5,000 points they will earn a \$5.00 virtual reward.

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. Converted rewards not redeemed within nine months are forfeited and recognized as admissions or food and beverage revenues. Prior to January 1, 2018, rewards for expired memberships were forfeited based upon specified periods of inactivity of the membership and recognized as admissions or food and beverage revenues. As of January 1, 2018, the Company changed its method for recognizing forfeited rewards from the remote method to the proportional method, where the Company estimates point breakage in assigning value to the points at the time of sale based on historical trends. The program's annual membership fee is allocated to the material rights for discounted or free products and services and is initially deferred, net of estimated refunds, and recognized as the rights are redeemed based on estimated utilization, over the one-year membership period in admissions, food and beverage, and other revenues. A portion of the revenues related to a material right are deferred as a virtual rewards performance obligation using the relative standalone selling price method and are recognized as the rights are redeemed or expire.

Disaggregation of Revenue: Revenue is disaggregated in the following tables by major revenue types and by timing of revenue recognition:

Three	Nine
Months	Months
Ended	Ended

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

(In millions)	September 30, 2018	September 30, 2018
Major revenue types		
Admissions	\$ 751.4	\$ 2,522.7
Food and beverage	384.8	1,236.4
Other theatre:		
Advertising	31.2	102.5
Other theatre	54.0	185.9
Other theatre	85.2	288.4
Total revenues	\$ 1,221.4	\$ 4,047.5

(In millions)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Timing of revenue recognition		
Products and services transferred at a point in time	\$ 1,162.4	\$ 3,891.8
Products and services transferred over time (1)	59.0	155.7
Total revenues	\$ 1,221.4	\$ 4,047.5

(1) Amounts primarily include advertising revenues.

Table of Contents

The following tables provide the balances of receivables and deferred revenue income:

(In millions)	September 30, 2018	December 31, 2017
Current assets:		
Receivables related to contracts with customers	\$ 74.3	\$ 204.3
Miscellaneous receivables	80.9	67.2
Receivables, net	\$ 155.2	\$ 271.5

(In millions)	September 30, 2018	December 31, 2017
Current liabilities:		
Deferred revenue related to contracts with customers	\$ 288.6	\$ 376.1
Miscellaneous deferred income	4.6	24.9
Deferred revenue and income	\$ 293.2	\$ 401.0

The significant changes in contract liabilities with customers included in deferred revenues and income are as follows:

(In millions)	Deferred Revenues Related to Contracts with Customers
Balance as of December 31, 2017	\$ 376.1
Cumulative effect of initially applying ASC 606	(10.0)
Cash received in advance (1)	285.6
Customer loyalty rewards accumulated, net of expirations:	
Admission revenues (2)	21.8
Food and beverage (2)	39.1
Other theatre (2)	3.9
Reclassification to revenue as the result of performance obligations satisfied:	
Admission revenues (3)	(304.0)
Food and beverage (3)	(61.5)
Other theatre (4)	(61.6)
Business combination - Nordic purchase price allocation (5)	(2.3)

Foreign currency translation adjustment	1.5
Balance as of September 30, 2018	\$ 288.6

- (1) Includes movie tickets, food and beverage, gift cards, exchange tickets, and AMC Stubs® loyalty membership fees.
- (2) Amount of rewards accumulated, net of expirations, that are attributed to AMC Stubs® and other loyalty programs.
- (3) Amount of rewards redeemed that are attributed to gift cards, exchange tickets, movie tickets, AMC Stubs® loyalty programs and other loyalty programs.
- (4) Amounts relate to income from non-redeemed or partially redeemed gift cards, non-redeemed exchange tickets, AMC Stubs® loyalty membership fees and other loyalty programs.
- (5) See Note 3 – Acquisitions for further information.

Table of Contents

The significant changes to contract liabilities included in the exhibitor services agreement, classified as long-term liabilities in the consolidated balance sheets, are as follows:

	Exhibitor Services Agreement
(In millions)	
Balance as of December 31, 2017	\$ 530.9
Cumulative effect of initially applying ASC 606	52.9
Common Unit Adjustment – surrender of common units (1)	(5.2)
Reclassification of the beginning balance to other theatre revenue, as the result of performance obligations satisfied	(10.9)
Balance as of September 30, 2018	\$ 567.7

(1) Represents the fair value amount of the NCM common units that were surrendered due to the annual Common Unit Adjustment. Such amount will reduce the deferred revenues that are being amortized to other theatre revenues over the remainder of the 30-year term of the ESA ending in February 2037. See Note 5—Investments for further information.

Transaction Price Allocated to the Remaining Performance Obligations: The following table includes the amount of NCM ESA, included in deferred revenues and income in the Company's consolidated balance sheets, that is expected to be recognized as revenues in the future related to performance obligations that are unsatisfied as of September 30, 2018:

	Three Months Ended December 31, 2018	Year Ended 2019	Year Ended 2020	Year Ended 2021	Year Ended 2022	Years Ended 2023 through February 2037
(In millions)						
Exhibitor services agreement	\$ 3.7	\$ 15.7	\$ 16.8	\$ 18.1	\$ 19.4	\$ 494.0

The total amount of non-redeemed gifts cards and exchange tickets included in deferred revenues and income as of September 30, 2018 was \$220.8 million. This will be recognized as revenues as the gift cards and exchange tickets are redeemed or as the non-redeemed gift card and exchange ticket revenues are recognized in proportion to the pattern of actual redemptions, which is estimated to occur over the next 24 months.

As of September 30, 2018, the amount of deferred revenue allocated to the AMC Stubs® loyalty programs included in deferred revenues and income was \$45.6 million. The earned points will be recognized as revenue as the points are redeemed, which is estimated to occur over the next 24 months. The annual membership fee is recognized ratably over

the one-year membership period.

The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

NOTE 3—ACQUISITIONS

Nordic Cinema Group Holding AB

On March 28, 2017, the Company completed the acquisition of Nordic Cinema Group Holding AB (“Nordic”) for cash. The purchase price for Nordic was approximately SEK 5,756 million (\$654.9 million), which includes payment of interest on the equity value and repayment of shareholder loans. As a result of the acquisition, the Company assumed the indebtedness of Nordic of approximately SEK 1,269 million (\$144.4 million) and indebtedness of approximately €156 million (\$169.5 million) as of March 28, 2017, which was refinanced subsequent to the acquisition. The Company also assumed approximately SEK 13.5 million (\$1.6 million) and approximately €1.0 million (\$1.1 million) of interest rate swaps related to the indebtedness which were repaid following the acquisition. All amounts have been converted into US Dollar amounts assuming an SEK/USD exchange rate of 0.11378 and an EUR/USD exchange rate of 1.0865, which were the exchange rates on March 27, 2017.

Table of Contents

The acquisition is being treated as a purchase in accordance with Accounting Standards Codification Topic 805, Business Combinations (“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 a valuation assessment. The Company finalized the appraisals for both tangible and intangible assets and liabilities during the three months ended March 31, 2018. The following is a summary of the final allocation of the purchase price:

(In millions)	March 28, 2017	Changes	March 31, 2018
Cash	\$ 70.5	\$ 0.9	\$ 71.4
Restricted cash	—	5.9	5.9
Receivables	25.0	(11.6)	13.4
Other current assets	14.0	9.6	23.6
Property (1)	89.8	43.4	133.2
Intangible assets (1) (2)	—	22.1	22.1
Goodwill (3)	872.1	(79.2)	792.9
Deferred tax asset	5.5	(4.6)	0.9
Other long-term assets (6)	41.0	34.2	75.2
Accounts payable	(30.3)	0.1	(30.2)
Accrued expenses and other liabilities	(26.5)	(9.6)	(36.1)
Deferred revenues and income	(43.5)	2.3	(41.2)
Term Loan Facility (SEK)	(144.4)	—	(144.4)
Term Loan Facility (EUR)	(169.5)	—	(169.5)
Capital lease and financing lease obligations (1)(4)	(29.2)	19.2	(10.0)
Deferred tax liability	(5.2)	(13.5)	(18.7)
Other long-term liabilities (5)	(14.4)	(19.2)	(33.6)
Total estimated purchase price	\$ 654.9	\$ —	\$ 654.9

(1) Amounts recorded for property include land, buildings, capital lease assets, leasehold improvements, furniture, fixtures and equipment. During the year ended March 31, 2018, the Company recorded measurement period adjustments primarily related to the valuation of property, intangible assets, equity method investments, financing lease obligations and related tax adjustments.

