UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 29, 2022

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: 001-33296

NATIONAL CINEMEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**		**20-5665602** **(I.R.S. Employer Identification No.)**
6300 S. Syracuse Way, Suite 300 **(Address of Principal Executive Offices)**	**Centennial Colorado**	**80111** **(Zip Code)**

Registrant's telephone number, including area code: (303) 792-3600

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	NCMI	The Nasdaq Stock Market LLC
(Title of each class)	(Trading symbol)	(Name of each exchange on which registered)

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 Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards 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 ☒

As of November 3, 2022, 82,000,152 shares of the registrant’s common stock (including unvested restricted shares), par value of $0.01 per share, were outstanding.

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PART I

Item 1. Financial Statements

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)
(UNAUDITED)

	As of	
	September 29, 2022	December 30, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 73.5	$ 101.2
Short-term marketable securities	0.3	0.3
Receivables, net of allowance of $1.7 and $1.7, respectively	58.8	53.0
Other current assets and prepaid expenses	4.7	3.9
Total current assets	137.3	158.4
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of $55.7 and $59.9, respectively	12.7	21.3
Intangible assets, net of accumulated amortization of $263.9 and $245.6, respectively	596.8	606.3
Deferred tax assets, net of valuation allowance of $227.5 and $223.8, respectively	—	—
Other investments	0.8	0.8
Long-term marketable securities	1.0	1.0
Debt issuance costs, net	4.8	4.5
Other assets	22.0	25.1
Total non-current assets	638.1	659.0
TOTAL ASSETS	$ 775.4	$ 817.4
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members, net	$ 14.1	$ 11.8
Payable to founding members under tax receivable agreement (including payables to related parties of $0.3 and $0.0, respectively)	0.4	—
Accrued expenses	15.8	13.4
Accrued payroll and related expenses	9.6	7.9
Accounts payable	18.3	16.3
Deferred revenue	9.6	15.0
Short-term debt	220.2	3.2
Other current liabilities	2.2	2.2
Total current liabilities	290.2	69.8
NON-CURRENT LIABILITIES:		
Long-term debt, net of debt issuance costs of $8.6 and $10.5, respectively	901.0	1,094.3
Payable to founding members under tax receivable agreement (including payables to related parties of $14.1 and $11.9, respectively)	19.4	16.4
Other liabilities	18.6	20.4
Total non-current liabilities	939.0	1,131.1
Total liabilities	1,229.2	1,200.9
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
EQUITY/(DEFICIT):		
NCM, Inc. Stockholders' Equity/(Deficit):		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding, respectively	—	—
Common stock, $0.01 par value; 260,000,000 and 175,000,000 shares authorized, 81,701,661 and 80,626,889 issued and outstanding, respectively	0.8	0.8
Additional paid in capital/(deficit)	(189.1)	(195.5)
Retained earnings (distributions in excess of earnings)	(376.5)	(332.0)
Total NCM, Inc. stockholders' equity/(deficit)	(564.8)	(526.7)
Noncontrolling interests	111.0	143.2
Total equity/(deficit)	(453.8)	(383.5)
TOTAL LIABILITIES AND EQUITY/(DEFICIT)	$ 775.4	$ 817.4

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In millions, except share and per share data)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 29, 2022	September 30, 2021	September 29, 2022	September 30, 2021
REVENUE (including revenue from related parties of $3.9, $2.7, $11.3 and $4.7, respectively)	$ 54.5	$ 31.7	$ 157.5	$ 51.1
OPERATING EXPENSES:				
Advertising operating costs	6.3	5.2	19.3	9.9
Network costs	2.1	2.0	6.2	5.7
Theater access fees and revenue share to founding members (including fees to related parties of $15.4, $11.4, $45.2, and $19.8, respectively)	21.3	16.7	62.4	31.0
Selling and marketing costs	10.4	8.2	31.0	24.8
Administrative and other costs	10.8	9.6	30.2	29.4
Impairment of long-lived assets	—	—	5.8	—
Depreciation expense	1.5	2.5	5.1	8.4
Amortization of intangibles recorded for network theater screen leases	6.3	6.2	18.7	18.5
Total	58.7	50.4	178.7	127.7
OPERATING LOSS	(4.2)	(18.7)	(21.2)	(76.6)
NON-OPERATING EXPENSES (INCOME):				
Interest on borrowings	19.8	16.6	57.3	48.2
Interest income	(0.1)	—	(0.1)	(0.1)
(Gain) loss on modification and retirement of debt, net	—	—	(5.9)	0.8
(Gain) loss on re-measurement of the payable to founding members under the tax receivable agreement	(2.2)	(1.8)	4.0	(3.2)
Other non-operating (income) expense	—	—	(0.2)	0.1
Total	17.5	14.8	55.1	45.8
LOSS BEFORE INCOME TAXES	(21.7)	(33.5)	(76.3)	(122.4)
Income tax expense	—	—	—	—
CONSOLIDATED NET LOSS	(21.7)	(33.5)	(76.3)	(122.4)
Less: Net loss attributable to noncontrolling interests	(12.8)	(18.3)	(41.5)	(65.1)
NET LOSS ATTRIBUTABLE TO NCM, INC.	$ (8.9)	$ (15.2)	$ (34.8)	$ (57.3)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NCM, INC.	$ (8.9)	$ (15.2)	$ (34.8)	$ (57.3)
NET LOSS PER NCM, INC. COMMON SHARE:				
Basic	$ (0.11)	$ (0.19)	$ (0.43)	$ (0.72)
Diluted	$ (0.11)	$ (0.19)	$ (0.43)	$ (0.72)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	81,605,806	80,359,723	81,371,370	79,652,152
Diluted	81,605,806	80,359,723	81,371,370	79,652,152

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	September 29, 2022	**September 30, 2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	$ (76.3)	$ (122.4)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Depreciation expense	5.1	8.4
Amortization of intangibles recorded for network theater screen leases	18.7	18.5
Non-cash share-based compensation	5.1	6.5
Impairment of long-lived assets	5.8	—
Amortization of debt issuance costs	6.7	3.0
(Gain) loss on modification and retirement of debt, net	(5.9)	0.8
Non-cash loss (gain) on re-measurement of the payable to founding members under the tax receivable agreement	4.0	(3.2)
Other	0.5	0.3
Founding member integration and other encumbered theater payments	2.6	0.3
Payment to the founding members under tax receivable agreement (including payments to related parties of $0.0 and $0.6, respectively)	—	(0.9)
Other cash flows from operating activities	0.2	(0.1)
Changes in operating assets and liabilities:		
Receivables, net	(6.5)	(12.3)
Accounts payable and accrued expenses (including payments to related parties of $0.0 and $0.6, respectively)	7.6	4.8
Amounts due to/from founding members, net	1.3	2.0
Deferred revenue	(5.4)	6.0
Other, net	(0.2)	(4.2)
Net cash used in operating activities	(36.7)	(92.5)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2.0)	(3.9)
Proceeds from sale and maturities of marketable securities	—	0.3
Net cash used in investing activities	(2.0)	(3.6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(9.5)	(12.9)
Issuance of revolving credit facility	50.0	—
Issuance of term loans	—	50.0
Repayment of Notes due 2028	(19.8)	—
Repayment of term loan facility	(2.4)	(2.3)
Payment of debt issuance costs	(7.0)	(7.2)
Repurchase of stock for restricted stock tax withholding	(0.3)	(1.7)
Net cash provided by financing activities	11.0	25.9
CHANGE IN CASH AND CASH EQUIVALENTS:	(27.7)	(70.2)
Cash and cash equivalents at beginning of period	101.2	180.3
Cash and cash equivalents at end of period	$ 73.5	$ 110.1

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	September 29, 2022	September 30, 2021
Supplemental disclosure of non-cash financing and investing activity:		
Purchase of an intangible asset with NCM LLC equity	$ 10.4	$ 14.1
Purchase of subsidiary equity with NCM, Inc. equity	$ —	$ 6.6
Dividends declared not requiring cash in the period	$ 0.7	$ 1.0
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 48.9	$ 42.3
Cash refunds for income taxes	$ (0.1)	$ (0.1)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT)
(In millions, except share and per share data)
(UNAUDITED)

		NCM, Inc.				
		Common Stock				
	Consolidated	Shares	Amount	Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
Balance—July 1, 2021	$ (349.0)	80,238,751	$ 0.8	$ (197.6)	$ (317.4)	$ 165.2
Income tax and other impacts of NCM LLC ownership changes	0.1	—	—	0.3	—	(0.2)
Comprehensive loss, net of tax	(33.5)	—	—	—	(15.2)	(18.3)
Share-based compensation issued, net of tax	(0.4)	178,759	—	(0.4)	—	—
Share-based compensation expensed/capitalized	1.7	—	—	1.1	—	0.6
Cash dividends declared $0.05 per share	(4.1)	—	—	—	(4.1)	—
Balance— September 30, 2021	$ (385.2)	80,417,510	$ 0.8	$ (196.6)	$ (336.7)	$ 147.3
Balance—June 30, 2022	$ (431.3)	81,492,426	$ 0.8	$ (190.4)	$ (364.9)	$ 123.3
Income tax and other impacts of NCM LLC ownership changes	(0.2)	—	—	0.1	—	(0.3)
Comprehensive loss, net of tax	(21.7)	—	—	—	(8.9)	(12.8)
Share-based compensation issued, net of tax	(0.1)	209,235	—	(0.1)	—	—
Share-based compensation expensed/capitalized	2.2	—	—	1.4	—	0.8
Cash dividends declared $0.03 per share	(2.7)	—	—	—	(2.7)	—
Balance—September 29, 2022	$ (453.8)	81,701,661	$ 0.8	$ (189.1)	$ (376.5)	$ 111.0

		NCM, Inc.				
		Common Stock				
	Consolidated	Shares	Amount	Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
Balance—December 31, 2020	$ (268.6)	78,040,818	$ 0.8	$ (207.5)	$ (266.4)	$ 204.5
NCM LLC equity issued for purchase of intangible asset	14.1	—	—	6.8	—	7.3
Income tax and other impacts of NCM LLC ownership changes	(0.2)	—	—	1.2	—	(1.4)
Issuance of shares	6.6	1,390,567	—	6.6	—	—
NCM LLC common membership unit redemption	(6.6)	—	—	(6.6)	—	—
Comprehensive loss, net of tax	(122.4)	—	—	—	(57.3)	(65.1)
Share-based compensation issued, net of tax	(1.8)	986,125	—	(1.8)	—	—
Share-based compensation expensed/capitalized	6.7	—	—	4.7	—	2.0
Cash dividends declared $0.15 per share	(13.0)	—	—	—	(13.0)	—
Balance— September 30, 2021	$ (385.2)	80,417,510	$ 0.8	$ (196.6)	$ (336.7)	$ 147.3
Balance—December 30, 2021	$ (383.5)	80,626,889	$ 0.8	$ (195.5)	$ (332.0)	$ 143.2
NCM LLC equity issued for purchase of intangible asset	10.4	—	—	4.9	—	5.5
Income tax and other impacts of NCM LLC ownership changes	0.4	—	—	(1.6)	—	2.0
Comprehensive loss, net of tax	(76.3)	—	—	—	(34.8)	(41.5)
Share-based compensation issued, net of tax	(0.3)	1,074,772	—	(0.3)	—	—
Share-based compensation expensed/capitalized	5.2	—	—	3.4	—	1.8
Cash dividends declared $0.11 per share	(9.7)	—	—	—	(9.7)	—
Balance—September 29, 2022	$ (453.8)	81,701,661	$ 0.8	$ (189.1)	$ (376.5)	$ 111.0

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

1. THE COMPANY

Description of Business

National CineMedia, Inc., a Delaware corporation ("NCM, Inc."), is a holding company with the sole purpose of becoming a member and sole manager of National CineMedia, LLC ("NCM LLC"), a Delaware limited liability company. NCM LLC is currently owned by NCM, Inc., Regal Cinemas, Inc. and Regal CineMedia Corporation, wholly owned subsidiaries of Cineworld Group plc and Regal Entertainment Group ("Regal"), Cinemark Media, Inc. and Cinemark USA, Inc., wholly owned subsidiaries of Cinemark Holdings, Inc. ("Cinemark"), and American Multi-Cinema, Inc., a wholly owned subsidiary of AMC Entertainment, Inc. ("AMC"). The terms "NCM", "the Company" or "we" shall, unless the context otherwise requires, be deemed to include the consolidated entity. AMC, Regal, Cinemark and their affiliates are referred to in this document as "founding members".

