



National CineMedia, Inc. Reports Results for Fiscal Second Quarter 2019

August 5, 2019

Announces Quarterly Cash Dividend of \$0.17 per Share

Reaffirms Full Year 2019 Outlook

CENTENNIAL, Colo.--(BUSINESS WIRE)--Aug. 5, 2019-- National CineMedia, Inc. (NASDAQ: NCM) (the Company), the managing member and owner of 48.6% of National CineMedia, LLC (NCM LLC), the operator of the largest cinema advertising network reaching movie audiences in North America, announced today consolidated results for the fiscal second quarter and first six months ended June 27, 2019.

Total revenue for the second quarter ended June 27, 2019 decreased 3.1% to \$110.2 million from \$113.7 million for the comparable quarter last year. Operating income decreased 6.2% to \$37.7 million for the second quarter of 2019 from \$40.2 million for the second quarter of 2018. Adjusted OIBDA decreased 4.0% to \$50.2 million for the second quarter of 2019 from \$52.3 million for the second quarter of 2018. Net income for the second quarter of 2019 was \$8.9 million, or net income of \$0.11 per diluted share, compared to net income of \$4.2 million, or net income of \$0.05 per diluted share, for the second quarter of 2018. Adjusted OIBDA is a non-GAAP measure. See the tables at the end of this release for the reconciliations to the closest GAAP basis measurement.

Total revenue for the first six months ended June 27, 2019 decreased 3.5% to \$187.1 million from \$193.9 million for the comparable period last year. Operating income decreased 5.1% to \$48.6 million for the first six months of 2019 from \$51.2 million for the first six months of 2018. Adjusted OIBDA decreased 4.4% to \$72.3 million for the first six months of 2019 from \$75.6 million for the first six months of 2018. Net income for the first six months of 2019 was \$7.8 million, or net income of \$0.10 per diluted share, compared to net income of \$2.3 million, or net income of \$0.03 per diluted share, for the first six months of 2018. Adjusted OIBDA is a non-GAAP measure. See the tables at the end of this release for the reconciliations to the closest GAAP basis measurement. Additionally, during the first six months ended June 27, 2019, the Company re-purchased an additional \$5.0 million of our senior unsecured notes due in 2026. The re-purchase is expected to result in interest savings to maturity of approximately \$2.1 million.

The Company announced today that its Board of Directors has authorized the Company's regular quarterly cash dividend of \$0.17 per share of common stock. The dividend will be paid on August 30, 2019 to stockholders of record on August 15, 2019. The Company intends to pay a regular quarterly dividend for the foreseeable future at the discretion of the Board of Directors consistent with the Company's intention to distribute over time a substantial portion of its free cash flow. The declaration, payment, timing and amount of any future dividends payable will be at the sole discretion of the Board of Directors who will take into account general economic and advertising market business conditions, the Company's financial condition, available cash, current and anticipated cash needs, and any other factors that the Board of Directors considers relevant.

Commenting on the Company's first six months of 2019 operating results and second half of 2019 positioning, NCM CEO Tom Lesinski said, "I am proud to have the opportunity to lead NCM into the future, and I am optimistic about the growth of our business. The movie slate for the rest of the year is exciting, our *Noovie* Digital products are resonating with both brands and consumers, and we have the support of our exhibitor partners. We continue to expect the second half of the year to be better than the first half, and I look forward to continue to leverage our unique position in the media marketplace as the leading company connecting brands to highly-desirable movie audiences throughout their entire movie-going experience."

2019 Outlook

For the full year 2019, the Company reaffirms its outlook of total revenue to be up 1.9% to 5.3% and Adjusted OIBDA to be up 0.8% to 5.6% from the full year 2018. The Company expects total revenue in the range of \$450.0 million to \$465.0 million for the full year 2019, compared to total revenue for the full year 2018 of \$441.4 million and Adjusted OIBDA in the range of \$207.0 million to \$217.0 million for the full year 2019 compared to Adjusted OIBDA for the full year 2018 of \$205.4 million. During 2019, the Company expects to record approximately \$21.0 million to \$23.0 million in integration and other encumbered theater payments from Cinemark and AMC associated with the Rave Theatres and Carmike Theatres acquisitions, which are recorded as a reduction of an intangible asset.