(2) Additional information for intangible assets acquired on March 28, 2017 is presented below:

(In millions)	Weighted Average Amortization Period	Gross Carrying Amount
Acquired intangible assets:		
Amortizable intangible assets:		
Favorable leases	7.0 years	\$ 3.5
Favorable subleases	4.0 years	1.1

Screen advertising agreement	5.0 years	6.6
Trade name agreement	4.0 years	0.4
Total, amortizable	5.5 years	\$ 11.6
Unamortized intangible assets:		
Trade names		\$ 10.5

- (3) Amounts recorded for goodwill are not expected to be deductible for tax purposes.
- (4) Including current portion of approximately \$1.1 million.
- (5) Amounts recorded for other long-term liabilities include unfavorable leases of approximately \$20.0 million with an amortization period of 9.3 years.
- (6) Includes equity method investments of \$64.7 million.

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

Table of Contents

fair market values were determined using a variety of information, including estimated future cash flows, appraisals, and market comparables.

The purchase price paid by the Company in the acquisition resulted in recognition of goodwill because it exceeded the estimated fair value of the assets acquired and liabilities assumed. The Company paid a price in excess of estimated fair value of the assets acquired and liabilities assumed because the acquisition of Nordic enhances its position as the largest movie exhibition company in Europe and broadens and diversifies its European platform. The Company also expects to realize synergy and cost savings related to the acquisition because of purchasing and procurement economies of scale.

During the three and nine months ended September 30, 2018, the Company incurred acquisition-related and transition costs for Nordic of approximately \$1.4 million and \$4.1 million, respectively, which were included in general and administrative expense: merger, acquisition and transaction costs in the Consolidated Statements of Operations. The revenues for Nordic during the three and nine months ended September 30, 2018 were \$85.1 million and \$264.9 million, respectively. Nordic net earnings during the three and nine months ended September 30, 2018 were \$7.7 million and \$22.2 million, respectively.

Pro Forma Results of Operations (Unaudited)

The following selected comparative unaudited pro forma results of operations information for the nine months ended September 30, 2017 assumes that the Nordic acquisition occurred at the beginning of 2017 and reflects the full results of operations for the periods presented. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combination been in effect on the dates indicated, or which may occur in the future. These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Nordic to reflect the fair value adjustments to property and equipment and financing obligations. The pro forma financial information presented includes the effects of adjustments related to fair values assigned to long-lived assets, including depreciation charges from acquired property and equipment, interest expense and incremental shares issued from financing the acquisitions and the related income tax effects, and the elimination of Carmike Cinemas, Inc. ("Carmike") and AMC historical revenues and expenses for theatres in markets that were divested as required by the final judgement with the Department of Justice ("DOJ") in connection with the acquisition of Carmike. Merger, acquisition and transaction costs directly related to the acquisitions have not been removed.

	Actual	Pro Forma
(In millions)	Nine Months Ended	Nine Months Ended
	September 30, 2018	September 30, 2017
Revenues	\$ 4,047.5	\$ 3,739.2
Operating income (loss)	\$ 177.7	\$ 38.4

Net earnings (loss)	\$ (60.5)	\$ (209.0)
Earnings (loss) per share:		
Basic	\$ (0.48)	\$ (1.63)
Diluted	\$ (0.48)	\$ (1.63)

NOTE 4—GOODWILL

The following table summarizes the changes in goodwill by reportable operating segment for the nine months ended September 30, 2018:

(In millions)	U.S. Markets	International Markets (1)	Total
Balance as of December 31, 2017	\$ 3,072.6	\$ 1,859.1	\$ 4,931.7
Adjustments to acquisition of Nordic	—	(6.4)	(6.4)
Currency translation adjustment	—	(104.5)	(104.5)
Balance as of September 30, 2018	\$ 3,072.6	\$ 1,748.2	\$ 4,820.8

(1) As of September 30, 2018, the goodwill for the Odeon Theatres reporting unit and the Nordic Theatres reporting unit was \$965.6 million and \$782.6 million, respectively.

Table of Contents

NOTE 5—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 September 30, 2018 include interests in Digital Cinema Implementation Partners, LLC (“DCIP”) of 29.0%, Digital Cinema Distribution Coalition, LLC (“DCDC”) of 14.6%, AC JV, LLC (“AC JV”) owner of Fathom Events, of 32.0%, SV Holdco LLC, owner of Screenvision, 21.2%, and Digital Cinema Media (“DCM”) of 50.0%. The Company also has partnership interests in four U.S. motion picture theatres and one IMAX® screen of 50.0% (“Theatre Partnerships”) and approximately 50.0% interest in 57 theatres in Europe acquired in the Odeon and Nordic acquisitions. Indebtedness held by equity method investees is non-recourse to the Company.

Amounts payable to U.S. Theatre Partnerships were \$0.7 million and \$2.8 million as of September 30, 2018 and December 31, 2017, respectively.

Dreamscape and Central Services Studios Preferred Stock. During the nine months ended September 30, 2018, the Company invested an additional \$5.0 million in Dreamscape Immersive, Inc. (“Dreamscape”) and invested an additional \$5.0 million in Central Services Studios, Inc. (“Central Services Studios”) as a part of its virtual reality technologies strategy. The investments are recorded at cost following the measurement alternative as there is no established market for the securities and the Company does not have significant influence over these entities.

RealD. During the nine months ended September 30, 2018, the Company entered into a Stock Issuance and Restrictions Agreement with RealD Holdings Inc. (“RealD”). The new agreement replaces a similar agreement with RealD for the lease of RealD 3D systems where rental payments continue to be variable and based on paid admissions and extends the term of the agreement to December 31, 2024. The investments are recorded at cost following the measurement alternative as there is no established market for the securities and the Company does not have significant influence over these entities.

Equity in Earnings (Loss) of Non-Consolidated Entities

Aggregated condensed financial information of the Company’s significant non-consolidated equity method investments (DCIP and NCM) is shown below:

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues	\$ 43.4	\$ 156.3	\$ 320.9	\$ 417.9
Operating costs and expenses	19.1	99.3	230.8	303.6
Net earnings	\$ 24.3	\$ 57.0	\$ 90.1	\$ 114.3

Note: The revenues, operating costs and expense, and net earnings for the three months ended September 30, 2018 above includes DCIP only, as the sale of the Company's investment in NCM closed on July 5, 2018.

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
NCM and NCM, Inc.	\$ 28.9	\$ (11.1)	\$ 17.3	\$ (216.8)
Digital Cinema Implementation Partners, LLC	7.4	6.0	20.9	21.2
Screenvision	30.1	1.0	30.5	0.8
Other	3.6	2.3	5.3	(4.3)
The Company's recorded equity in earnings (loss)	\$ 70.0	\$ (1.8)	\$ 74.0	\$ (199.1)

NCM Transactions. In March 2018, the NCM Common Unit Adjustment ("CUA") resulted in a negative adjustment of 915,150 common units for the Company. The Company elected to return the units and recorded the

Table of Contents

surrendered common units as a reduction to deferred revenues for the ESA at fair value of \$5.2 million, based upon a price per share of National Cinemedia, Inc. (“NCM, Inc.”) of \$5.64 on March 15, 2018. The Company’s investment in NCM was reduced by the carrying value of the common units of \$6.3 million resulting in a loss from the surrender of the NCM common units of \$1.1 million, which was recorded to equity in earnings (loss) of Non-Consolidated Entities in March 2018.

On June 18, 2018, the Company entered into two Unit Purchase Agreements (the “Agreements”) with each of Regal Cinemas, Inc. (“Regal”) and Cinemark USA, Inc. (“Cinemark”) pursuant to which Regal and Cinemark each separately agreed to purchase 10,738,740 common units of NCM at a sales price of \$7.30 per unit and aggregate consideration of approximately \$156.8 million (the “Sales”). The Sales closed on July 5, 2018. Following the closing of the Sales, the Company no longer owns any shares of common stock in NCM, Inc. or common units in NCM. NCM consented to the Sales and waived its rights under the memorandum of understanding that provided the Company would not reduce its combined ownership of NCM and NCM, Inc. below 4.5%. The Company recorded a \$28.9 million gain on the sale of its NCM investment during the three months ended September 30, 2018.