The Company operates the largest cinema advertising network reaching movie audiences in the U.S. and sells advertising under long-term exhibitor service agreements ("ESAs") with the founding members and with certain third-party network affiliates, under long-term network affiliate agreements. The impacts from the COVID-19 Pandemic have had and continue to have an effect on the world and our business. The movie slate for 2022 has improved from prior years but continues to be limited by post-production delays and major motion picture release schedule changes. The attendance level has increased from the prior year, but it has not met historical levels and has not been consistent throughout the year due to timing of major motion picture releases. In-theater advertising revenue for the year ended December 30, 2021 and the nine months ended September 29, 2022 also remained below historical levels due in part to a lag between the recovery of attendees and advertisers, as well as current macroeconomic factors.

On September 17, 2019, NCM LLC entered into amendments to the ESAs with Cinemark and Regal (collectively, the "2019 ESA Amendments"). The 2019 ESA Amendments extended the contract life of the ESAs with Cinemark and Regal by four years resulting in a weighted average remaining term of the ESAs with the founding members (weighted based upon pre-COVID-19 attendance levels) of approximately 17.0 years as of September 29, 2022. The network affiliate agreements expire at various dates between November 2022 and December 2037. The weighted average remaining term of the ESAs and the network affiliate agreements together is 15.1 years as of September 29, 2022 (weighted based upon pre-COVID-19 attendance levels).

As of September 29, 2022, NCM LLC had 172,030,901 common membership units outstanding, of which 81,701,661 (47.5%) were owned by NCM, Inc., 40,683,797 (23.6%) were owned by Regal, 43,690,797 (25.4%) were owned by Cinemark and 5,954,646 (3.5%) were owned by AMC. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis, at the discretion of the holder.

Basis of Presentation

The Company has prepared the unaudited Condensed Consolidated Financial Statements and related notes of NCM, Inc. in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. The balance sheet as of December 30, 2021 is derived from the audited financial statements of NCM, Inc. Therefore, the unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's annual report on Form 10-K filed for the fiscal year ended December 30, 2021.

In the opinion of management, all adjustments necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made and all intercompany accounts have been eliminated in consolidation. Historically, the Company's business has been seasonal and for this and other reasons operating results for interim periods have not been indicative of the Company's full year results or future performance. As a result of the various related party agreements discussed in Note 5—*Related Party Transactions*, the operating results as presented are not necessarily indicative of the results that might have occurred if all agreements were with non-related third parties. The Company manages its business under one operating and reportable segment of advertising.

Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those related to the reserve for uncollectible accounts receivable, share-based compensation and income taxes. Actual results could differ from estimates.

Going Concern—The accompanying unaudited Condensed Consolidated Financial Statements are prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company, through NCM LLC, has borrowings under two Revolving Credit Facilities with $217.0 million outstanding as of September 29, 2022, that mature on June 20, 2023 (refer to Note 6—*Borrowings*). The Company does not have available liquidity to repay the full outstanding balance on the date of maturity. Additionally, based on current projections, the Company does not expect to meet certain financial covenants for the period ending March 30, 2023. Further, if the Company's independent registered public accounting firm includes a "going concern" or like qualification or exception, other than for debt maturing within one year, in its report on the Company's financial statements for the year ending December 29, 2022, this would be an event of default under the Company's Credit Agreement at the time the Company's financial statements for the year ending December 29, 2022 are filed. Under the Credit Agreement, failure to remain in compliance with these covenants or inability to repay borrowings under the Revolving Credit Facilities at maturity would result in an event of default for the term loans, which would allow a majority of the lenders under the Credit Agreement to accelerate the maturity of the principal amounts of outstanding term loans to become due and payable. It would also result in an event of default for the senior notes, which would allow the indenture trustee or senior note holders of each tranche of senior notes to accelerate the maturity to become due and payable. Should the Company's borrowings become due and payable, the Company would not be able to repay the Company's total outstanding debt balance. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, management's plans include amending NCM LLC's Revolving Credit Facilities to extend the maturity dates, amending its Senior Secured Credit Facility to extend a waiver of these financial covenants or obtaining additional debt financing through a loan from third parties, and/or NCM, Inc. Management expects to conclude one of these alternatives; however, there can be no assurance that the Company will be successful in completing any of these options. As a result, management's plan cannot be considered probable and thus does not alleviate the substantial doubt about the Company's ability to continue as a going concern.

The unaudited Condensed Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Significant Accounting Policies

The Company's annual financial statements included in its Form 10-K filed for the fiscal year ended December 30, 2021 contain a complete discussion of the Company's significant accounting policies. Following is additional information related to the Company's accounting policies.

Revenue Recognition—The Company derives revenue principally from the advertising business, which includes advertising through its on-screen cinema network, lobby network (LEN) and lobby promotions in theaters, and on websites, mobile applications and out-of-home locations owned by NCM LLC and other companies. Revenue is recognized over time as the customer receives the benefits provided by NCM LLC's advertising services and the Company has the right to payment for performance to date. The Company considers the terms of each arrangement to determine the appropriate accounting treatment. The Company has changed the classification of the make good provision, retrospectively, to now be included within "Deferred Revenue" on the unaudited Consolidated Balance Sheet rather than "Accrued Expenses" as of September 29, 2022.

Concentration of Credit Risk and Significant Customers—The risk of credit loss related to the Company's trade receivables and unbilled receivables balances is accounted for through the allowance for doubtful accounts, a contra asset account which reduces the net receivables balance. The allowance for doubtful accounts balance is determined by pooling the Company's receivables with similar risk characteristics, specifically by type of customer (national or local/ regional) and then age of receivable and applying historical write off percentages to these pools in order to determine the amount of expected credit losses as of the balance sheet date. National receivables are with large advertising agencies with strong reputations in the advertising industry and clients with stable financial positions and good credit ratings, represent larger receivables balances per customer and have significantly lower historical and expected credit loss patterns. Local and regional receivables are with smaller companies sometimes with less credit history, represent smaller receivable balances per customer and have higher historical and expected credit loss patterns. The Company has smaller contracts with many local clients that are not individually significant. The Company also considers current economic conditions and trends to determine whether adjustments to historical loss rates are necessary. The Company also reserves for specific receivable balances that it expects to write off based on known concerns regarding the financial health of the customer. Receivables are written off when management determines amounts are uncollectible.

The Company had no agencies through which it sourced advertising revenue that accounted for more than 10% of the Company’s gross outstanding receivable balance as of September 29, 2022. The Company had one agency through which it sourced advertising revenue that accounted for 15.7% of the Company's gross outstanding receivable balance as of December 30, 2021. During the three and nine months ended September 29, 2022, the Company had one customer that accounted for 14.6% and 15.0% of the Company’s revenue, respectively. During the three and nine months ended September 30, 2021, the Company had one customer that accounted for 11.8% and 11.6% of the Company's revenue, respectively.

Long-lived Assets—The Company assesses impairment of long-lived assets pursuant to *Accounting Standards Certification* 360 – *Property, Plant and Equipment*. This includes determining whether certain triggering events have occurred that could affect the value of an asset. The Company recorded losses of $0.0 million, $0.0 million, $5.8 million and $0.0 million related to the write-off of certain internally developed software during the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, respectively.

Share-Based Compensation—The Company has issued stock options, restricted stock, and restricted stock units to certain employees and its independent directors. The restricted stock and restricted stock unit grants for Company management vest upon the achievement of Company performance measures and/or service conditions, while non-management grants vest only upon the achievement of service conditions. Compensation expense of restricted stock and restricted stock units that vest upon the achievement of Company performance measures is based on management’s financial projections and the probability of achieving the projections, which require considerable judgment. A cumulative adjustment is recorded to share-based compensation expense in periods that management changes its estimate of the number of shares of restricted stock and restricted stock units expected to vest. Ultimately, the Company adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. Dividends are accrued when declared on unvested restricted stock and restricted stock units that are expected to vest and are only paid with respect to shares that actually vest. On February 28, 2021, March 2, 2021 and January 19, 2022, the Company’s Board of Directors approved certain modifications to equity awards awarded under the Company’s 2016 Equity Incentive Plan and 2020 Omnibus Equity Incentive Plan to adjust performance metrics, vesting amount and future performance goals in light of the COVID-19 Pandemic resulting in incremental share-based compensation expense of $0.1 million, $0.2 million, $0.5 million and $1.7 million for the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, respectively. During the three months ended September 29, 2022 and September 30, 2021 and the nine months ended September 29, 2022 and September 30, 2021, 230,689, 268,782, 1,155,817 and 1,394,321 shares of restricted stock and restricted stock units vested, respectively.

Consolidation—NCM, Inc. consolidates the accounts of NCM LLC under the provisions of ASC 810, *Consolidation*. The following table presents the changes in NCM, Inc.’s equity resulting from net income attributable to NCM, Inc. and transfers to or from noncontrolling interests (in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2022	September 30, 2021	September 29, 2022	September 30, 2021
Net loss attributable to NCM, Inc.	$ (8.9)	$ (15.2)	$ (34.8)	$ (57.3)
NCM LLC equity issued for purchase of intangible asset	—	—	4.9	6.8
Income tax and other impacts of subsidiary ownership changes	0.1	0.3	(1.6)	1.2
NCM LLC common membership unit redemption	—	—	—	(6.6)
Issuance of shares to founding members	—	—	—	6.6
Change from net loss attributable to NCM, Inc. and transfers from noncontrolling interests	$ (8.8)	$ (14.9)	$ (31.5)	$ (49.3)

Recently Adopted Accounting Pronouncements

During the first quarter of 2021, the Company adopted Accounting Standards Update 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which removes the following exceptions for the Company to analyze in a given period: the exception to the incremental approach for intraperiod tax allocation; the exception to accounting for basis differences when there are ownership changes in foreign investments; and the exception in interim periods income tax accounting for year-to-date losses that exceed anticipated losses. The Company’s adoption of ASU 2019-12 did not have a material impact on the unaudited Condensed Consolidated Financial Statements or notes thereto.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, Reference Rate Reform ("ASU 2020-04"), which provides temporary optional guidance to companies impacted by the transition away from the London Interbank Offered Rate ("LIBOR"). The guidance provides certain expedients and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. This guidance is effective upon issuance and expires on December 31, 2022. The Company concluded the LIBOR transition did not have a material impact on the Company's unaudited Condensed Consolidated Financial Statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its unaudited Condensed Consolidated Financial Statements or notes thereto.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS AND ACCOUNTS RECEIVABLE

Revenue Recognition

The Company derives revenue principally from the sale of advertising to national, regional and local businesses in the *Noovie®* pre-show, the Company's cinema advertising and entertainment pre-show. The Company also sells advertising through the LEN, a series of strategically placed screens located in movie theater lobbies, as well as other forms of advertising and promotions in theater lobbies. In addition, the Company sells online and mobile advertising, including through *Noovie* Audience Accelerator, through NCM's digital gaming products including *Noovie* Trivia, *Name That Movie* and *Noovie* Shuffle, which can be played on the mobile apps and through partnerships with certain internet platforms. Further the Company sells advertising in a variety of complementary out of home venues, including restaurants, convenience stores and college campuses. The Company also has a long-term agreement to exhibit the advertising of the founding members' beverage suppliers.