Supplemental Information

Integration and other encumbered theater payments due from Cinemark and AMC associated primarily with Rave Theaters and Carmike Theaters for the quarter ended June 27, 2019 and June 28, 2018 and six months ended June 27, 2019 and June 28, 2018 were \$5.7 million, \$5.6 million, \$8.1 million, and \$7.8 million respectively. These payments were recorded as a reduction of an intangible asset on the Balance Sheet and thus are not included in operating results or Adjusted OIBDA.

Conference Call

The Company will host a conference call and audio webcast with investors, analysts and other interested parties August 5, 2019 at 5:00 P.M. Eastern Time. The live call can be accessed by dialing 1-877-407-9716 or for international participants 1-201-493-6779. Participants should register at least 15 minutes prior to the commencement of the call. Additionally, a live audio webcast will be available to interested parties at www.ncm.com under the Investor Relations section. Participants should allow at least 15 minutes prior to the commencement of the call to register, download and install necessary audio software.

The replay of the conference call will be available until midnight Eastern Time, August 19, 2019, by dialing 1-844-512-2921 or for international participants 1-412-317-6671, and entering conference ID 13693038. A replay of the audio webcast will also be available at www.ncm.com under the Investor Relations section.

About National CineMedia, Inc.

National CineMedia (NCM) is America's Movie Network. As the #1 Millennial weekend network in the U.S., NCM is the connector between brands and movie audiences. According to Nielsen, more than 750 million moviegoers annually attend theaters that are currently under contract to present NCM's

Noovie pre-show in 57 leading national and regional theater circuits including AMC Entertainment Inc. (NYSE:AMC), Cinemark Holdings, Inc. (NYSE:CNK) and Regal Entertainment Group (a subsidiary of Cineworld Group PLC, LON: CINE). NCM's cinema advertising network offers broad reach and unparalleled audience engagement with over 21,000 screens in over 1,700 theaters in 188 Designated Market Areas® (all of the top 50). NCM Digital goes beyond the big screen, extending in-theater campaigns into online and mobile marketing programs to reach entertainment audiences. National CineMedia, Inc. (NASDAQ:NCMI) owns a 48.6% interest in, and is the managing member of, National CineMedia, LLC. For more information, visit www.ncm.com.

Forward-Looking Statements

This press release contains various forward-looking statements that reflect management's current expectations or beliefs regarding future events, including statements providing guidance and projections for the full year 2019. Investors are cautioned that reliance on these forward-looking statements involves risks and uncertainties. Although the Company believes that the assumptions used in the forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, actual results could differ materially from those expressed or implied in the forward-looking statements. The factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements are, among others, 1) level of theater attendance or viewership of the Noovie pre-show; 2) increased competition for advertising expenditures; 3) changes to relationships with NCM LLC's founding members; 4) inability to implement or achieve new revenue opportunities; 5) technological changes and innovations; 6) economic conditions, including the level of expenditures on cinema advertising; 7) our ability to renew or replace expiring advertising and content contracts; 8) our need for additional funding, risks and uncertainties relating to our significant indebtedness; 9) reinvestment in our network and product offerings may require significant funding and resulting reallocation of resources; 10) fluctuations in operating costs; and 11) changes in interest rates. In addition, the outlook provided does not include the impact of any future unusual or infrequent transactions; sales and acquisitions of operating assets and investments; any future non-cash impairments of intangible and fixed assets; amounts related to litigation or the related impact of taxes that may occur from time to time due to management decisions and changing business circumstances. The Company is currently unable to forecast precisely the timing and/or magnitude of any such amounts or events. Please refer to the Company's Securities and Exchange Commission filings, including the "Risk Factor" section of the Company's Annual Report on Form 10-K for the year ended December 27, 2018, for further information about these and other risks. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result, of new information, future events or otherwise, except as required by law.