The Company recorded the following related party transactions with NCM:

(In millions)	As of September 30, 2018	As of December 31, 2017
Due from NCM for on-screen advertising revenue	\$ 1.8	\$ 2.5
Due to NCM for Exhibitor Services Agreement	5.3	9.4
Promissory note payable to NCM	2.8	2.8

(In millions)	Three Months Ended September 30, 2018		September 30, 2017		Nine Months Ended September 30, 2018		September 30, 2017	
Net NCM screen advertising revenues	\$ 15.4	\$ 6.7			\$ 50.0	\$ 28.0		
NCM beverage advertising expense	1.8	1.7			6.0	5.3		

The Company recorded the following changes in the carrying amount of its investment in NCM and equity in earnings (loss) of NCM during the nine months ended September 30, 2018:

	Investment in	Exhibitor Services Agreement	Accumulated Other Comprehensive (Income)/Loss	Cash Received (Paid)	Equity in (Earnings) Loss (3)	Advertising (Revenue)
(In millions)	NCM (1)	(2)	(Income)/Loss	(Paid)	Loss (3)	(Revenue)
Ending balance at December 31, 2017	\$ 161.1	\$ (530.9)	\$ (1.8)			
ASC 606 revenue recognition change in amortization method	—	(52.9)	—			
Surrender of common units for common unit adjustment	(6.3)	5.2	—	\$ —	\$ 1.1	—
Receipt of excess cash distributions	(15.3)	—	—	15.3	—	—
Impairment loss - held for sale (4)	(14.4)	—	—	—	14.4	—
Expenses on sale of NCM common units	—	—	—	1.4	1.4	—
Sale of NCM common units	(128.3)	—	1.7	156.8	(30.2)	—
Equity in earnings	3.2	—	0.1	—	(3.3)	—
Amortization of ESA	—	10.9	—	—	—	(10.9)
For the period ended or balance as of September 30, 2018	\$ —	\$ (567.7)	\$ —	\$ 173.5	\$ (16.6)	\$ (10.9)

(1) The following table represents AMC's investment in NCM, Inc. common shares and NCM common membership units including units received under the Common Unit Adjustment Agreement dated as of February 13, 2007:

Table of Contents

	Common Membership Units		Common Shares
	Tranche 1	Tranche 2 (a)	NCM, Inc. (5)
Beginning balance at December 31, 2012	17,323,782	—	—
Additional units received in the quarter ended June 30, 2013	—	1,728,988	—
Additional units received in the quarter ended June 30, 2014	—	141,731	—
Additional units received in the quarter ended June 30, 2015	—	469,163	—
Additional units received in the quarter ended December 31, 2015	—	4,399,324	—
Units exchanged for NCM, Inc. shares in December 2015	—	(200,000)	200,000
Additional units received in the quarter ended March 31, 2017	—	18,787,315	—
Surrender of units for transferred theatres in March 2017	—	(2,850,453)	—
Surrender of units for exclusivity waiver in March 2017	—	(1,807,220)	—
Conversion of units to NCM, Inc. common shares in September 2017	—	(14,600,000)	14,600,000
Sale of NCM, Inc. common shares in September 2017	—	—	(14,800,000)
Conversion of units to NCM, Inc. common shares in October 2017	—	(1,000,000)	1,000,000
Surrender of units in the quarter ended March 31, 2018	—	(915,150)	—
Sale of NCM, Inc. common shares in June 2018	—	—	(1,000,000)
Sale of NCM common units in July 2018	(17,323,782)	(4,153,698)	—
Ending balance at September 30, 2018	—	—	—

- (a) The additional units received (surrendered) in June 2013, June 2014, June 2015, December 2015, March 2017, and March 2018 were measured at fair value (Level 1) using NCM, Inc.'s stock price of \$15.22, \$15.08, \$14.52, \$15.75, \$12.52, and \$5.64, respectively.
- (2) Represents the unamortized portion of the 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 2037. See Note 1—Basis of Presentation and Note 2—Revenue Recognition for information on the effects of adopting ASC 606.
- (3) Excludes a lower of carrying value or fair value impairment loss of \$1.6 million related to the Company's common stock investment in NCM, Inc. See Note 9—Fair Value Measurements for further information regarding a lower of carrying value or fair value impairment losses.
- (4) The Company recorded an impairment loss on held-for-sale units and shares for NCM, Inc. of \$1.6 million and NCM of \$14.4 million for a total impairment of \$16.0 million during the three months ended March 31, 2018. The charges reflect recording our units and shares at the publicly quoted per share price on March 31, 2018 of \$5.19. See Note 9—Fair Value Measurements for further information regarding a lower of carrying value or fair value impairment loss.
- (5) The following table represents AMC's investment in NCM, Inc. common shares.

	Investment in NCM Inc.	Cash Received (Paid)	NCM Inc. Equity in (Earnings) Loss
(In millions)			
Ending balance December 31, 2017	\$ 6.8	\$ —	\$ —
Held-for-sale impairment loss (4)	(1.6)	—	1.6
Expenses from the sale of NCM Inc. common shares	—	(0.1)	0.1
Dividend received NCM, Inc. common shares	(0.3)	0.3	—
Sale of NCM Inc. common shares	(4.9)	7.2	(2.3)
Ending balance at September 30, 2018	\$ —	\$ 7.4	\$ (0.6)

During the nine months ended September 30, 2018 and September 30, 2017, the Company recorded cash received as investment income of \$5.4 million and \$5.5 million, respectively, related to the NCM tax receivable agreement. During the nine months ended September 30, 2018, the Company sold 1,000,000 shares of NCM, Inc. for net proceeds of \$7.2 million and a gain of \$2.3 million. During the three months ended September 30, 2018, the Company sold 21,477,480 common membership units of NCM, LLC for net proceeds of \$156.8 million and a gain of \$28.9 million.

Table of Contents

NCM Agreement

On March 9, 2017, the Company reached an agreement with NCM to implement the requirements of the final judgment entered in connection with the DOJ approval of the Carmike transaction. Pursuant to the NCM agreement, the Company received 18,425,423 NCM common units in March 2017 related to annual attendance at the Carmike theatres and 361,892 NCM common units related to the 2016 common unit adjustment. Because the Carmike theatres were subject to a pre-existing agreement with a third party and will not receive advertising services from NCM, the Company will be obligated to make quarterly payments to NCM reflecting the estimated value of the advertising services at the Carmike theatres as if NCM had provided such services. The quarterly payments will continue until the earlier of (i) the date the theatres are transferred to the NCM network or (ii) expiration of the ESA with NCM. All calculations will be made pursuant to the terms of the existing ESA and Common Unit Adjustment Agreement with NCM. With regard to the existing AMC theatres on the NCM network that are required under the final judgment with the DOJ to be transferred to another advertising provider, the Company returned 2,850,453 (valued at \$36.4 million) NCM common units to NCM in March 2017, calculated under the Common Unit Adjustment Agreement as if such theatres had been disposed of on March 3, 2017. The Company is not obligated to make quarterly payments with respect to the transferred theatres. In addition, the Company returned 1,807,220 additional NCM common units (valued at \$22.6 million) in exchange for a waiver of exclusivity by NCM as to the required transferred theatres for the term of the final judgment, which was classified as general and administrative: Merger, acquisition and transaction costs when the common units were returned to NCM during the three months ended March 31, 2017. The Company recorded a loss of \$1.2 million on the return of NCM common units as per the Common Unit Adjustment Agreement and exclusivity waiver for the difference between the average carrying value of the units and the fair value on the date of return. As a result of the agreement, the Company received 14,129,642 net additional NCM common units, valued at \$176.9 million based on the market price of NCM, Inc. stock on March 16, 2017 of \$12.52. Due to the structure of the transactions, the Company will no longer anticipate recognizing taxable gain upon receipt of new NCM common units. The Company also agreed to reimburse NCM up to \$1.0 million for expenses related to the negotiation of this agreement.