The Company makes contractual guarantees to deliver a specified number of impressions to view the customers' advertising. If the contracted number of impressions are not delivered, the Company will run additional advertising to deliver the contracted impressions at a later date. The deferred portion of the revenue associated with undelivered impressions is referred to as a make-good provision. The Company defers the revenue associated with the make-good until the advertising airs to the audience specified in the advertising contract or the make-good period expires. The make-good provision is recorded within deferred revenue in the unaudited Condensed Consolidated Balance Sheet.

The Company does not have any contracts with customers with terms in excess of one year that are noncancellable as of September 29, 2022. Agreements with a duration less than one year are not included within this disclosure as the Company elected to use the practical expedient in ASC 606-10-50-14 for those contracts. In addition, the Company's other contracts longer than one year that are cancellable are not included within this disclosure.

Disaggregation of Revenue

The Company disaggregates revenue based upon the type of customer: national, local and regional and beverage concessionaire. This method of disaggregation is in alignment with how revenue is reviewed by management and discussed with, and historically disclosed to investors.

The following table summarizes revenue from contracts with customers for the three months and nine months ended September 29, 2022 and September 30, 2021 (in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2022	September 30, 2021	September 29, 2022	September 30, 2021
National advertising revenue	$ 39.7	$ 22.6	$ 116.7	$ 34.3
Local and regional advertising revenue	9.8	5.7	26.4	10.8
Founding member advertising revenue from beverage concessionaire agreements	5.0	3.4	14.4	6.0
Total revenue	$ 54.5	$ 31.7	$ 157.5	$ 51.1

Deferred Revenue and Unbilled Accounts Receivable

Revenue recognized in the nine months ended September 29, 2022 that was included within the Deferred Revenue balance as of December 30, 2021 was $12.0 million. As of September 29, 2022 and December 30, 2021, the Company had $6.5 million and $4.4 million in unbilled accounts receivable, respectively.

Allowance for Doubtful Accounts

The allowance for doubtful accounts balance is determined separately for each pool of the Company's receivables with similar risk characteristics. The Company has determined that two pools, national customers and local/regional customers, is appropriate. The changes within the allowance for doubtful accounts balances for the nine months ended September 29, 2022 and September 30, 2021, respectively, were as follows (in millions):

	Nine Months Ended			
	September 29, 2022		September 30, 2021	
	Allowance for National Customer Receivables	Allowance for Local/ Regional Customer Receivables	Allowance for National Customer Receivables	Allowance for Local/ Regional Customer Receivables
Balance at beginning of period	0.3	1.4	0.2	2.1
Provision for bad debt	0.4	0.3	0.1	(0.2)
Write-offs, net	(0.4)	(0.3)	—	(0.5)
Balance at end of period	0.3	1.4	0.3	1.4

3. LOSS PER SHARE

Basic loss per share is computed on the basis of the weighted average number of common shares outstanding. Diluted loss per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of potentially dilutive common stock options, restricted stock and restricted stock units using the treasury stock method. The components of basic and diluted loss per NCM, Inc. share are as follows:

	Three Months Ended		Nine Months Ended	
	September 29, 2022	September 30, 2021	September 29, 2022	September 30, 2021
Net loss attributable to NCM, Inc. (in millions)	$ (8.9)	$ (15.2)	$ (34.8)	$ (57.3)
Weighted average shares outstanding:				
Basic	81,605,806	80,359,723	81,371,370	79,652,152
Add: Dilutive effect of stock options, restricted stock and exchangeable membership units	—	—	—	—
Diluted	81,605,806	80,359,723	81,371,370	79,652,152
Loss per NCM, Inc. share:				
Basic	$ (0.11)	$ (0.19)	$ (0.43)	$ (0.72)
Diluted	$ (0.11)	$ (0.19)	$ (0.43)	$ (0.72)

The effect of 90,329,240, 86,188,344, 88,964,109 and 85,601,326 weighted average exchangeable NCM LLC common units held by the founding members for the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, respectively, have been excluded from the calculation of diluted weighted average shares and loss per NCM, Inc. share as they were anti-dilutive. NCM LLC common units do not participate in dividends paid on NCM, Inc.’s common stock. In addition, there were 7,275,326, 4,797,243, 7,275,326 and 4,797,243 stock options and non-vested (restricted) shares for the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, respectively, excluded from the calculation as they were anti-dilutive. The Company’s non-vested (restricted) shares do not meet the definition of a participating security as the dividends will not be paid if the shares do not vest.

4. INTANGIBLE ASSETS

Intangible assets consist of contractual rights to provide the Company’s services within the theaters of the founding members and network affiliates and are stated at cost, net of accumulated amortization. The Company’s intangible assets with its founding members are recorded at the fair market value of NCM, Inc.’s publicly traded stock as of the date on which the common membership units were issued. The NCM LLC common membership units are fully convertible into NCM, Inc.’s common stock. In addition, the Company records intangible assets for up-front fees paid to network affiliates upon commencement of a network affiliate agreement. The Company’s intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs or the term of the network affiliate agreement. During the third quarter of 2022, Cineworld Group plc, the parent company of Regal, and certain of its subsidiaries, including Regal, Regal Cinemas, Inc., a party to the ESA, and Regal CineMedia Holdings, LLC, a party to other agreements with NCM LLC and NCM, Inc., filed petitions of reorganization under Chapter 11 of the United States Bankruptcy Code in the Southern District of Texas (the “Cineworld Proceeding”). On October 21, 2022, Regal filed a motion to reject the ESA without specifying an effective date for the rejection and indicated that Regal currently plans on negotiating with the Company regarding the ESA. NCM LLC has also filed a complaint against Regal seeking declaratory relief and an injunction prohibiting Regal from breaching certain exclusivity, non-compete, non-negotiate and confidentiality provisions in the ESA by entering into a new agreement with a third party or bringing any of the services performed by NCM LLC in-house. The Company determined that this announced restructuring and subsequent developments constituted a triggering event for the intangible asset related to Regal under *ASC No. 360, Impairment and Disposal of Long-Lived Assets.* Management considered possible scenarios in a probability-weighted estimated future undiscounted cash flow analysis, including the potential of further permanent closure of the theaters within the Company's network, renegotiation of the ESA terms and other potential adverse impacts to the Company’s intangible asset resulting from the Cineworld Proceeding. The estimated future cash flows from the ESA calculated within the probability-weighted analysis were in excess of the net book value of the intangible asset and no impairment charge was recorded in the three and nine months ended September 29, 2022. Such analysis required management to make estimates and assumptions based on historical data and consideration of future market conditions. While the Company believes that the rights will survive any attempted rejection in the bankruptcy court by Regal, given the uncertainty inherent in any projection, heightened by the possibility of unforeseen additional effects of the Cineworld Proceeding, actual results may differ from the estimates and assumptions used, or conditions may change, which could result in impairment charges in the future.

Common Unit Adjustments—In accordance with NCM LLC’s Common Unit Adjustment Agreement with its founding members, on an annual basis NCM LLC determines the amount of common membership units to be issued to or returned by the founding members based on theater additions, new builds or dispositions during the previous year. In the event a founding member does not have sufficient common membership units to return, the adjustment is satisfied in cash in an amount calculated pursuant to NCM LLC’s Common Unit Adjustment Agreement. In addition, NCM LLC’s Common Unit Adjustment Agreement requires that a Common Unit Adjustment occur for a specific founding member if its acquisition or disposition of theaters, in a single transaction or cumulatively since the most recent Common Unit Adjustment, results in an attendance increase or decrease in excess of two percent of the annual total attendance at the prior adjustment date.

During the first quarter of 2022, NCM LLC issued 4,140,896 (6,483,893 issued, net of 2,342,997 returned) common membership units to its founding members for the rights to exclusive access to the theater screens and attendees added, net of dispositions, to NCM LLC’s network during the 2021 fiscal year. The net impact as a result of the Common Unit Adjustment to the intangible asset was $10.4 million during the first quarter of 2022.

During the first quarter of 2021, NCM LLC issued 3,047,582 common membership units to two founding members for the rights to exclusive access to the theater screens and attendees added, net of dispositions, to NCM LLC’s network during the 2020 fiscal year and calculated a negative common membership unit adjustment for one founding member resulting in a receivable included within “Other assets and prepaid expenses” on the unaudited Consolidated Balance Sheet. The net impact as a result of the Common Unit Adjustment to the intangible asset was $4.8 million during the first quarter of 2021.

Integration Payments and Other Encumbered Theater Payments—If an existing on-screen advertising agreement with an alternative provider is in place with respect to any acquired theaters (“encumbered theaters”), the founding members may elect to receive common membership units related to those encumbered theaters in connection with the Common Unit Adjustment. If the founding members make this election, then they are required to make payments on a quarterly basis in arrears in accordance with certain run-out provisions pursuant to the ESAs (“integration payments”). Because the Carmike Cinemas, Inc. (“Carmike”) theaters acquired by AMC are subject to an existing on-screen advertising agreement with an alternative provider, AMC makes integration payments to NCM LLC. The integration payments will continue until the earlier of (i) the date the theaters are transferred to NCM LLC’s network or (ii) the expiration of the ESA. Integration payments are calculated based upon the advertising cash flow that the Company would have generated if it had exclusive access to sell advertising in the theaters with pre-existing advertising agreements. The ESAs additionally entitle NCM LLC to payments related to the founding members’ on-screen advertising commitments under their beverage concessionaire agreements for encumbered theaters. These payments are also accounted for as a reduction to the intangible assets. During the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, the Company recorded a reduction to net intangible assets of $0.3 million, $0.2 million, $1.6 million and $0.3 million, respectively, related to other encumbered theater payments. During the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, AMC and Cinemark paid a total of $1.2 million, $0.2 million, $2.6 million and $0.3 million, respectively, in integration and other encumbered theater payments (as payments are made one quarter and one month in arrears, respectively). If common membership units are issued to a founding member for newly acquired theaters that are subject to an existing on-screen advertising agreement with an alternative provider, the amortization of the intangible asset commences after the existing agreement expires and NCM LLC can utilize the theaters for all of its services.

5. RELATED PARTY TRANSACTIONS

Founding Member Transactions—In connection with NCM, Inc.’s initial public offering (“IPO”), the Company entered into several agreements to define and regulate the relationships among NCM, Inc., NCM LLC and the founding members which are outlined below. AMC has owned less than 5% of NCM LLC since July 2018 and is no longer a related party. AMC remains a party to the ESA, Common Unit Adjustment Agreement, Tax Receivable Agreement (“TRA”) and certain other original agreements and is a member under the terms of the NCM LLC operating agreement, subject to fulfilling the requirements of Section 3.1 of the NCM LLC operating agreement. AMC will continue to participate in the annual Common Unit Adjustment and receive available cash distributions or allocation of earnings and losses in NCM LLC (as long as its ownership is greater than zero), TRA payments and theater access fees. Further, AMC will continue to pay beverage revenue, among other things. AMC's ownership percentage does not impact future integration payments and other encumbered theater payments owed to NCM LLC by AMC. As of September 29, 2022, AMC’s ownership was 3.5% on an as converted to NCM, Inc.’s common stock basis.