NATIONAL CINEMEDIA, INC.
Condensed Consolidated Statements of Income
Unaudited
(\$ in millions, except per share data)

	Three Months Ended		Six Months Ended	
	June 27, 2019	June 28, 2018	June 27, 2019	June 28, 2018
Revenue	\$ 110.2	\$ 113.7	\$ 187.1	\$ 193.9
OPERATING EXPENSES:				
Advertising operating costs	9.9	9.2	17.2	16.2
Network costs	3.4	3.3	6.9	6.8
Theater access fees-founding members	21.6	21.5	40.7	42.1
Selling and marketing costs	16.2	16.7	31.4	32.7
Administrative and other costs	11.1	12.8	21.8	25.4
Depreciation expense	3.3	3.0	6.6	5.9
Amortization expense (1)	—	7.0	—	13.6
Amortization of intangibles recorded for network theater screen leases (1)	7.0	—	13.9	—
Total	72.5	73.5	138.5	142.7
OPERATING INCOME	37.7	40.2	48.6	51.2
NON-OPERATING EXPENSES:				
Interest on borrowings	14.2	14.1	28.6	27.9
Interest income	(0.5)	(0.4)	(1.0)	(0.7)
Loss (gain) on early retirement of debt, net	—	1.2	(0.3)	1.2
Loss (gain) on re-measurement of the payable to founding members under the tax receivable agreement	0.8	(7.7)	1.5	(7.8)
Other non-operating income	(0.1)	—	(0.3)	—
Total	14.4	7.2	28.5	20.6
INCOME BEFORE INCOME TAXES	23.3	33.0	20.1	30.6
Income tax expense	2.3	16.0	1.7	17.0
CONSOLIDATED NET INCOME	21.0	17.0	18.4	13.6
Less: Net income attributable to noncontrolling interests	12.1	12.8	10.6	11.3
NET INCOME ATTRIBUTABLE TO NCM, INC.	\$ 8.9	\$ 4.2	\$ 7.8	\$ 2.3
NET INCOME PER NCM, INC. COMMON SHARE:				
Basic	\$ 0.11	\$ 0.05	\$ 0.10	\$ 0.03
Diluted	\$ 0.11	\$ 0.05	\$ 0.10	\$ 0.03
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	77,343,093	76,912,086	77,261,435	76,776,250
Diluted	77,636,096	77,125,610	77,575,081	76,981,056
Dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34

(1) Following the adoption of ASC 842 - *Leases*, amortization of intangible assets related to the common unit adjustments and upfront payments from affiliates for network screens are considered a form of lease expense and have been reclassified to this account as of the adoption date, December 28, 2018. The Company adopted ASC 842 prospectively and thus, prior period balances remain within amortization expense.

NATIONAL CINEMEDIA, INC.
Selected Condensed Balance Sheet Data
Unaudited (\$ in millions)

	As of	
	June 27, 2019	December 27, 2018
Cash, cash equivalents and marketable securities	\$ 61.7	\$ 75.6
Receivables, net	124.9	149.9
Property and equipment, net	32.4	33.6
Total assets	1,104.0	1,141.8
Borrowings, gross	925.0	931.4
Total equity/(deficit)	(110.5)	(89.2)
Total liabilities and equity	1,104.0	1,141.8

NATIONAL CINEMEDIA, INC.
Operating Data
Unaudited

	Quarter Ended	
	June 27, 2019	June 28, 2018
Total Screens (100% Digital) at Period End (1)(6)	21,045	21,118
Founding Member Screens at Period End (2)(6)	16,849	16,791
DCN (Digital Content Network) Screens at Period End (3)(6)	20,633	20,720

	Three Months Ended		Six Months Ended	
	June 27, 2019	June 28, 2018	June 27, 2019	June 28, 2018
<i>(in millions)</i>				
Total Attendance for Period (4)(6)	185.3	194.1	334.0	371.1
Founding Member Attendance for Period (5)(6)	153.6	159.7	277.4	306.7
Capital Expenditures and Other Investments (7) \$	4.1	\$ 3.7	\$ 6.9	\$ 7.2

(1) Represents the total screens within NCM LLC's advertising network.