The final judgment with the DOJ also requires the Company to divest the majority of its equity interests in NCM, so that by June 20, 2019, AMC owns no more than 4.99% of NCM's outstanding equity interests on a fully converted basis per the following schedule: (i) on or before December 20, 2017, AMC must own no more than 15% of NCM's outstanding equity interests; (ii) on or before December 20, 2018, AMC must own no more than 7.5% of NCM's outstanding equity interests; and (iii) on or before June 20, 2019 AMC must own no more than 4.99% of NCM's outstanding equity interests. The Company sold 14,800,000 NCM, Inc. shares during the three months ending September 30, 2017 and satisfied the DOJ divestiture requirements related to NCM dispositions for calendar 2017. As of June 30, 2018, the Company has 21,477,480 common units of NCM classified as held-for-sale, which were sold on July 5, 2018 and the Company is in full compliance with the DOJ final judgment. In March 2018, the Company recorded in equity in (earnings) loss of non-consolidated entities a lower of carrying value or fair value impairment charge of \$16.0 million to reduce the carrying value of its held-for-sale investment in NCM to Level 1 fair value. The impairment charge reflected recording our held-for-sale units and shares at the lower of carrying value or publicly quoted per share price on March 31, 2018 of \$5.19.

On June 18, 2018, the Company entered into two Agreements with each of Regal and Cinemark pursuant to which Regal and Cinemark each separately agreed to purchase 10,738,740 common units of NCM at a sales price of \$7.30

per unit and aggregate consideration of approximately \$156.8 million. The Sales closed on July 5, 2018. Following the closing of the Sales, the Company no longer owns any shares of common stock in NCM, Inc. or common units in NCM. NCM consented to the Sales and waived its rights under the memorandum of understanding that provided the Company would not reduce its combined ownership of NCM and NCM, Inc. below 4.5%. The Company recorded a \$28.9 million gain on the sale of its NCM investment during the three months ended September 30, 2018.

Screenvision Merger. On May 30, 2018 Screenvision entered into an Agreement and Plan of Merger under which a change of control in Screenvision occurred upon consummation of the transactions contemplated therein. The Company received distributions and merger consideration of \$45.9 million on July 2, 2018 upon consummation of the Screenvision merger and retains a 21.2% common membership interest. The Company reduced the carrying value of its investment in Screenvision to \$0 and recorded equity in earnings for the excess distribution of \$30.1 million during the three months ended September 30, 2018.

Table of Contents

Digital Cinema Media. The Company acquired its equity investment in DCM on November 30, 2016 in connection with the acquisition of Odeon. The Company receives advertising services from DCM for its Odeon theatres in International markets through a joint venture in which it has a 50.0% ownership interest.

The Company recorded the following related party transactions with DCM:

(In millions)	As of September 30, 2018	As of December 31, 2017
Due from DCM for on-screen advertising revenue	\$ 0.7	\$ 4.6

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
DCM screen advertising revenues	\$ 4.2	\$ 4.8	\$ 13.4	\$ 14.3

DCIP Transactions. 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 related party transactions with DCIP:

(In millions)	As of September 30, 2018	As of December 31, 2017
Due from DCIP for warranty expenditures	\$ 3.3	\$ 2.8
Deferred rent liability for digital projectors	7.9	8.1

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Digital equipment rental expense	\$ 1.4	\$ 1.4	\$ 4.4	\$ 4.3

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

(In millions)	As of September 30, 2018	As of December 31, 2017
Due to AC JV for Fathom Events programming	1.2	0.5

(In millions)	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
Film exhibition costs:	2018	2017	2018	2017
Gross exhibition cost on Fathom Events programming	\$ 3.5	\$ 2.2	\$ 8.5	\$ 9.0

Screenvision Transactions. The Company recorded the following related party transactions with Screenvision:

(In millions)	As of September 30, 2018	As of December 31, 2017
Due from Screenvision for on-screen advertising revenue	\$ 1.8	\$ 3.1

(In millions)	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
Screenvision screen advertising revenues	2018	2017	2018	2017
	\$ 3.8	\$ 3.5	\$ 11.3	\$ 9.9

Nordic JV's. The Company recorded the following related party transactions with the Nordic theatre JV's:

(In millions)	As of September 30, 2018	As of December 31, 2017
Due from Nordic JVs	\$ 3.8	\$ 5.7
Due to Nordic JVs for management services	2.2	2.5

Table of Contents

NOTE 6—CORPORATE BORROWINGS

A summary of the carrying value of corporate borrowings and capital and financing lease obligations is as follows:

(In millions)	September 30, 2018	December 31, 2017
Revolving Credit Facility Due 2020 (4.63% as of September 30, 2018)	\$ —	\$ —
Odeon Revolving Credit Facility Due 2022 (2.5% + Base Rate of 0.75% as of September 30, 2018)	6.6	—
Senior Secured Credit Facility-Term Loan due 2022 (4.3844% as of September 30, 2018)	856.4	863.0
Senior Secured Credit Facility-Term Loan due 2023 (4.3844% as of September 30, 2018)	492.5	496.3
6.0% Senior Secured Notes due 2023	230.0	230.0
2.95% Senior Unsecured Convertible Notes due 2024	600.0	—
5.0% Promissory Note payable to NCM due 2019	2.8	2.8
5.875% Senior Subordinated Notes due 2022	375.0	375.0
6.375% Senior Subordinated Notes due 2024 (£500 million par value)	651.5	675.1
5.75% Senior Subordinated Notes due 2025	600.0	600.0
5.875% Senior Subordinated Notes due 2026	595.0	595.0
6.125% Senior Subordinated Notes due 2027	475.0	475.0
Capital and financing lease obligations, 5.75% - 11.5%	584.5	651.4
Debt issuance costs	(107.6)	(103.7)
Net premiums and (discounts)	(66.2)	26.8
Derivative liability	144.5	—
	5,440.0	4,886.7
Less:		
Current maturities	(83.0)	(87.7)
	\$ 5,357.0	\$ 4,799.0

Fifth Amendment to Credit Agreement

On August 14, 2018, the Company entered into the Fifth Amendment to Credit Agreement with Citicorp North America, Inc, as administrative agent and the other lenders party thereto (the “Fifth Amendment”), amending the Credit Agreement dated as of April 30, 2013. The Fifth Amendment made certain changes to certain covenants and definitions. These amendments to the Senior Secured Credit Agreement were executed in order to facilitate an internal reorganization due to recent tax changes and to make modifications which clarified certain ambiguities in the Senior Secured Credit Agreement.

The cash flows for the term loans due 2022 and 2023 were not changed as a result of the August 14, 2018 modification and the Borrowing Capacity under the Revolving Credit Agreement was not changed. As a result, the Company has accounted for the Fifth Amendment as a modification. The Company expensed \$0.3 million of third-party costs during the three and nine months ended September 30, 2018 and capitalized \$1.5 million debt issuance costs for amounts paid to lenders.

Table of Contents

Senior Unsecured Convertible Notes due 2024

Carrying value (in millions) as of September 30, 2018:

	Carrying Value at Issuance on September 14, 2018	Charges to Earnings	Carrying Value as of September 30, 2018
Principal balance	\$ 600.0	\$ —	\$ 600.0
Discount	(90.4)	0.6	(89.8)
Debt issuance costs	(12.5)	0.1	(12.4)
Derivative liability	90.4	54.1	144.5
Carrying Value	\$ 587.5	\$ 54.8	\$ 642.3

On September 14, 2018, the Company issued \$600.0 million aggregate principal amount of its 2.95% Senior Unsecured Convertible Notes due 2024 (the "Convertible Notes due 2024"). The Convertible Notes due 2024 mature on September 15, 2024, subject to earlier conversion by the holders thereof, repurchase by the Company at the option of the holders or redemption by the Company upon the occurrence of certain contingencies, as discussed below. Upon maturity, the \$600.0 million principal amount of the Convertible Notes due 2024 will be payable in cash. The Company will pay interest in cash on the Convertible Notes due 2024 at 2.95% per annum, semi-annually in arrears on September 15th and March 15th, commencing on March 15, 2019. The Company used the net proceeds from the sale of the Convertible Notes due 2024 to repurchase and retire 24,057,143 shares of Class B common stock held by Wanda for \$17.50 per share or approximately \$421.0 million, associated legal fees of \$1.9 million, and to pay a special dividend of \$1.55 per share of Class A common stock and Class B common stock, or approximately \$160.5 million on September 28, 2018 to shareholders of record on September 25, 2018.