The material agreements with the founding members are as follows:

- **ESAs.** Under the ESAs, NCM LLC is the exclusive provider within the United States of advertising services in the founding members’ theaters (subject to pre-existing contractual obligations and other limited exceptions for the benefit of the founding members). The advertising services include the use of the digital content network (“DCN”) equipment required to deliver the on-screen advertising and other content included in the *Noovie*® pre-show, use of the LEN and rights to sell and display certain lobby promotions. Further, NCM LLC’s founding members have elected to purchase 30 seconds to 60 seconds of advertising, out of the 90 seconds allowed for under the ESA, in the *Noovie* pre-show to satisfy the founding members’ on-screen advertising commitments under their beverage concessionaire agreements. In consideration for access to the founding members’ theaters, theater patrons, the network equipment required to display on-screen and LEN video advertising and the use of theaters for lobby promotions, the founding members receive a monthly theater access fee. In conjunction with the 2019 ESA Amendments, NCM LLC agreed to pay Cinemark and Regal incremental monthly theater access fees and, subject to NCM LLC's use of specified inventory, a revenue share in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film beginning November 1, 2019, and the underlying term of the ESAs were extended until 2041. The ESAs and 2019 ESA Amendments with Cinemark and Regal are considered leases with related parties under ASC 842.
- **Common Unit Adjustment Agreement.** The Common Unit Adjustment Agreement provides a mechanism for increasing or decreasing the membership units held by the founding members based on the acquisition or construction of new theaters or sale or closure of theaters that are operated by each founding member and included in NCM LLC’s network.
- **Tax Receivable Agreement.** The TRA provides for the effective payment by NCM, Inc. to the founding members of 90% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that is actually realized as a result of certain increases in NCM, Inc.’s proportionate share of tax basis in NCM LLC’s tangible and intangible assets resulting from the IPO and related transactions.
- **Software License Agreement.** At the date of the Company’s IPO, NCM LLC was granted a perpetual, royalty-free license from NCM LLC’s founding members to use certain proprietary software that existed at the time for the delivery of digital advertising and other content through the DCN to screens in the U.S. NCM LLC has made improvements to this software since the IPO date and NCM LLC owns those improvements, except for improvements that were developed jointly by NCM LLC and NCM LLC’s founding members, if any.

The following tables provide summaries of the transactions between the Company and the related party founding members (in millions):

Included in the unaudited Condensed Consolidated Statements of Income:	Three Months Ended September 29, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 29, 2022	Nine Months Ended September 30, 2021
Revenue:				
Beverage concessionaire revenue (included in advertising revenue) *(1)*	$ 3.9	$ 2.7	$ 11.3	$ 4.7
Operating expenses:				
Theater access fee and revenue share to founding members *(2)*	$ 15.4	$ 11.4	$ 45.2	$ 19.8
Selling and marketing costs *(3)*	$ 0.1	$ —	$ 0.1	$ —
Advertising operating costs *(3)*	$ —	$ —	$ —	$ 0.1

(1) For the three and nine months ended September 29, 2022 and September 30, 2021, Cinemark and Regal purchased 60 seconds of on-screen advertising time from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a 30 seconds equivalent cost per thousand impressions ("CPM") rate specified by the ESA. Beverage revenue was limited for periods of reduced attendance due to the COVID-19 Pandemic.
(2) Comprised of payments per theater attendee, payments per digital screen with respect to the founding member theaters included in the Company's network and payments for access to higher quality digital cinema equipment. Following the 2019 ESA Amendments this also includes payments to Cinemark and Regal for their share of the revenue from the sale of an additional single unit that is either 30 or 60 seconds of the *Noovie* pre-show in the trailer position directly prior to the "attached" trailers preceding the feature film (the "Platinum Spot"). Theater access fees and revenue share expenses were reduced for periods of reduced attendance due to the COVID-19 Pandemic.
(3) Includes purchase of movie tickets, concession products, rental of theater space primarily for marketing to NCM LLC's advertising clients and other payments made to the founding members in the ordinary course of business.

Included in the unaudited Condensed Consolidated Balance Sheets:	As of September 29, 2022	As of December 30, 2021
Common unit adjustments and ESA extension costs, net of amortization and integration payments (included in intangible assets) *(1)*	$ 580.7	$ 589.6
Current payable to founding members under tax receivable agreement *(2)*	$ 0.3	$ —
Long-term payable to founding members under tax receivable agreement *(2)*	$ 14.1	$ 11.9

(1) Refer to Note 4—*Intangible Assets* for further information on common unit adjustments and integration payments. This balance includes common unit adjustments issued to all founding members (including AMC).
(2) The Company paid Cinemark and Regal $0.2 million and $0.4 million during 2021, respectively, in payments pursuant to the TRA which were for the 2019 tax year.

Pursuant to the terms of the NCM LLC operating agreement in place since the completion of the Company's IPO, NCM LLC is required to make mandatory distributions on a proportionate basis to its members of available cash, as defined in the NCM LLC operating agreement, on a quarterly basis in arrears. Due to the continued recovery from the COVID-19 Pandemic during the nine months ended September 29, 2022, the mandatory distributions of available cash by NCM LLC to its related party founding members and NCM, Inc. for the three months ended September 29, 2022 were calculated as negative $7.7 million (including negative $2.0 million for Cinemark, negative $1.9 million for Regal and negative $3.8 million for NCM, Inc.). The mandatory distributions of available cash by NCM LLC to its related party founding members and NCM, Inc. for the nine months ended September 29, 2022 were calculated as negative $39.9 million (including negative $10.5 million for Cinemark, negative $9.8 million for Regal and negative $19.6 million for NCM, Inc.). Therefore, there will be no payment made for the third quarter of 2022. Under the terms of the NCM LLC operating agreement, these negative amounts will be netted against future positive available cash distributions for the second quarter each fiscal year after the extended covenant waiver holiday, contingent upon the Company's compliance with the covenants outlined within the Credit Agreement Third Amendment defined within Note 6—*Borrowings* and in accordance with the NCM LLC operating agreement.

Amounts due to related party founding members, net, as of September 29, 2022 were comprised of the following (in millions):

	Cinemark	Regal	Total
Theater access fees and revenue share, net of beverage revenues and other encumbered theater payments	$ 7.4	$ 3.9	$ 11.3
Total amounts due to founding members, net	$ 7.4	$ 3.9	$ 11.3

Amounts due to related party founding members, net as of December 30, 2021 were comprised of the following (in millions):

	Cinemark	Regal	Total
Theater access fees and revenue share, net of beverage revenues and other encumbered theater payments	$ 5.1	$ 6.3	$ 11.4
Total amounts due to founding members, net	$ 5.1	$ 6.3	$ 11.4

AC JV, LLC Transactions—In December 2013, NCM LLC sold its Fathom Events business to a newly formed limited liability company, AC JV, LLC, owned 32% by each of the founding members and 4% by NCM LLC. The Company accounts for its investment in AC JV, LLC under the equity method of accounting in accordance with ASC 323-30, *Investments—Equity Method and Joint Ventures* ("ASC 323-30") because AC JV, LLC is a limited liability company with the characteristics of a limited partnership and ASC 323-30 requires the use of equity method accounting unless the Company's interest is so minor that it would have virtually no influence over partnership operating and financial policies. Although NCM LLC does not have a representative on AC JV, LLC's Board of Directors or any voting, consent or blocking rights with respect to the governance or operations of AC JV, LLC, the Company concluded that its interest was more than minor under the accounting guidance. The Company's investment in AC JV, LLC was $0.7 million and $0.7 million as of September 29, 2022 and December 30, 2021, respectively. During the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, NCM LLC received cash distributions from AC JV, LLC of $0.0 million, $0.0 million, $0.2 million and $0.0 million, respectively. Equity in earnings (losses) from AC JV, LLC of $0.0 million, $0.0 million, $0.2 million and $(0.1) million for the three months and nine months ended September 29, 2022 and September 30, 2021, respectively, are included in "Other non-operating income" in the unaudited Condensed Consolidated Statements of Income.

6. BORROWINGS

The following table summarizes NCM LLC's total outstanding debt as of September 29, 2022 and December 30, 2021 and the significant terms of its borrowing arrangements (in millions):

	Outstanding Balance as of			
Borrowings	September 29, 2022	December 30, 2021	Maturity Date	Interest Rate
Revolving credit facility 2018	$ 167.0	$ 167.0	June 20, 2023	*(1)*
Revolving credit facility 2022	50.0	—	June 20, 2023	*(1)*
Term loans - first tranche	259.2	261.2	June 20, 2025	*(1)*
Term loans - second tranche	49.4	49.8	December 20, 2024	*(1)*
Senior secured notes due 2028	374.2	400.0	April 15, 2028	5.875%
Senior unsecured notes due 2026	230.0	230.0	August 15, 2026	5.750%
Total borrowings	1,129.8	1,108.0		
Less: debt issuance costs and debt discounts related to term loans and senior notes	(8.6)	(10.5)		
Total borrowings, net	1,121.2	1,097.5		
Less: current portion of debt	(220.2)	(3.2)		
Carrying value of long-term debt	$ 901.0	$ 1,094.3		

(1) The interest rates on the revolving credit facilities and term loans are described below.

Senior Secured Credit Facility—NCM LLC's credit agreement, as amended, (the "Credit Agreement") consists of a term loan facility and a revolving credit facility. As of September 29, 2022, NCM LLC's senior secured credit facility consisted of a $175.0 million revolving credit facility, a $259.2 million term loan (first tranche) and a $49.4 million term loan (second tranche). The obligations under the senior secured credit facility are secured by a lien on substantially all of the assets of NCM LLC.

On March 8, 2021, NCM LLC entered into a second amendment to its Credit Agreement ("Credit Agreement Second Amendment"). Among other things, the Credit Agreement Second Amendment provides for certain modifications to the negative covenants, additional waivers and term changes outlined below and grants security interests in certain assets of NCM LLC and other potential loan parties that are not currently pledged to the lenders. In addition, pursuant to the Credit Agreement Second Amendment, NCM LLC incurred a second tranche of the term loans in an aggregate principal amount of $50.0 million, the net proceeds of $43.0 million to be used for general corporate purposes. Upon execution of the Credit Agreement Second Amendment, the Company recorded $2.3 million as a discount, $3.9 million as debt issuance costs and $0.8 million within "(Gain) loss on modification and retirement of debt, net" within the nine months ended September 30, 2021.

On January 5, 2022, NCM LLC entered into a third amendment to its Credit Agreement ("Credit Agreement Third Amendment"). Among other things, the Credit Agreement Third Amendment provides for: (i) certain modifications to and extensions to modifications of the affirmative and negative covenants therein; (ii) the suspension of the consolidated net total leverage and consolidated net senior secured leverage financial covenants through the fiscal quarter ending December 29, 2022; (iii) the consolidated net total leverage ratio and consolidated net senior secured leverage ratio financial covenants to be set to 9.25 to 1.00 and 7.25 to 1.00, respectively, for the fiscal quarter ending on or about March 30, 2023, 8.50 to 1.00 and 6.50 to 1.00, respectively, for the fiscal quarter ending on or about June 29, 2023, 8.00 to 1.00 and 6.00 to 1.00, respectively, for the fiscal quarter ending on or about September 28, 2023, and 6.25 to 1.00 and 4.50 to 1.00, respectively, for the fiscal quarter ending on or about December 28, 2023 and each fiscal quarter thereafter. Upon execution of the Credit Agreement Third Amendment, $6.4 million was recorded as debt issuance costs and $0.4 million was recorded within "(Gain) loss on modification and retirement of debt, net" during the year ended December 30, 2021.