(2) Represents the total founding member screens.

(3) Represents the total number of screens that are connected to the Digital Content Network.

(4) Represents the total attendance within NCM LLC's advertising network.

(5) Represents the total attendance within NCM LLC's advertising network in theaters operated by the founding members.

(6) Excludes screens and attendance associated with certain AMC Carmike, AMC Rave and Cinemark Rave theaters for all periods presented.

(7) Includes certain other implementation costs associated with Cloud Computing Arrangements.

NATIONAL CINEMEDIA, INC.
Operating Data
Unaudited

(In millions, except advertising revenue per attendee, margin and per share data)

	Three Months Ended		Six Months Ended	
	June 27, 2019	June 28, 2018	June 27, 2019	June 28, 2018
Revenue breakout:				
National advertising revenue	\$ 77.6	\$ 78.8	\$ 131.6	\$ 133.6
Local advertising revenue	17.7	18.1	30.5	31.6
Regional advertising revenue	6.7	8.2	10.1	12.1
Total advertising revenue (excluding beverage)	<u>\$ 102.0</u>	<u>\$ 105.1</u>	<u>\$ 172.2</u>	<u>\$ 177.3</u>
Total revenue	\$ 110.2	\$ 113.7	\$ 187.1	\$ 193.9
Per attendee data:				
National advertising revenue per attendee	\$ 0.419	\$ 0.406	\$ 0.394	\$ 0.360
Local advertising revenue per attendee	\$ 0.096	\$ 0.093	\$ 0.091	\$ 0.085
Regional advertising revenue per attendee	\$ 0.036	\$ 0.042	\$ 0.030	\$ 0.033
Total advertising revenue (excluding beverage) per attendee	\$ 0.550	\$ 0.541	\$ 0.516	\$ 0.478
Total revenue per attendee	\$ 0.595	\$ 0.586	\$ 0.560	\$ 0.523
Total attendance (1)	185.3	194.1	334.0	371.1

Other operating data:				
Operating income	\$ 37.7	\$ 40.2	\$ 48.6	\$ 51.2
Adjusted OIBDA (2)	\$ 50.2	\$ 52.3	\$ 72.3	\$ 75.6
Adjusted OIBDA margin (2)	45.6%	46.0%	38.6%	39.0%
Earnings per share - basic	\$ 0.11	\$ 0.05	\$ 0.10	\$ 0.03
Earnings per share - diluted	\$ 0.11	\$ 0.05	\$ 0.10	\$ 0.03

(1) Represents the total attendance within NCM LLC's advertising network. Excludes screens and attendance associated with certain AMC Carmike, AMC Rave and Cinemark Rave theaters for all periods presented.

(2) Adjusted OIBDA and Adjusted OIBDA margin are not financial measures calculated in accordance with GAAP in the United States. See attached tables for the non-GAAP reconciliations.

NATIONAL CINEMEDIA, INC.
Non-GAAP Reconciliations
Unaudited
Adjusted OIBDA and Adjusted OIBDA Margin

Adjusted Operating Income Before Depreciation and Amortization ("Adjusted OIBDA") and Adjusted OIBDA margin are not financial measures calculated in accordance with GAAP in the United States. Adjusted OIBDA represents operating income before depreciation and amortization expense adjusted to also exclude amortization of intangibles recorded for network theater screen leases, non-cash share based compensation costs and Chief Executive Officer transition costs. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. Our management uses these non-GAAP financial measures to evaluate operating performance, to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on its operating performance and so highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. The Company believes the presentation of these measures is relevant and useful for investors because it enables them to view performance in a manner similar to the method used by the Company's management, helps improve their ability to understand the Company's operating performance and makes it easier to compare the Company's results with other companies that may have different depreciation and amortization policies, amortization of intangibles recorded for network theater screen leases, non-cash share based compensation programs, CEO turnover, interest rates, debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization, which represent a proxy for the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the Company's amortization of intangibles recorded for network theater screen leases, share based payment costs or costs associated with the resignation of the Company's former Chief Executive Officer. Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as an indicator of operating performance, nor should it be considered in isolation of, or as a substitute for financial measures prepared in accordance with GAAP. The Company believes that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA. Because not all companies use identical calculations, these non-GAAP presentations may not be comparable to other similarly titled measures of other companies, or calculations in the Company's debt agreement.