The Company bifurcated the conversion feature from the principal balance of the Convertible Notes due 2024 as a derivative liability because (1) a conversion feature is not clearly and closely related to the debt instrument and the reset of the conversion price discussed in the following paragraph causes the conversion feature to not be considered indexed to the Company's equity, (2) the conversion feature standing alone meets the definition of a derivative, and (3) the Convertible Notes due 2024 are not remeasured at fair value each reporting period with changes in fair value recorded in the consolidated statement of operations. The derivative liability of \$90.4 million is offset by a discount to the principal balance and is amortized to interest expense resulting in an effective rate of 5.98% over the term of the Convertible Notes due 2024. The Company also recorded debt issuance costs of approximately \$12.5 million related to the issuance of the Convertible Notes due 2024 and will amortize those costs to interest expense under the effective interest method over the term of the Convertible Notes due 2024. The Company recorded interest expense for the period from September 14, 2018 to September 30, 2018 of \$1.5 million. The derivative liability is remeasured at fair value each reporting period with changes in fair value recorded in the consolidated statement of operations as other

expense or income. See Note 9 – Fair Value Measurements for a discussion of the valuation methodology. For the three months ended September 30, 2018, this resulted in a charge of \$54.1 million. The if-converted value of the Convertible Notes due 2024 exceeded the principal balance by approximately \$49.1 million as of September 30, 2018 based on the closing price per share of the Company's common stock of \$20.50 per share.

The Convertible Notes due 2024 are generally not convertible to equity in the first year after issuance. Upon conversion by a holder thereof, the Company shall deliver, at its election, either cash, shares of the Company's Class A common stock or a combination of cash and shares of the Company's Class A common stock at a conversion rate of 52.7704 per \$1,000 principal amount of the Convertible Notes due 2024 (which represents an initial conversion price of \$18.95), in each case subject to customary anti-dilution adjustments. As of September 30, 2018, the \$600.0 million principal balance of the Convertible Notes due 2024 would be convertible into 31,662,269 shares of Class A common stock. In addition to typical anti-dilution adjustments, in the event that the then-applicable conversion price is greater than 120% of the average of the volume-weighted average price of the Company's Class A common stock for the ten days prior to the second anniversary of issuance (the "Reset Conversion Price"), the conversion price for the Convertible Notes due 2024 is subject to a reset provision that would adjust the conversion price downward to such Reset Conversion Price. However, this conversion price reset provision is subject to a conversion price floor such that the shares of the Company's Class A common stock issuable upon conversion would not exceed 30% of the Company's then outstanding fully-diluted share capital after giving effect to the conversion. In addition, a trigger of the reset provision would result in up to 5,666,000 shares of the Company's Class B common stock held by Wanda becoming subject to forfeiture and retirement by the Company at no additional cost pursuant to the stock repurchase agreement between the

Table of Contents

Company and Wanda discussed in Note 7 – Stockholders’ Equity. Additionally, the conversion rate will be adjusted if any cash dividend or distribution is made to all or substantially all holders of the Company’s common stock (other than the special dividend referenced above and a regular, quarterly cash dividend that does not exceed \$0.20 per share until the second anniversary of issuance and \$0.10 per share thereafter). Any Convertible Notes due 2024 that are converted in connection with a Make-Whole Fundamental Change (as defined in the Indenture (the “Indenture”) governing the Convertible Notes due 2024) are, under certain circumstances, entitled to an increase in the conversion rate.

The Company has the option to redeem the Convertible Notes due 2024 for cash on or after the fifth anniversary of issuance at par if the price for the Company’s Class A common stock is equal to or greater than 150% of the then applicable conversion price for 20 or more trading days out of a consecutive 30 day trading period (including the final three trading days), at which time the holders have the option to convert. The Company also has the option to redeem the Convertible Notes due 2024, between the second and third anniversary of issuance, if the reset provision described above is triggered at a redemption price in cash that would result in the noteholders realizing a 15% IRR from the date of issuance regardless of when any particular noteholder acquired its Convertible Notes due 2024. The Company also bifurcated this redemption feature from the principal balance of the Convertible Notes due 2024 and considered it as a part of the overall fair value of the derivative liability.

With certain exceptions, upon a change of control of the Company or if the Company’s Class A common stock is not listed for trading on The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market, the holders of the Convertible Notes due 2024 may require that the Company repurchase in cash all or part of the principal amount of the Convertible Notes due 2024 at a purchase price equal to the principal amount plus accrued and unpaid interest up to, but excluding, the date of repurchase. The Indenture includes restrictive covenants that, subject to specified exceptions and parameters, limit the ability of the Company to incur additional debt and limit the ability of the Company to incur liens with respect to the Company’s senior subordinated notes or any debt incurred to refinance the Company’s senior subordinated notes. The Indenture also includes customary events of default, which may result in the acceleration of the maturity of the Convertible Notes due 2024 under the Indenture.

The Convertible Notes due 2024 are general unsecured senior obligations of the Company and are fully and unconditionally guaranteed on a joint and several senior unsecured basis by all the Company’s existing and future domestic restricted subsidiaries that guarantee its other indebtedness.

On September 14, 2018, in connection with the issuance of the Convertible Notes due 2024, the Company entered into an investment agreement (the “Investment Agreement”) providing for, among other things, registration rights with respect to the Convertible Notes due 2024 and the shares of Class A common stock underlying the Convertible Notes due 2024. Subject to the terms of the Investment Agreement, the Company is required to file a registration statement with the SEC not later than three months from the issuance date of the Convertible Notes in order to provide for resales of the Convertible Notes due 2024 and the shares of Class A common stock underlying the Convertible Notes to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

NOTE 7—STOCKHOLDERS' EQUITY

Dividends

The following is a summary of dividends and dividend equivalents paid to stockholders during the nine months ended September 30, 2018:

Declaration Date	Record Date	Date Paid	Amount per Share of Common Stock	Total Amount Declared (In millions)
February 28, 2018	March 12, 2018	March 26, 2018	\$ 0.20	\$ 26.0
May 3, 2018	June 11, 2018	June 25, 2018	0.20	26.0
July 24, 2018	September 10, 2018	September 24, 2018	0.20	25.8
September 14, 2018	September 25, 2018	September 28, 2018	1.55	162.9

Table of Contents

On September 14, 2018, the Holdings' Board of Directors declared a special cash dividend in the amount of \$1.55 per share of Class A and Class B common stock, payable on September 28, 2018 to stockholders of record on September 25, 2018.

On November 1, 2018, 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 December 26, 2018 to stockholders of record on December 10, 2018.

Related Party Transactions

As of September 30, 2018 and December 31, 2017, the Company recorded a receivable due from Wanda of \$0.8 million and \$0.6 million, respectively, for reimbursement of general administrative and other expense incurred on behalf of Wanda. During the nine months ended September 30, 2018, the Company recorded \$0.7 million of cost reductions for general and administrative services provided on behalf of Wanda. Wanda owns Legendary Entertainment, a motion picture production company. The Company will occasionally play Legendary's films in its theatres as a result of transactions with independent film distributors.

On September 14, 2018, the Company entered into the Investment Agreement with Silver Lake Alpine, L.P., an affiliate of Silver Lake Group, L.L.C. ("Silver Lake"), relating to the issuance to Silver Lake (or its designated affiliates) of \$600 million principal amount of the Convertible Notes due 2024.

On September 14, 2018, the Company, Silver Lake and Wanda entered into a Right of First Refusal Agreement (the "ROFR Agreement"), which provides Silver Lake certain rights to purchase shares of the Company's common stock that Wanda proposes to sell during a period of two years from the date of execution of the ROFR Agreement or, if earlier, until such time that Wanda and its affiliates cease to beneficially own at least 50.1% of the total voting power of the Company's voting stock. The right of first refusal applies to both registered and unregistered transfers of shares. Under the ROFR Agreement, in the event that Wanda and its affiliates cease to beneficially own at least 50.1% of the total voting power of the Company's voting stock, then the Company will have the same right of first refusal over sales of the Company's common stock by Wanda as described above until the expiration of the two-year period beginning on the date of execution of the ROFR Agreement. In such event, the Company may exercise such right to purchase shares from Wanda from time to time pursuant to the ROFR Agreement in its sole discretion, subject to approval by the disinterested directors of the Board. If the Company determines to exercise its right to purchase shares from Wanda pursuant to the ROFR Agreement, it will have the obligation under the Investment Agreement to offer to sell to Silver Lake a like number of shares of the Company's Class A Common Stock, at the same per share price at which it purchased the Wanda shares.