The senior secured credit facility contains a number of covenants and various financial ratio requirements including, (i) a consolidated net total leverage ratio covenant of 6.25 times for each quarterly period and (ii) with respect to the revolving credit facility, maintaining a consolidated net senior secured leverage ratio of equal to or less than 4.50 times on a quarterly basis for each quarterly period in which a balance is outstanding on the revolving credit facility, each of which has been modified by the Credit Agreement Third Amendment. Pursuant to the terms of the Credit Agreement Third Amendment, NCM LLC is restricted from making available cash distributions until after NCM LLC delivers a compliance certificate for the quarter ending on or about December 28, 2023, and, thereafter, NCM LLC may only make available cash distributions if: (i) no default or event of default under the Credit Agreement has occurred and is continuing; (ii) the consolidated net senior secured leverage ratio is equal to or less than 4.00 to 1.00; and (iii) the aggregate principal amount of all outstanding revolving loans under the Credit Agreement is $39.0 million or less. As of September 29, 2022, NCM LLC was in compliance with the requirements of the Credit Agreement Third Amendment described above and the noncompliance with the financial covenants was automatically waived.

Term Loans—First Tranche—The interest rate on the initial tranche of term loans was originally a rate chosen at NCM LLC's option of either the LIBOR index plus 3.00% or the base rate plus 2.00%. The rate increased from LIBOR index plus 2.75% or the base rate plus 1.75%. The interest rate on the term loans as of September 29, 2022 was 6.56%. The term loans amortize at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of September 29, 2022, NCM LLC has paid principal of $10.8 million, reducing the outstanding balance to $259.2 million.

Term Loans—Second Tranche—The interest rate on the second tranche of term loans is the LIBOR index plus 8.00%. The interest rate on the term loans as of September 29, 2022 was 10.56%. The term loans amortize at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of September 29, 2022, NCM LLC has paid principal of $0.6 million, reducing the outstanding balance to $49.4 million.

Revolving Credit Facility 2018—The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. During March 2020, NCM LLC drew down an additional $110.0 million on the revolving credit facility to fund operations during the period of expected disrupted cash flows due to the temporary closure of the theaters within NCM LLC's network due to the COVID-19 Pandemic. As of September 29, 2022, NCM LLC's total availability under the $175.0 million revolving credit facility was $6.8 million, net of $167.0 million outstanding and $1.2 million in letters of credit. The unused line fee is 0.50% per annum which is consistent with the previous facility. Borrowings under the revolving credit facility bear interest at NCM LLC's option of either the LIBOR index plus an applicable margin ranging from 1.75% to 2.25% or the base rate plus an applicable margin ranging from 0.75% to 1.25%. The margin changed to the aforementioned range from a fixed margin of LIBOR index plus 2.00% or the base rate plus 1.00%. The applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC (the ratio of secured funded debt less unrestricted cash and cash equivalents of up to $100.0 million, divided by Adjusted EBITDA for debt purposes, defined as NCM LLC's net income before depreciation and amortization expense adjusted to also exclude non-cash share based compensation costs for NCM LLC plus integration payments received). The weighted-average interest rate on the revolving credit facility as of September 29, 2022 was 6.18%.

Revolving Credit Facility 2022—On January 5, 2022, NCM LLC also entered into a new revolving credit agreement (the "Revolving Credit Agreement 2022"). The Revolving Credit Agreement 2022 provides for revolving loan commitments of $50.0 million of secured revolving loans, the entire amount of which was funded on January 5, 2022. The Revolving Credit Agreement 2022 provides for (i) a cash interest rate of term Secured Overnight Financing Rate (SOFR) plus 8.00%, with a 1.00% floor, (ii) a maturity date of June 20, 2023 and (iii) a termination premium if NCM LLC terminates the commitments under the Revolving Credit Agreement 2022 at any time before maturity. The Revolving Credit Agreement 2022 also contains covenants, representations and warranties and events of default that are substantially similar to the Credit Agreement. As of September 29, 2022, NCM LLC's total availability under the $50.0 million revolving credit facility was $0.0 million. The weighted-average interest rate on the revolving credit facility as of September 29, 2022 was 10.86%.

Senior Unsecured Notes due 2026—On August 19, 2016, NCM LLC completed a private placement of $250.0 million in aggregate principal amount of 5.750% Senior Unsecured Notes (the "Notes due 2026") for which the registered exchange offering was completed on November 8, 2016. The Notes due 2026 pay interest semi-annually in arrears on February 15 and August 15 of each year, which commenced on February 15, 2017. The Notes due 2026 were issued at 100% of the face amount thereof and are the senior unsecured obligations of NCM LLC. NCM LLC repurchased and canceled a total of $20.0 million of the Notes due 2026 during 2019 and 2018, reducing the principal amount to $230.0 million as of September 29, 2022.

Senior Secured Notes due 2028—On October 8, 2019, NCM LLC completed a private offering of $400.0 million aggregate principal amount of 5.875% Senior Secured Notes due 2028 (the "Notes due 2028") to eligible purchasers. The Notes due 2028 will mature on April 15, 2028. Interest on the Notes due 2028 accrues at a rate of 5.875% per annum and is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2020. The Notes due 2028 were issued at 100% of the face amount thereof and share in the same collateral that secures NCM LLC's obligations under the senior secured credit facility. In the nine months ended September 29, 2022, NCM Inc. purchased $25.8 million of the Notes due 2028 on the open market, reducing the principal amount owed by NCM LLC to third parties to $374.2 million as of September 29, 2022 and resulting in a $6.0 million gain on extinguishment of debt in the nine months ended September 29, 2022.

7. INCOME TAXES

Changes in the Company's Effective Tax Rate—The Company recorded income tax expense of $0.0 million for the nine months ended September 29, 2022 and for the nine months ended September 30, 2021 resulting in an effective tax rate of 0.0% for both periods. The Company recorded a full valuation allowance on its net deferred tax assets as of December 30, 2021 following the determination it was more-likely-than-not that the Company will not be able to realize the benefit of those assets. The Company maintained a full valuation allowance as of September 29, 2022, resulting in deferred tax expense of $0.0 million for the nine months ended September 29, 2022 and the Company's effective tax rate of 0.0%.

8. COMMITMENTS AND CONTINGENCIES

Legal Actions—The Company is subject to claims and legal actions in the ordinary course of business. The Company believes such claims will not have a material adverse effect individually or in the aggregate on its financial position, results of operations or cash flows.

Operating Commitments - Facilities—The Company has entered into operating lease agreements for its corporate headquarters and other regional offices. The Company has right-of-use ("ROU") assets of $17.4 million and short-term and long-term lease liabilities of $2.2 million and $18.6 million, respectively, on the balance sheet as of September 29, 2022 for all material leases with terms longer than twelve months. These balances are included within "Other assets", "Other current liabilities" and "Other liabilities", respectively, on the unaudited Condensed Consolidated Balance Sheets. As of September 29, 2022, the Company had a weighted average remaining lease term of 6.9 years on these leases. When measuring the ROU assets and lease liabilities recorded, the Company utilized its incremental borrowing rate in order to determine the present value of the lease payments as the leases do not provide an implicit rate. The Company used the rate of interest that it would have paid to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. As of September 29, 2022, the Company's weighted average annual discount rate used to establish the ROU assets and lease liabilities was 7.4%.

During the three months ended September 29, 2022 and September 30, 2021, the Company recognized the following components of total lease cost (in millions). These costs are presented within "Selling and marketing costs" and

“Administrative and other costs” within the unaudited Condensed Consolidated Statements of Income depending upon the nature of the use of the facility.

	Three Months Ended		Nine Months Ended	
	September 29, 2022	September 30, 2021	September 29, 2022	September 30, 2021
Operating lease cost	$ 0.9	$ 0.8	$ 2.6	$ 2.6
Variable lease cost	0.1	0.2	0.4	0.4
Total lease cost	$ 1.0	$ 1.0	$ 3.0	$ 3.0

The Company made total lease payments of $0.9 million, $0.9 million, $2.9 million and $2.9 million during the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, respectively. These payments are included within cash flows from operating activities within the unaudited Condensed Consolidated Statement of Cash Flows.

Operating Commitments** - **ESAs and Affiliate Agreements—The Company has entered into long-term ESAs with the founding members and multi-year agreements with certain network affiliates, or third-party theater circuits. The ESAs and network affiliate agreements grant NCM LLC exclusive rights in their theaters to sell advertising, subject to limited exceptions. The Company recognizes intangible assets upon issuance of membership units to the founding members in accordance with NCM LLC’s Common Unit Adjustment Agreement and upfront cash payments to the affiliates for the contractual rights to provide the Company’s services within their theaters as further discussed within Note 4 - *Intangible Assets*. These ESAs and network affiliate agreements are considered leases under ASC 842 once the asset is identified and the period of control is determined upon the scheduling of the showtimes by the exhibitors, typically one week prior to the showtime. As such, the leases are considered short-term in nature, specifically less than one month. Within ASC 842, leases with terms of less than one month are exempt from the majority of the accounting and disclosure requirements, including disclosure of short-term lease expense. No ROU assets or lease liabilities were recognized for these agreements and no change to the balance sheet presentation of the intangible assets was necessary. However, the amortization of these intangible assets is considered lease expense and is presented within “Amortization of intangibles recorded for network theater screen leases” within the unaudited Condensed Consolidated Statement of Income.

In consideration for NCM LLC’s access to the founding members’ theater attendees for on-screen advertising and use of lobbies and other space within the founding members’ theaters for the LEN and lobby promotions, the founding members receive a monthly theater access fee under the ESAs. The theater access fee is composed of a fixed payment per patron, a fixed payment per digital screen (connected to the DCN) and a fee for access to higher quality digital cinema equipment. The payment per theater patron increases by 8% every five years. The payment per theater patron increased in 2022 and will again in fiscal year 2027, and the payment per digital screen and for digital cinema equipment increases annually by 5%. The theater access fee paid in the aggregate to all founding members cannot be less than 12% of NCM LLC’s aggregate advertising revenue (as defined in the ESA), or it will be adjusted upward to reach this minimum payment. As of September 29, 2022 and December 30, 2021, the Company had no liabilities recorded for the minimum payment, as the theater access fee was in excess of the minimum.