The following tables reconcile operating income to Adjusted OIBDA for the periods presented (dollars in millions):

	Three Months Ended		Six Months Ended		Year Ended
	June 27, 2019	June 28, 2018	June 27, 2019	June 28, 2018	December 27, 2018
Operating income	\$ 37.7	\$ 40.2	\$ 48.6	\$ 51.2	\$ 154.3
Depreciation expense	3.3	3.0	6.6	5.9	12.1
Amortization expense (1)	—	7.0	—	13.6	27.8
Amortization of intangibles recorded for network theater screen leases (1)	7.0	—	13.9	—	—
Share-based compensation costs (2)	2.1	2.1	2.9	4.9	7.8
CEO transition costs	0.1	—	0.3	—	3.4
Adjusted OIBDA	\$ 50.2	\$ 52.3	\$ 72.3	\$ 75.6	\$ 205.4
Total revenue	\$ 110.2	\$ 113.7	\$ 187.1	\$ 193.9	\$ 441.4
Adjusted OIBDA margin	45.6%	46.0%	38.6%	39.0%	46.5%
Adjusted OIBDA	\$ 50.2	\$ 52.3	\$ 72.3	\$ 75.6	\$ 205.4
Carmike and Rave Theaters integration and other encumbered theater payments	5.7	5.6	8.1	7.8	21.4
Adjusted OIBDA after integration and other encumbered theater payments	\$ 55.9	\$ 57.9	\$ 80.4	\$ 83.4	\$ 226.8

(1) Following the adoption of ASC 842 - *Leases*, amortization of intangible assets related to the common unit adjustments and upfront payments from affiliates for network screens are considered a form of lease expense and have been reclassified to this account as of the adoption date, December 28, 2018. The Company adopted ASC 842 prospectively and thus, prior period balances remain within amortization expense.

(2) Share-based compensation costs are included in network operations, selling and marketing and administrative expense in the accompanying financial tables as shown in the following table (dollars in millions).

	Three Months Ended		Six Months Ended		Year Ended
	June 27, 2019	June 28, 2018	June 27, 2019	June 28, 2018	December 28, 2017
Share-based compensation costs included in network costs	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.6
Share-based compensation costs included in selling and marketing costs	0.5	0.6	0.8	1.6	2.5
Share-based compensation costs included in administrative and other costs	1.5	1.4	1.9	3.0	4.7
Total share-based compensation costs	\$ 2.1	\$ 2.1	\$ 2.9	\$ 4.9	\$ 7.8

Outlook (in millions)

**Year Ending
December 26, 2019**

NCM, Inc.

	<u>Low</u>	<u>High</u>
Operating income	\$161.2	\$168.9
Depreciation expense	13.0	13.5
Amortization of intangibles recorded for network theater screen leases	27.5	28.0
Share-based compensation costs (1)	5.0	6.0
CEO transition costs	0.3	0.6
Adjusted OIBDA	<u>\$207.0</u>	<u>\$217.0</u>
Total revenue	<u>\$450.0</u>	<u>\$465.0</u>

(1) Share-based compensation costs are included in network operations, selling and marketing and administrative expense in the accompanying financial tables.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20190805005584/en/>

Source: National CineMedia, Inc.

INVESTOR CONTACT:

Ted Watson
800-844-0935
investors@ncm.com

MEDIA CONTACT:

Amy Jane Finnerty
212-931-8117
amy.finnerty@ncm.com