On September 14, 2018, the Company used the proceeds from the Convertible Notes due 2024, and pursuant to a stock repurchase agreement between the Company and Wanda, repurchased 24,057,143 shares of Class B common

stock at a price of \$17.50 per share or \$421.0 million and associated legal fees of \$1.9 million. As of September 30, 2018, Wanda owns 50.01% of AMC through its 51,769,784 shares of Class B common stock. With the three-to-one voting ratio between our Class B and Class A common stock, Wanda retains voting control of AMC with 75.01% of the voting power of the Company's common stock. As discussed in Note 6 up to 5,666,000 shares of Class B common stock are subject to forfeiture for no consideration in connection with the reset provision contained in the Indenture.

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.

Table of Contents

During the nine months ended September 30, 2018, two employees who held 37,105 shares relinquished their put rights, therefore the related share amount of \$0.4 million 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 \$4.2 million and \$(0.1) million within general and administrative: other during the three months ended September 30, 2018 and September 30, 2017, respectively. The Company recognized stock-based compensation expense of \$10.9 million and \$3.9 million within general and administrative: other during the nine months ended September 30, 2018 and September 30, 2017, respectively.

The components of the Company's recorded and unrecognized stock-based compensation expense are as follows:

			Amount	Additional Expected to	Expected to	Expected to
	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	Unrecognized September 30, 2018	Recognize 2018	Recognize 2019	Recognize 2020
Grant						
2018 Board of Directors	\$ —	\$ 0.5	\$ —	\$ —	\$ —	\$ —
2018 RSU awards	1.0	2.4	7.8	1.0	3.4	3.4
2018 PSU awards	1.8	4.1	6.0	1.8	3.0	1.2
2017 RSU awards	0.5	1.3	2.4	0.5	1.9	—
2017 RSU NEO awards	0.3	1.0	1.7	0.3	1.4	—
2017 PSU awards (1)	—	—	—	—	—	—
2016 RSU awards	0.3	0.8	0.3	0.3	—	—
2016 RSU NEO awards	0.3	0.8	0.3	0.3	—	—
2016 PSU awards (1)	—	—	—	—	—	—
	\$ 4.2	\$ 10.9	\$ 18.5	\$ 4.2	\$ 9.7	\$ 4.6

(1) During the year ended December 31, 2017, the Company determined that achieving the three-year performance thresholds of the 2017 Performance Stock Units and the 2016 Performance Stock Units was improbable and

reversed all previously recorded expense and ceased accruing any additional expense on these units. If the Company later determines that the performance thresholds become probable, then historical expense would be reinstated, and the Company would resume recognizing expense.

Awards Granted in 2018

The Company's 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 Plan. The fair value of the stock at the grant date of March 12, 2018 was \$15.65 per share and was based on the closing price of Holdings' stock.

The award agreements generally had the following features:

- Stock Award: On March 12, 2018, five members of Holdings' Board of Directors were granted awards of 28,055 fully vested shares of Class A common stock in the aggregate. The Company recognized approximately \$0.5 million of expense in general and administrative: other expense during the nine months ended September 30, 2018, in connection with these share grants.

Table of Contents

- **Restricted Stock Unit Awards:** On March 12, 2018, RSU awards of 653,669 units were granted to certain members of management and executive officers. The grant date fair value was approximately \$10.2 million based on a stock price of \$15.65 on March 12, 2018. 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 1/3 vesting on each of January 2, 2019, 2020, and 2021. 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.
- **Performance Stock Unit Award:** On March 12, 2018, PSU awards of 653,669 were granted to certain members of management and executive officers, with three-year cumulative adjusted EBITDA, diluted earnings per share, and net profit performance target conditions and service conditions, covering a performance period beginning January 1, 2018 and ending on December 31, 2020. The PSUs will vest based on achieving 80% to 120% of the performance targets with the corresponding vested unit amount ranging from 30% to 200%. If the performance target is met at 100%, the PSU awards granted on March 12, 2018, will vest at 653,669 units in the aggregate. No PSUs will vest if Holdings does not achieve 80% of the three-year cumulative adjusted EBITDA, diluted earnings per share, and net profit performance target. Additionally, unvested PSU's shall be ratably forfeited upon termination of service prior to December 31, 2020. If service terminates prior to January 2, 2019, all unvested PSU's shall be forfeited, if service terminates prior to January 2, 2020, 2/3 of unvested PSU's shall be forfeited and if service terminates prior to January 4, 2021, 1/3 of unvested PSU's shall be forfeited. The vested PSUs will be settled within 30 days of vesting which will occur upon certification of performance results by the Compensation Committee of the Board of Directors. 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.

The following table represents the nonvested RSU and PSU activity for the nine months ended September 30, 2018:

	Shares of RSU and PSU	Weighted Average Grant Date Fair Value
Beginning balance at January 1, 2018	1,083,841	\$ 28.61
Granted	1,313,152	15.65
Vested	(195,432)	28.46
Forfeited	(27,870)	20.49
Nonvested at September 30, 2018	2,173,691	\$ 20.90

Table of Contents

Consolidated Statements of Stockholders' Equity

For the Nine Months Ended September 30, 2018

	Class A Voting Common Stock		Class B Voting Common Stock		Additional Paid-in	Treasury Stock		Accumulated Other Comprehensive	Accumulated Other Comprehensive
(In millions, except share and per share data)	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Income (Loss)	(Loss)
Balances December 31, 2017	55,010,160	\$ 0.5	75,826,927	\$ 0.8	\$ 2,241.6	3,232,625	\$ (48.2)	\$ 125.6	\$ (125.6)
Cumulative effect adjustments for the adoption of new accounting principles (AS 606, ASU 2016-01 and ASU 2018-02)	—	—	—	—	—	—	—	4.4	(4.4)
Net earnings	—	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	10.5	(10.5)
Dividends declared: Class A common stock, \$0.20/share	—	—	—	—	—	—	—	—	—
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	—
Reversed dividend accrual for nonvested PSU's	—	—	—	—	—	—	—	—	—
RSUs surrendered to pay for payroll taxes	326,005	—	—	—	(1.8)	—	—	—	—
Reclassification from temporary	27,195	—	—	—	0.3	—	—	—	—

equity										
Stock-based										
compensation	28,055				2.8					
Balances										
March 31, 2018	55,391,415	\$ 0.5	75,826,927	\$ 0.8	\$ 2,242.9	3,232,625	\$ (48.2)	\$ 140.5	\$ (2
Net earnings	—	—	—	—	—	—	—	—	—	
Other										
comprehensive										
loss	—	—	—	—	—	—	—	(107.0)		
Dividends										
declared:										
Class A										
common stock,										
\$0.20/share	—	—	—	—	—	—	—	—	—	(
Class B										
common stock,										
\$0.20/share	—	—	—	—	—	—	—	—	—	(
Reclassification										
from temporary										
equity	9,910	—	—	—	0.1	—	—	—	—	
Stock-based										
compensation	—	—	—	—	4.0	—	—	—	—	
Class A										
common stock										
repurchases	—	—	—	—	—	500,000	(8.2)	—	—	
Balances June										
30, 2018	55,401,325	\$ 0.5	75,826,927	\$ 0.8	\$ 2,247.0	3,732,625	\$ (56.4)	\$ 33.5	\$ (0
Net loss	—	—	—	—	—	—	—	—	—	
Other										
comprehensive										
loss	—	—	—	—	—	—	—	(7.5)		

Table of Contents

Dividends declared:											
Class A common stock, \$0.20/share	—	—	—	—	—	—	—	—	(10.6)	(10.6)	
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	(15.3)	(15.3)	
Special dividend declared:											
Class A common stock, \$1.55/share	—	—	—	—	—	—	—	—	(82.7)	(82.7)	
Class B common stock, \$1.55/share	—	—	—	—	—	—	—	—	(80.2)	(80.2)	
Stock-based compensation	—	—	—	—	4.2	—	—	—	—	4.2	
Class B common stock repurchase and cancellation	—	—	(24,057,143)	(0.3)	(256.7)	—	—	—	(165.9)	(422.9)	
Balances September 30, 2018	55,401,325	\$ 0.5	51,769,784	\$ 0.5	\$ 1,994.5	3,732,625	\$ (56.4)	\$ 26.0	\$ (710.6)	\$ 1,250.0	