Following the 2019 ESA Amendments, Cinemark and Regal receive an additional monthly theater access fee that began on November 1, 2019 in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film. These fees are also based upon a fixed payment per patron: (i) $0.0375 per patron beginning on November 1, 2020, (ii) $0.05 per patron beginning on November 1, 2021, (iii) $0.052 per patron beginning on November 1, 2022 and (iv) increase 8% every five years beginning November 1, 2027. Additionally, following the 2019 ESA Amendments, beginning on November 1, 2019, NCM LLC is entitled to display the Platinum Spot, an additional single unit that is either 30 or 60 seconds of the *Noovie®* pre-show in the trailer position directly prior to the “attached” trailers preceding the feature film. The “attached” trailers are those provided by studios to Cinemark and Regal that are with the feature film, which is at least one trailer, but sometimes two or more trailers. In consideration for the utilization of the theaters for the Platinum Spots, Cinemark and Regal are entitled to receive a percentage of all revenue generated for the actual display of Platinum Spots in their applicable theaters, subject to a specified minimum. If NCM LLC runs advertising in more than one concurrent advertisers’ Platinum Spot for any portion of the network over a period of time, then NCM LLC will be required to satisfy a minimum average CPM for that period of time. The Company did not owe the founding members any theater access fees or any Platinum Spot revenue share when the theaters were not displaying the Company's pre-show or when the Company did not have access to the theaters. As such, the Company did not owe these fees for the period of time the founding members' theaters were temporarily closed due to the COVID-19 Pandemic and future fees will be reduced if attendance remains lower than historical levels. The digital screen fee is calculated based upon average screens in use during each month.

The network affiliates compensation is considered variable lease expense and varies by circuit depending upon the agreed upon terms of the network affiliate agreement. The majority of agreements are centered around a revenue share where an agreed upon percentage of the advertising revenue received from a theater's attendance is paid to the circuit. As part of the network affiliate agreements entered into in the ordinary course of business under which the Company sells advertising for display in various network affiliate theater chains, the Company has agreed to certain minimum revenue guarantees on a per attendee basis. If a network affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. As of September 29, 2022, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is $122.8 million over the remaining terms of the network affiliate agreements. These minimum guarantees relate to various affiliate agreements ranging in term from three years to twenty years, prior to any renewal periods of which some are at the option of the Company. The Company accrued $0.6 million and $0.4 million related to affiliate agreements with guaranteed minimums in excess of the revenue share agreement as of September 29, 2022 and December 30, 2021, respectively within "Accounts payable" in the Unaudited Condensed Consolidated Balance Sheet. As the guaranteed minimums are based upon agreed upon minimum attendance or affiliate revenue levels, the Company will not incur minimum revenue share fees during a period of time the minimum theater attendance or revenue levels are not met by the affiliate.

9. FAIR VALUE MEASUREMENTS

All current assets and liabilities are estimated to approximate their fair value due to the short-term nature of these balances. Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Non-Recurring Measurements—Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These assets include long-lived assets, intangible assets, other investments, notes receivable and borrowings.

Long-Lived Assets, Intangible Assets and Other Investments—The Company regularly reviews long-lived assets (primarily property, plant and equipment), intangible assets and investments accounted for under the cost or equity method for impairment whenever certain qualitative factors, events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When the estimated fair value is determined to be lower than the carrying value of the asset, an impairment charge is recorded to write the asset down to its estimated fair value.

Other investments consisted of the following (in millions):

	As of	
	September 29, 2022	December 30, 2021
Investment in AC JV, LLC *(1)*	$ 0.7	$ 0.7
Other investments	0.1	0.1
Total	$ 0.8	$ 0.8

(1) Refer to Note 5—*Related Party Transactions*. This investment is accounted for utilizing the equity method.

During the three months ended September 29, 2022 and September 30, 2021 and nine months ended September 29, 2022 and September 30, 2021, the Company recorded impairment charges of $0.0 million, $0.0 million, $0.1 million and $0.0 million, respectively, on certain of its investments due to new information regarding the fair value of the investee, which brought the total remaining value of the respective impaired investments to $0.1 million as of September 29, 2022. As of September 29, 2022, no other observable price changes or impairments have been recorded as a result of the Company's qualitative assessment of identified events or changes in the circumstances of the remaining investments. The investment in AC JV, LLC was initially valued using comparative market multiples. The other investments were recorded based upon the fair value of the services provided in exchange for the investment. As the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, they have been classified as Level 3 in the fair value hierarchy.

Borrowings—The carrying amount of the revolving credit facilities are considered a reasonable estimate of fair value due to its floating-rate terms. The estimated fair values of the Company's financial instruments where carrying values do not approximate fair value were as follows (in millions):

	As of September 29, 2022		As of December 30, 2021	
	Carrying Value	Fair Value *(1)*	Carrying Value	Fair Value *(1)*
Term loans - first tranche	$ 259.2	$ 171.1	$ 261.2	$ 236.4
Term loans - second tranche	$ 49.4	$ 34.6	$ 49.8	$ 48.1
Notes due 2026	$ 230.0	$ 50.9	$ 230.0	$ 179.4
Notes due 2028	$ 374.2	$ 216.3	$ 400.0	$ 357.0

(1) If the Company were to measure the borrowings in the above table at fair value on the balance sheet they would be classified as Level 2 based upon the inputs utilized.

Recurring Measurements—The fair values of the Company's assets and liabilities measured on a recurring basis pursuant to ASC 820-10, *Fair Value Measurements and Disclosures* are as follows (in millions):

		Fair Value Measurements at Reporting Date Using		
	Fair Value as of September 29, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents *(1)*	$ 10.7	$ 10.7	$ —	$ —
Short-term marketable securities *(2)*	0.3	—	0.3	—
Long-term marketable securities *(2)*	1.0	—	1.0	—
Total assets	$ 12.0	$ 10.7	$ 1.3	$ —

		Fair Value Measurements at Reporting Date Using		
	Fair Value as of December 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents *(1)*	$ 37.1	$ 37.1	$ —	$ —
Short-term marketable securities *(2)*	0.3	—	0.3	—
Long-term marketable securities *(2)*	1.0	—	1.0	—
Total assets	$ 38.4	$ 37.1	$ 1.3	$ —

(1) *Cash Equivalents*—The Company's cash equivalents are carried at estimated fair value following the Company's election of the fair value option. Cash equivalents consist of money market accounts which the Company has classified as Level 1 given the active market for these accounts and commercial paper with original maturities of three months or less, which are classified as Level 2 and are valued as described below.

(2) *Short-Term and Long-Term Marketable Securities*—The carrying amount and fair value of the marketable securities are equivalent since the Company accounts for these instruments at fair value. The Company's government agency bonds, commercial paper and certificates of deposit are valued using third party broker quotes. The value of the Company's government agency bonds is derived from quoted market information. The inputs in the valuation are

classified as Level 1 if there is an active market for these securities; however, if an active market does not exist, the inputs are recorded at a lower level in the fair value hierarchy. The value of commercial paper and certificates of deposit is derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. As of September 29, 2022 and December 30, 2021, there were $1.0 million and $1.0 million, respectively, of available-for-sale debt securities in unrealized loss positions without an allowance for credit losses. The Company has not recorded an allowance for credit losses for the marketable securities balance as of September 29, 2022 or December 30, 2021 given the immaterial difference between the amortized cost basis and the aggregate fair value of the Company's securities.

The amortized cost basis, aggregate fair value and maturities of the marketable securities the Company held as of September 29, 2022 and December 30, 2021 were as follows:

	As of September 29, 2022		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities *(1)* (in years)
MARKETABLE SECURITIES:			
Short-term certificates of deposit	$ 0.3	$ 0.3	0.2
Total short-term marketable securities	0.3	0.3	
Long-term certificates of deposit	$ 1.0	$ 1.0	1.3
Total long-term marketable securities	1.0	1.0	
Total marketable securities	$ 1.3	$ 1.3	

	As of December 30, 2021		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities *(1)* (in years)
MARKETABLE SECURITIES:			
Short-term certificates of deposit	$ 0.3	$ 0.3	0.9
Total short-term marketable securities	0.3	0.3	
Long-term certificates of deposit	1.0	1.0	2.0
Total long-term marketable securities	1.0	1.0	
Total marketable securities	$ 1.3	$ 1.3	

(1) *Maturities*—Securities available for sale include obligations with various contractual maturity dates some of which are greater than one year. The Company considers the securities to be liquid and convertible to cash within 30 days.

10. SUBSEQUENT EVENT

On October 17, 2022, NCM LLC elected not to make an interest payment in the amount of $11.8 million, $0.8 million of which relates to notes held by NCM, Inc., due October 17, 2022 under the Senior Secured Notes due 2028, and entered a 30-day grace period under the indenture governing the Senior Secured Notes due 2028. The Company made the payment on November 4, 2022, prior to the end of the applicable grace period.

On November 3, 2022, NCM LLC and NCM, Inc. entered into a Receivable Sales Agreement pursuant to which, NCM, Inc. acquired the right to approximately $4.9 million of NCM LLC's accounts receivable at a purchase price equal to the book value of the accounts receivable in exchange for a cash payment.

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

Some of the information in this Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", statements related to the impact of the current COVID-19 Pandemic on our business and results of operations, and statements relating to NCM LLC's current debt facilities and potential amendments or ability to raise additional debt may constitute forward-looking statements. In some cases, you can identify these "forward-looking statements" by the specific words, including but not limited to "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading "Risk Factors" below and in our annual report on Form 10-K for the Company's fiscal year ended December 30, 2021. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. The following discussion and analysis is a supplement to and should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein and the audited financial statements and other disclosure included in our annual report on Form 10-K for the Company's fiscal year ended December 30, 2021. In the following discussion and analysis, the term net income refers to net income attributable to NCM, Inc.

Overview

We are America's Movie Network. As the largest cinema advertising network in the U.S., we unite brands with young, diverse audiences through the power of movies and popular culture. We currently derive revenue principally from the sale of advertising to national, local and regional businesses in our *Noovie®* pre-show, our cinema advertising and entertainment pre-show seen on movie screens across the U.S.

We present two different formats of our *Noovie* pre-show depending on the theater circuit in which it runs. In Regal and Cinemark and a portion of our network affiliates' theaters, the *Noovie* pre-show now includes Post-Showtime advertising inventory after the advertised showtime consisting of (1) the lights down segment that runs for five minutes after the advertised showtime with trailer lighting and (2) the 30- or 60-second Platinum Spot. As of September 29, 2022, theaters presenting the new *Noovie* pre-show format with Post-Showtime Inventory made up approximately 59% of our network. All other NCM network theater circuits, which make up the remaining 41% of our network, present the Classic *Noovie* pre-show, which ends approximately at the advertised movie showtime when the movie trailers begin. The movie trailers that run before the feature film are not part of our *Noovie* preshow.

We also sell advertising on our LEN, a series of strategically placed screens located in movie theater lobbies, as well as other forms of advertising and promotions in theater lobbies. In addition, we sell online and mobile advertising through our *Noovie* Audience Accelerator, across our suite of *Noovie* digital properties, including *Noovie* Trivia, *Noovie* Shuffle, and *Name That Movie®*, as well as a variety of complementary out of home venues, including restaurants and convenience stores, in order to reach entertainment audiences beyond the theater. As of September 29, 2022, over 7.2 million moviegoers have downloaded our mobile apps. These downloads and the acquisition of second- and third-party data have resulted in data sets of approximately 346.5 million as of September 29, 2022. We have long-term ESAs (approximately 17.0 weighted average years remaining) with the founding members and multi-year agreements with our network affiliates, which expire at various dates between November 2022 and December 2037. The weighted average remaining term of the ESAs and the network affiliate agreements is 15.1 years as of September 29, 2022. The ESAs and network affiliate agreements grant NCM LLC exclusive rights in their theaters to sell advertising, subject to limited exceptions. Our *Noovie* pre-show and LEN programming are distributed predominantly via satellite through our proprietary digital content network ("DCN").

Management focuses on several measurements that we believe provide us with the necessary ratios and key performance indicators to manage our business, determine how we are performing versus our internal goals and targets, and against the performance of our competitors and other benchmarks in the marketplace in which we operate. We focus on operating metrics including changes in revenue, Adjusted OIBDA and Adjusted OIBDA margin, as defined and discussed below, as some of our primary measurement metrics. In addition, we monitor our monthly advertising performance measurements, including advertising inventory utilization, national and regional advertising pricing (CPM), local advertising rate per theater per week, and national, local, regional and total advertising revenue per attendee. We also monitor free cash flow, the dividend coverage ratio, financial leverage ratio (net debt divided by Adjusted OIBDA plus integration payments and other encumbered theater payments), cash balances and revolving credit facility availability to ensure financial debt covenant compliance and that there is adequate cash availability to fund our working capital needs and debt obligations and future dividends declared by our Board of Directors.

Our operating results may be affected by a variety of internal and external factors and trends described more fully in the section entitled “Risk Factors” below and in our annual report on Form 10-K filed with the SEC on March 3, 2022 for our fiscal year ended December 30, 2021.

Recent Developments

The impacts from the COVID-19 Pandemic have had and continue to have an effect on the world and our business. The movie slate for 2022 has improved from prior years but continues to be limited by post-production delays and major motion picture release schedule changes. The attendance level has increased from the prior year, but it has not met historical levels and has not been consistent throughout the year due to timing of major motion picture releases. In-theater advertising revenue for the year ended December 30, 2021 and the nine months ended September 29, 2022 also remained below historical levels due in part to a lag between the recovery of attendees and advertisers, as well as current macroeconomic factors.

On September 7, 2022, Cineworld Group plc, the parent company of Regal, and certain of its subsidiaries, including Regal, Regal Cinemas, Inc., a party to the ESA with NCM LLC, and Regal CineMedia Holdings, LLC, a party to other agreements with NCM LLC and NCM, Inc., filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Southern District of Texas (the “Cineworld Proceeding”). On October 21, 2022, Regal filed a motion to reject the ESA without specifying an effective date for the rejection and indicated that Regal currently plans on negotiating with the Company regarding the ESA. NCM LLC has also filed a complaint against Regal seeking declaratory relief and an injunction prohibiting Regal from breaching certain exclusivity, non-compete, non-negotiate and confidentiality provisions in the ESA by entering into a new agreement with a third party or bringing any of the services performed by NCM LLC in-house. Although there can be no assurances that NCM LLC’s request for declaratory relief will be successful, the Company believes these rights will survive any attempted rejection in the bankruptcy court by Regal. In the event that NCM LLC’s or NCM, Inc.’s agreements with Regal and its affiliates are rejected, it could have a materially negative impact on the Company’s operations or financial condition.

To ensure sufficient liquidity during the recovery from the impacts of the COVID-19 Pandemic, we managed our liquidity position through various cost control methods discussed further within the “Financial Condition and Liquidity” section below. Since the beginning of the COVID-19 Pandemic, the Company has significantly reduced payroll related costs through a combination of temporary measures as well as a headcount reduction of approximately 44% as of September 29, 2022, as compared to headcount levels prior to the COVID-19 Pandemic. Our theater access fees, network affiliate payments and Platinum Spot revenue share payments are driven by attendance, active screens and/or in-theater advertising revenue, and therefore, were not incurred for the duration of time that the theaters were closed and attendance-based fees will continue to be reduced for the period of time that attendance is lower than historical levels. We were still required to pay these screen-based fees when theaters were open, which were reduced for months where screens were in use for only part of the month.

On January 5, 2022, NCM LLC entered into the Credit Agreement Third Amendment. Among other things, the Credit Agreement Third Amendment provides for: (i) certain modifications to and extensions to modifications of the affirmative and negative covenants therein; (ii) the suspension of the consolidated net total leverage and consolidated net senior secured leverage financial covenants through the fiscal quarter ending December 29, 2022; and (iii) the consolidated net total leverage ratio and consolidated net senior secured leverage ratio financial covenants to be set to 9.25 to 1.00 and 7.25 to 1.00, respectively, for the fiscal quarter ending on or about March 30, 2023, 8.50 to 1.00 and 6.50 to 1.00, respectively, for the fiscal quarter ending on or about June 29, 2023, 8.00 to 1.00 and 6.00 to 1.00, respectively, for the fiscal quarter ending on or about September 28, 2023, and 6.25 to 1.00 and 4.50 to 1.00, respectively, for the fiscal quarter ending on or about December 28, 2023 and each fiscal quarter thereafter.

On January 5, 2022, NCM LLC also entered into the Revolving Credit Agreement 2022 among NCM LLC, the lenders party thereto and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent. The Revolving Credit Agreement 2022 provides for revolving loan commitments of $50.0 million of secured revolving loans, the entire amount of which was funded on January 5, 2022. The Revolving Credit Agreement 2022 provides for (i) a cash interest rate of term SOFR plus 8.00%, with a 1.00% floor, (ii) a maturity date of June 20, 2023 and (iii) a termination premium if NCM LLC terminates the commitments under the Revolving Credit Agreement 2022 at any time before maturity. The Revolving Credit Agreement 2022 also contains covenants, representations and warranties and events of default that are substantially similar to the Credit Agreement.

Summary Historical and Operating Data

You should read this information with the other information contained in this document, and our unaudited historical financial statements and the notes thereto included elsewhere in this document.

Our Operating Data—The following table presents operating data and Adjusted OIBDA (dollars in millions, except share and margin data):

	Q3 2022	Q3 2021	YTD 2022	YTD 2021	% Change Q3 2021 to Q3 2022	% Change YTD 2021 to YTD 2022
Revenue	$ 54.5	$ 31.7	$ 157.5	$ 51.1	71.9 %	208.2 %
Operating expenses:						
Advertising	35.9	29.2	106.2	60.4	22.9 %	75.8 %
Network, administrative and unallocated costs	22.8	21.2	72.5	67.3	7.5 %	7.7 %
Total operating expenses	58.7	50.4	178.7	127.7	16.5 %	39.9 %
Operating loss	(4.2)	(18.7)	(21.2)	(76.6)	(77.5)%	(72.3)%
Non-operating expenses	17.5	14.8	55.1	45.8	18.2 %	20.3 %
Income tax expense	—	—	—	—	— %	— %
Net loss attributable to noncontrolling interests	(12.8)	(18.3)	(41.5)	(65.1)	(30.1)%	(36.3)%
Net loss attributable to NCM, Inc.	$ (8.9)	$ (15.2)	$ (34.8)	$ (57.3)	(41.4)%	(39.3)%
Net loss per NCM, Inc. basic share	$ (0.11)	$ (0.19)	$ (0.43)	$ (0.72)	(42.1)%	(40.3)%
Net loss per NCM, Inc. diluted share	$ (0.11)	$ (0.19)	$ (0.43)	$ (0.72)	(42.1)%	(40.3)%
Adjusted OIBDA	$ 7.0	$ (8.2)	$ 15.2	$ (43.1)	(185.4)%	(135.3)%
Adjusted OIBDA margin	12.8 %	(25.9)%	9.7 %	(84.3)%	38.7 %	94.0 %
Total theater attendance (in millions) *(1)*	106.6	75.7	306.8	138.6	40.8 %	121.4 %

(1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike theaters that were part of another cinema advertising network during the periods presented. Refer to Note 4 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document.

Non-GAAP Financial Measures

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 expense adjusted to also exclude amortization of intangibles recorded for network theater screen leases, non-cash share-based compensation costs, impairment of long-lived assets, advisor fees related to involvement in the Cineworld Proceeding, executive transition costs and costs related to the reorganization of the sales force. 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 the Company's 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 policies, amortization of intangibles recorded for network theater screen leases, non-cash share based compensation programs, impairment of long-lived assets, costs related to sales force reorganization, advisor fees related to founding member restructuring, executive transition costs, interest rates, debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization of intangibles recorded for network theater screen leases, 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 share-based payment costs, the impairment of long-lived assets, costs related to sales force reorganization, executive transition costs or advisor fees related to the Cineworld Proceeding. 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 loss 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 table reconciles operating income to Adjusted OIBDA for the periods presented (dollars in millions):

	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Operating loss	$ (4.2)	$ (18.7)	$ (21.2)	$ (76.6)
Depreciation expense	1.5	2.5	5.1	8.4
Amortization of intangibles recorded for network theater screen leases	6.3	6.2	18.7	18.5
Share-based compensation costs *(1)*	2.1	1.7	5.1	6.5
Executive transition costs *(2)*	—	0.1	—	0.1
Impairment of long-lived assets *(3)*	—	—	5.8	—
Sales force reorganization costs *(4)*	—	—	0.4	—
Advisor fees related to the Cineworld Proceeding *(5)*	1.3	—	1.3	—
Adjusted OIBDA	$ 7.0	$ (8.2)	$ 15.2	$ (43.1)
Total revenue	$ 54.5	$ 31.7	$ 157.5	$ 51.1
Adjusted OIBDA margin	12.8 %	(25.9)%	9.7 %	(84.3)%

(1) Share-based compensation costs are included in network operations, selling and marketing and administrative expense in the accompanying unaudited Condensed Consolidated Financial Statements.
(2) Executive transition costs represent costs associated with the search for the Company's new CFO during the third quarter of 2021.
(3) The impairment of long-lived assets primarily relates to the write down of certain internally developed software no longer in use.
(4) Sales force reorganization costs represents redundancy costs associated with changes to the Company's sales force implemented during the first quarter of 2022.
(5) Advisor and legal fees incurred in connection with the Company's involvement in the Cineworld Proceeding during the third quarter of 2022.

Our Network—The change in the number of screens in our network by the founding members and network affiliates during the nine months ended September 29, 2022 was as follows.

	Number of screens		
	Founding Members	Network Affiliates	Total
Balance as of December 30, 2021	16,436	4,304	20,740
Lost affiliates *(1)*	—	(288)	(288)
Closures, net of openings *(2)*	(281)	30	(251)
Balance as of September 29, 2022	16,155	4,046	20,201

(1) Represents the loss of three of our affiliates resulting in a reduction of 288 affiliate screens to our network as of September 29, 2022.
(2) Represents the closure of 251 screens, net of new screens added, across our founding members and network affiliates.

Our founding member and network affiliate agreements allow us to sell cinema advertising across the largest network of digitally equipped theaters in the U.S. We believe that our market coverage strengthens our selling proposition and competitive positioning against other national, regional and local video advertising platforms, including television, online and mobile video platforms and other out-of-home video advertising platforms by allowing advertisers the broad reach and national scale that they need to effectively reach their target audiences.

Basis of Presentation

The results of operations data for the three months ended September 29, 2022 (third quarter of 2022) and September 30, 2021 (third quarter of 2021) and the nine months ended September 29, 2022 and September 30, 2021 was derived from the unaudited Condensed Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the accompanying notes.