Table of Contents

Consolidated Statements of Stockholder's Equity

For the Nine Months Ended September 30, 2017

	Class A Voting Common Stock		Class B Voting Common Stock		Additional Paid-in	Treasury Stock		Accumulated Other Comprehensive Income	Accumulated Earnings
(In millions, except share and per share data)	Shares	Amount	Shares	Amount	Capital	Shares	Amount	(Loss)	(Deficit)
Balances December 31, 2016	34,236,561	\$ 0.3	75,826,927	\$ 0.8	\$ 1,627.3	36,769	\$ (0.7)	\$ (2.5)	\$ 384.4
Net earnings	—	—	—	—	—	—	—	—	8.4
Other comprehensive loss	—	—	—	—	—	—	—	(1.9)	—
Dividends declared: Class A common stock, \$0.20/share	—	—	—	—	—	—	—	—	(11.1)
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	(15.2)
Additional offering	20,330,874	0.2	—	—	617.5	—	—	—	—
RSUs surrendered to pay for payroll taxes	393,413	—	—	—	(6.5)	—	—	—	—
Stock-based compensation	13,684	—	—	—	(0.4)	—	—	—	—
Balances March 31, 2017	54,974,532	\$ 0.5	75,826,927	\$ 0.8	\$ 2,237.9	36,769	\$ (0.7)	\$ (4.4)	\$ 366.5
Net loss	—	—	—	—	—	—	—	—	(176.5)
Other comprehensive income	—	—	—	—	—	—	—	76.5	—
Dividends declared: Class A common stock, \$0.20/share	—	—	—	—	—	—	—	—	(11.2)
	—	—	—	—	—	—	—	—	(15.2)

Class B common stock, \$0.20/share									
Additional offering	—	—	—	—	(0.9)	—	—	—	—
Stock-based compensation RSUs		—	—	—	3.0	—	—	—	—
surrendered to pay for payroll taxes	795	—	—	—	—	—	—	—	—
Reclassification from temporary equity	27,197	—	—	—	0.3	—	—	—	—
Balances June 30, 2017	55,002,524	\$ 0.5	75,826,927	\$ 0.8	\$ 2,240.3	36,769	\$ (0.7)	\$ 72.1	\$ 163.6
Net loss	—	—	—	—	—	—	—	—	(42.7)
Other comprehensive income	—	—	—	—	—	—	—	33.7	—
Dividends declared:									
Class A common stock, \$0.20/share	—	—	—	—	—	—	—	—	(11.2)
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	(15.2)
Stock-based compensation	—	—	—	—	(0.3)	—	—	—	—

Table of Contents

Class A common stock repurchases	—	—	—	—	—	1,068,300	(16.5)	—	—	(16.5)
Balances September 30, 2017	55,002,524	\$ 0.5	75,826,927	\$ 0.8	\$ 2,240.0	1,105,069	\$ (17.2)	\$ 105.8	\$ 94.5	\$ 2,424.4

Table of Contents

NOTE 8—INCOME TAXES

The Company's worldwide effective income tax rate is based on expected income, statutory rates, valuation allowances against deferred tax assets and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the worldwide 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 worldwide 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. The Company recognizes income tax-related interest expense and penalties as income tax expense and general and administrative expense, respectively.

At September 30, 2018 and December 31, 2017, the Company has net deferred tax liabilities of \$14.8 million and \$20.7 million, respectively. During the fourth quarter of 2017, the Company determined that it was appropriate to record a valuation allowance against U.S. deferred tax assets. In addition, several international jurisdictions carry valuation allowances against their deferred tax assets. As a result, the effective tax rate for the period ended September 30, 2018 reflects the impact of these valuation allowances against U.S. and international deferred tax assets generated during the nine month period. For the remainder of 2018, the Company anticipates income tax expense will relate solely to domestic state tax expense and international tax expense incurred in certain profitable jurisdictions. The Company evaluates its deferred tax assets each period to determine if a valuation allowance is required based on whether it is "more likely than not" that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods on a federal, state and foreign jurisdiction basis. The Company conducts its evaluation by considering all available positive and negative evidence, including historical operating results, forecasts of future profitability, the duration of statutory carryforward periods, and the outlooks for the U.S. motion picture and broader economy, among others.

The projected worldwide effective tax rate based on annual projected earnings for the year ending December 31, 2018 is (3.4)%. The actual effective rate for the nine months ended September 30, 2018 was (27.9)%. The Company's consolidated tax rate for the nine months ended September 30, 2018 differs from the U.S. statutory tax rate primarily due to the valuation allowances in U.S. and foreign jurisdictions, foreign tax rate differences, state taxes, permanent differences related to interest, compensation, and other discrete items.

Tax contingencies and other income tax liabilities were \$18.1 million and \$15.3 million as of September 30, 2018 and December 31, 2017, respectively, and are included in other long-term liabilities. The increase relates primarily to state

income taxes and state income tax credits. The Company also continues to be subject to examination by the IRS and the fiscal year ended March 29, 2012 (tax year 2011) is currently under extended statute. The Company's operations in certain jurisdictions outside of the U.S. remain subject to examination for tax years 2012 to 2016, some of which are currently under audit by local tax authorities. The resolutions of these audits are not expected to be material to the Company's consolidated financial statements. The Company believes its allowances for income tax contingencies are adequate. Based on the information currently available, the Company does not anticipate a material (or significant) increase or decrease to its tax contingencies within the next 12 months.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). The legislation significantly changed U.S. tax law by, among other things, lowering corporate income tax rates, implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The Tax Reform Act permanently reduced the U.S. corporate income tax rate from a maximum of 35% to a 21% rate, effective January 1, 2018.

While the Tax Reform Act provides for a territorial tax system, beginning in 2018, it includes the global intangible low-taxed income ("GILTI") provisions. The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. For 2018, the Company has determined the GILTI provisions could accelerate the utilization of its domestic net operating loss carryforwards. However, the Company's effective tax rate is not impacted due to the valuation allowance established against domestic deferred tax assets in the fourth quarter of 2017.

Table of Contents

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The Company recognized provisional tax impacts of zero related to the deemed repatriated earnings and the revaluation of deferred tax assets and liabilities in its consolidated financial statements for the year ended December 31, 2017. During the three months ended September 30, 2018, the Company finalized its assessment of the deemed repatriated earnings component of the Tax Reform Act, confirming a zero impact on the consolidated statement of operations and consolidated balance sheet as presented in the 2017 Form 10-K.

NOTE 9—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. 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 and liabilities carried at fair value on a recurring basis as of September 30, 2018:

(In millions)	Total Carrying Value at September 30, 2018	Fair Value Measurements at September 30, 2018 Using		
		Quoted prices in active markets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)

Other long-term assets:				
Money market mutual funds	\$ 0.5	\$ 0.5	\$ —	\$ —
Equity securities, available-for-sale:				
Investments measured at net asset value (1)	10.8	—	—	—
Total assets at fair value	\$ 11.3	\$ 0.5	\$ —	\$ —
Other long-term liabilities:				
Derivative liability	\$ 144.5	\$ —	\$ —	\$ 144.5
Total liabilities at fair value	\$ 144.5	\$ —	\$ —	\$ 144.5

- (1) The investments relate to a non-qualified deferred compensation arrangement on behalf of certain members of 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. See Note 11—Accumulated Other Comprehensive Income for the unrealized gain on the equity securities recorded in accumulated other comprehensive income.

On September 14, 2018, the Company issued Convertible Notes due 2024 with a conversion feature that gave rise to an embedded derivative instrument (See Note 6 – Corporate Borrowings). The derivative feature has been valued using a Monte Carlo simulation approach. The Monte Carlo simulation approach consists of simulated common stock prices from the valuation date to the maturity of the Convertible Notes. Increases or decreases in the Company's share price, the volatility of the share price, the passage of time, risk-free interest rate, discount yield, and dividend yield will

Table of Contents

all impact the value of the derivative instrument. The Company re-values the derivative instrument at the end of each reporting period and any changes are recorded in other expense (income) in the consolidated statements of operations.

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:

	Total Carrying Value at September 30, 2018	Fair Value Measurements at September 30, 2018 Using		
		Quoted prices for identical active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In millions)				
Current maturities of corporate borrowings	\$ 15.2	\$ —	\$ 14.0	\$ 1.4
Corporate borrowings	4,833.6	—	4,298.1	510.2

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. On September 14, 2018, the Company issued \$600.0 million of Convertible Notes due 2024. These notes were issued by private placement, as such there is no observable market for these Convertible Notes. The Company valued these notes at principal value less a discount reflecting a market yield to maturity. See Note 6 – Corporate Borrowings for further information.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

NOTE 10—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 millions)	Nine Months Ended	
	September 30, 2018	September 30, 2017
Beginning balance, December 31, 2017 and December 31, 2016, respectively	\$ 27.5	\$ 34.6
Theatre and other closure expense	3.1	1.1
Transfer of assets and liabilities	1.0	1.2
Foreign currency translation adjustment	(0.3)	1.0
Cash payments	(9.9)	(8.3)
Ending balance	\$ 21.4	\$ 29.6

In the accompanying Consolidated Balance Sheets, as of September 30, 2018, the current portion of the ending balance totaling \$7.3 million is included with accrued expenses and other liabilities and the long-term portion of the ending balance totaling \$14.1 million 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 September 30, 2018 and September 30, 2017, the Company recognized theatre and other closure (income) expense of \$0.9 million and \$(0.6) million, respectively, and during the nine months ended September 30, 2018 and September 30, 2017, the Company recognized theatre and other closure expense of \$3.1 million and \$1.1 million, respectively. Theatre and other closure expense included the accretion on previously closed properties with remaining lease obligations.

Table of Contents

NOTE 11—ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the change in accumulated other comprehensive income by component:

	Foreign	Pension and Other	Unrealized Net Gain from Marketable Securities	Unrealized Net Gain from Equity Method Investees' Cash Flow Hedge	Total
(In millions)	Currency	Benefits			
Balance, December 31, 2017	\$ 129.9	\$ (6.6)	\$ 0.6	\$ 1.7	\$ 125.6
Other comprehensive income (loss) before reclassifications	(101.6)	(1.4)	—	0.2	(102.8)
Amounts reclassified from accumulated other comprehensive income	1.0	—	—	(2.2)	(1.2)
Other comprehensive income (loss)	(100.6)	(1.4)	—	(2.0)	(104.0)
Adoption of ASU 2016-01 - reclassification to retained earnings	—	—	(0.6)	—	(0.6)
Adoption of ASU 2018-02 - reclassification to retained earnings	4.0	0.6	—	0.4	5.0
Balance, September 30, 2018	\$ 33.3	\$ (7.4)	\$ —	\$ 0.1	\$ 26.0

The tax effects allocated to each component of other comprehensive income (loss) during the three months ended September 30, 2018 and September 30, 2017 are as follows:

	Three Months Ended September 30, 2018			September 30, 2017		
	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
(In millions)						
Unrealized foreign currency translation adjustment (1)	\$ (5.7)	\$ —	\$ (5.7)	\$ 39.0	\$ (4.6)	\$ 34.4

Pension and other benefit adjustments:

Net gain arising during the period	0.2	(0.1)	0.1	—	—	—
Marketable securities:						
Unrealized net holding gain (loss) arising during the period	—	—	—	0.4	(0.2)	0.2
Equity method investees' cash flow hedge:						
Unrealized net holding loss arising during the period	—	—	—	0.1	—	0.1
Realized net loss reclassified into equity in earnings of non-consolidated entities	(2.5)	0.6	(1.9)	(1.6)	0.6	(1.0)
Other comprehensive income (loss)	\$ (8.0)	\$ 0.5	\$ (7.5)	\$ 37.9	\$ (4.2)	\$ 33.7

(1) Deferred tax impacts of foreign currency translation for the Odeon and Nordic international operations have not been recorded due to the Company's intent to remain permanently invested.

Table of Contents

The tax effects allocated to each component of other comprehensive income (loss) during the nine months ended September 30, 2018 and September 30, 2017 are as follows:

(In millions)	Nine Months Ended September 30, 2018			September 30, 2017		
	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 (1)	\$ (101.7)	\$ 0.1	\$ (101.6)	\$ 120.4	\$ (11.1)	\$ 109.3
Realized loss on foreign currency transactions	1.0	—	1.0	—	—	—
Pension and other benefit adjustments:						
Net loss arising during the period	(1.5)	0.2	(1.3)	—	—	—
Amortization of net (gain) loss reclassified into general and administrative: other	—	—	—	(0.5)	—	(0.5)
Marketable securities:						
Unrealized net holding gain (loss) arising during the period	—	—	—	0.9	(0.4)	0.5
Realized net gain reclassified into investment expense (income)	—	—	—	(0.1)	—	(0.1)
Equity method investees' cash flow hedge:						
Unrealized net holding gain (loss) arising during the period	0.2	—	0.2	—	—	—
Realized net (gain) loss reclassified into equity in earnings of non-consolidated entities	(2.8)	0.6	(2.2)	(1.5)	0.6	(0.9)
Other comprehensive income (loss)	\$ (104.8)	\$ 0.9	\$ (103.9)	\$ 119.2	\$ (10.9)	\$ 108.3

(1) Deferred tax impacts of foreign currency translation for the Odeon and Nordic international operations have not been recorded due to the Company's intent to remain permanently invested.

NOTE 12—OPERATING SEGMENTS

The Company reports information about operating segments in accordance with ASC 280-10, Segment Reporting, which requires financial information to be reported based on the way management organizes segments within a company for making operating decisions and evaluating performance. Beginning with the Company's acquisition of Odeon in 2016, the Company has identified two reportable segments for its theatrical exhibition operations, U.S. markets and International markets. The International markets reportable segments consist of two operating segments (Odeon Theatres and Nordic Theatres) with operations in or partial interest in theatres in the United Kingdom,

Germany, Spain, Italy, Ireland, Austria, Portugal, Sweden, Finland, Estonia, Latvia, Lithuania, Norway, Denmark, and the Kingdom of Saudi Arabia. Each segment's revenue is derived from admissions, food and beverage sales and other ancillary revenues, primarily screen advertising, AMC Stubs® membership fees, ticket sales, gift card income and exchange ticket income. The two international operating segments are combined into one reportable segment (International markets) because they have similar economic characteristics and meet the aggregation criteria described in the accounting guidance for segment reporting. The measure of segment profit and loss the Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, as defined in the reconciliation table below. The Company does not report asset information by segment because that information is not used to evaluate the performance of or allocate resources between segments.

Below is a breakdown of select financial information by reportable operating segment:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
Revenues (In millions)	2018	2017	2018	2017
U.S. markets	\$ 895.6	\$ 845.7	\$ 3,007.1	\$ 2,745.2
International markets	325.8	333.0	1,040.4	917.2
Total revenues	\$ 1,221.4	\$ 1,178.7	\$ 4,047.5	\$ 3,662.4

Table of Contents

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
Adjusted EBITDA (1) (In millions)	2018	2017	2018	2017
U.S. markets (2)	\$ 105.0	\$ 107.6	\$ 535.6	\$ 420.6
International markets	37.4	39.8	129.5	113.7
Total Adjusted EBITDA	\$ 142.4	\$ 147.4	\$ 665.1	\$ 534.3

(1) The Company presents Adjusted EBITDA as a supplemental measure of its performance. The Company defines Adjusted EBITDA as net earnings (loss) 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 the Company does not consider indicative of its ongoing operating performance and to include attributable EBITDA from equity investments in theatre operations in international markets and any cash distributions of earnings from its other equity method investees. The measure of segment profit and loss the Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, which is consistent with how Adjusted EBITDA is defined in our debt indentures.

(2) Distributions from NCM are reported entirely within the U.S. markets segment.

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
Capital Expenditures (In millions)	2018	2017	2018	2017
U.S. markets	\$ 92.9	\$ 126.9	\$ 264.9	\$ 416.6
International markets	40.9	22.8	110.0	51.1
Total capital expenditures	\$ 133.8	\$ 149.7	\$ 374.9	\$ 467.7

Financial Information About Geographic Area:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
Revenues (In millions)	2018	2017	2018	2017
United States	\$ 895.6	\$ 845.7	\$ 3,007.1	\$ 2,745.2
United Kingdom	123.4	127.8	379.7	366.9
Spain	47.9	47.4	139.7	132.3
Sweden	43.1	47.9	137.0	89.2
Italy	29.5	33.2	124.1	125.9
Germany	22.3	26.6	79.6	