Results of Operations

Third Quarter of 2022 and Third Quarter of 2021

Revenue. Total revenue increased 71.9%, from $31.7 million for the third quarter of 2021 to $54.5 million for the third quarter of 2022. The following is a summary of revenue by category (in millions):

	Q3 2022	Q3 2021	$ Change Q3 2021 to Q3 2022	% Change Q3 2021 to Q3 2022
National advertising revenue	$ 39.7	$ 22.6	$ 17.1	75.7 %
Local and regional advertising revenue	9.8	5.7	4.1	71.9 %
Founding member advertising revenue from beverage concessionaire agreements	5.0	3.4	1.6	47.1 %
Total revenue	$ 54.5	$ 31.7	$ 22.8	71.9 %

The following table shows data on theater attendance and revenue per attendee for the three months ended September 29, 2022 and September 30, 2021:

	Q3 2022	Q3 2021	% Change Q3 2021 to Q3 2022
National advertising revenue per attendee	$ 0.372	$ 0.299	24.4 %
Local and regional advertising revenue per attendee	$ 0.092	$ 0.075	22.7 %
Total advertising revenue (excluding founding member beverage revenue) per attendee	$ 0.464	$ 0.374	24.1 %
Total revenue per attendee	$ 0.511	$ 0.419	22.0 %
Total theater attendance (in millions) *(1)*	106.6	75.7	40.8 %

(1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike theaters that were part of another cinema advertising network during the periods presented.

National advertising revenue. National advertising revenue increased by $17.1 million, or 75.7%, from $22.6 million for the third quarter of 2021 to $39.7 million for the third quarter of 2022. The increase was due to a 49.1% increase in impressions sold and a 34.5% increase in national advertising CPMs (excluding beverage) in the third quarter of 2022, compared to the third quarter of 2021. The increase in impressions sold was primarily due to a 40.8% increase in network attendance for the third quarter of 2022.

Local and regional advertising revenue. Local and regional advertising revenue increased by $4.1 million, or 71.9%, from $5.7 million for the third quarter of 2021 to $9.8 million for the third quarter of 2022. The increase in local and regional advertising revenue was driven by an increase in revenue from the transportation, travel and public health categories in the third quarter of 2022, compared to the third quarter of 2021 following a significant increase in network attendance.

Founding member beverage revenue. National advertising revenue from the founding members' beverage concessionaire agreement increased $1.6 million, or 47.1%, from $3.4 million for the third quarter of 2021 to $5.0 million for the third quarter of 2022. The increase was due to a 42.8% increase in founding member attendance for the third quarter of 2022, compared to the third quarter of 2021 when founding member attendance was negatively impacted by a limited movie slate and COVID-19 related theater closures and restrictions. The increase was also due to contractual increases in the beverage revenue CPMs in 2022, compared to 2021.

Operating expenses. Total operating expenses increased $8.3 million, or 16.5%, from $50.4 million for the third quarter of 2021 to $58.7 million for the third quarter of 2022. The following table shows the changes in operating expense for the third quarter of 2022 (in millions):

	Q3 2022	Q3 2021	$ Change Q3 2021 to Q3 2022	% Change Q3 2021 to Q3 2022
Advertising operating costs	$ 6.3	$ 5.2	$ 1.1	21.2 %
Network costs	2.1	2.0	0.1	5.0 %
Theater access fees and revenue share—founding members	21.3	16.7	4.6	27.5 %
Selling and marketing costs	10.4	8.2	2.2	26.8 %
Administrative and other costs	10.8	9.6	1.2	12.5 %
Depreciation expense	1.5	2.5	(1.0)	(40.0)%
Amortization of intangibles recorded for network theater screen leases	6.3	6.2	0.1	1.6 %
Total operating expenses	$ 58.7	$ 50.4	$ 8.3	16.5 %

Advertising operating costs. Advertising operating costs increased $1.1 million, or 21.2%, from $5.2 million for the third quarter of 2021 to $6.3 million for the third quarter of 2022. The increase in advertising operating costs was due to $0.9 million of higher advertising affiliate and partner expense, which was driven by higher revenue for the third quarter of 2022, as compared to the third quarter of 2021.

Network costs. Network costs increased $0.1 million, or 5.0%, from $2.0 million for the third quarter of 2021 to $2.1 million for the third quarter of 2022.

Theater access fees and revenue share—founding members. Theater access fees and revenue share increased by $4.6 million, or 27.5%, from $16.7 million for the third quarter of 2021 to $21.3 million for the third quarter of 2022. This increase was primarily due to a $4.0 million increase caused by the substantial increase in founding member theater attendance for the third quarter of 2022 as compared to the third quarter of 2021 and a $0.6 million increase in Platinum Spot revenue share in the third quarter of 2022, compared to the third quarter of 2021.

Selling and marketing costs. Selling and marketing costs increased $2.2 million, or 26.8%, from $8.2 million for the third quarter of 2021 to $10.4 million for the third quarter of 2022. This increase was primarily due to a $1.3 million increase in commission expense, driven by higher revenue in the third quarter of 2022, compared to the third quarter of 2021. Revenue share expenses increased by $0.5 million driven by increased revenue and a $0.2 million increase in software costs in the third quarter of 2022, compared to the third quarter of 2021.

Administrative and other costs. Administrative and other costs increased $1.2 million, or 12.5%, from $9.6 million for the third quarter of 2021 to $10.8 million for the third quarter of 2022. This increase was primarily due to $1.3 million in advisor fees incurred related to the Cineworld Proceeding during the third quarter of 2022 and a $0.2 million increase due to reduced capitalized personnel costs in our technology department during the third quarter of 2022, as compared to the third quarter of 2021. These increases were partially offset by a $0.4 million decrease in other legal and professional fees.

Depreciation expense. Depreciation expense decreased $1.0 million, or 40.0%, from $2.5 million for the third quarter of 2021 to $1.5 million in the third quarter of 2022, primarily due to the write-off of internally developed software in the first quarter of 2022.

Amortization of intangibles recorded for network theater screen leases. Amortization of intangibles recorded for network theater screen increased $0.1 million, or 1.6%, from $6.2 million for the third quarter of 2021 to $6.3 million for the third quarter of 2022.

Non-operating expenses. Total non-operating expenses increased $2.7 million, or 18.2%, from $14.8 million for the third quarter of 2021 to $17.5 million for the third quarter of 2022. The following table shows the changes in non-operating expense for the third quarter of 2022 and the third quarter of 2021 (in millions):

	Q3 2022	Q3 2021	$ Change Q3 2021 to Q3 2022	% Change Q3 2021 to Q3 2022
Interest on borrowings	$ 19.8	$ 16.6	$ 3.2	19.3 %
Interest income	(0.1)	—	(0.1)	— %
(Gain) loss on the re-measurement of the payable to founding members under the tax receivable agreement	(2.2)	(1.8)	(0.4)	22.2 %
Total non-operating expenses	$ 17.5	$ 14.8	$ 2.7	18.2 %

The increase in non-operating expense was primarily due to a $3.2 million increase in interest on borrowings primarily related to the issuance of the Revolving Credit Agreement 2022 in January of 2022 as well as rising interest rates, partially offset by a $0.4 million increase in the gain on the re-measurement of the payable to founding members under the tax receivable agreement for the third quarter of 2022, compared to the third quarter of 2021.

Net Loss. Net loss decreased $6.3 million from net loss of $15.2 million for the third quarter of 2021 to $8.9 million for the third quarter of 2022. The decrease in net loss was due to a $14.5 million decrease in operating loss, offset by a $5.5 million decrease in net loss attributable to noncontrolling interests and a $2.7 million decrease in non-operating expense.

Nine months ended September 29, 2022 and September 30, 2021

Revenue. Total revenue increased 208.2%, from $51.1 million for the nine months ended September 30, 2021 to $157.5 million for the nine months ended September 29, 2022. The following is a summary of revenue by category (in millions):

	Nine Months Ended		$ Change	% Change
	September 29, 2022	September 30, 2021	YTD 2021 to YTD 2022	YTD 2021 to YTD 2022
National advertising revenue	$ 116.7	$ 34.3	$ 82.4	240.2 %
Local and regional advertising revenue	26.4	10.8	15.6	144.4 %
Founding member advertising revenue from beverage concessionaire agreements	14.4	6.0	8.4	140.0 %
Total revenue	$ 157.5	$ 51.1	$ 106.4	208.2 %

The following table shows data on theater attendance and revenue per attendee for the nine months ended September 29, 2022 and September 30, 2021:

	Nine Months Ended		% Change
	September 29, 2022	September 30, 2021	YTD 2021 to YTD 2022
National advertising revenue per attendee	$ 0.380	$ 0.247	53.8 %
Local and regional advertising revenue per attendee	$ 0.086	$ 0.078	10.3 %
Total advertising revenue (excluding founding member beverage revenue) per attendee	$ 0.466	$ 0.325	43.4 %
Total revenue per attendee	$ 0.513	$ 0.369	39.0 %
Total theater attendance (in millions) *(1)*	306.8	138.6	121.4 %

(1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike theaters that were part of another cinema advertising network during the periods presented.

National advertising revenue. National advertising revenue increased by $82.4 million, or 240.2%, from $34.3 million for the nine months ended September 30, 2021 to $116.7 million for the nine months ended September 29, 2022. The increase was due to a significant increase in impressions sold and a 31.6% increase in national advertising CPMs for the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021. The increase in impressions sold was primarily due to a 121.3% increase in network attendance and a 44.0% increase in national advertising utilization due in part to the Company's ability to participate in the 2022 upfront marketplace, as compared to 2021 when the theaters were closed and the return of advertisers to the network in the nine months ended September 29, 2022.

Local and regional advertising revenue. Local and regional advertising revenue increased by $15.6 million, or 144.4%, from $10.8 million for the nine months ended September 30, 2021 to $26.4 million for the nine months ended September 29, 2022. The increase in local and regional advertising revenue was due primarily to the closure of approximately 40% of our network for three of the nine months ended September 30, 2021. The increase was also driven by an increase in advertiser interest in the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021, following a significant increase in network attendance primarily due to an improved movie slate and the removal of COVID-19 Pandemic related restrictions.

Founding member beverage revenue. National advertising revenue from the founding members' beverage concessionaire agreement increased $8.4 million, or 140.0%, from $6.0 million for the nine months ended September 30, 2021 to $14.4 million for the nine months ended September 29, 2022. The increase was due to a 127.0% increase in founding member attendance for the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021. The increase was also due to contractual increases in the beverage revenue CPMs in 2022, compared to 2021.

Operating expenses. Total operating expenses increased $51.0 million, or 39.9%, from $127.7 million for the nine months ended September 30, 2021 to $178.7 million for the nine months ended September 29, 2022. The following table shows the changes in operating expense for the nine months ended September 29, 2022 and September 30, 2021 (in millions):

	Nine Months Ended		$ Change	% Change
	September 29, 2022	September 30, 2021	YTD 2021 to YTD 2022	YTD 2021 to YTD 2022
Advertising operating costs	$ 19.3	$ 9.9	$ 9.4	94.9 %
Network costs	6.2	5.7	0.5	8.8 %
Theater access fees and revenue share—founding members	62.4	31.0	31.4	101.3 %
Selling and marketing costs	31.0	24.8	6.2	25.0 %
Administrative and other costs	30.2	29.4	0.8	2.7 %
Impairment of long-lived assets	5.8	—	5.8	100.0 %
Depreciation expense	5.1	8.4	(3.3)	(39.3)%
Amortization of intangibles recorded for network theater screen leases	18.7	18.5	0.2	1.1 %
Total operating expenses	$ 178.7	$ 127.7	$ 51.0	39.9 %

Advertising operating costs. Advertising operating costs increased $9.4 million, or 94.9%, from $9.9 million for the nine months ended September 30, 2021 to $19.3 million for the nine months ended September 29, 2022. The majority of the increase was due to $8.9 million of higher advertising affiliate and partner expense, which was driven by higher revenue for the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021 and $0.2 million increase in personnel related costs due to the reinstatement of full salaries to all employees in the first quarter of 2022 impacting the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021 when temporary salary and wage reductions were in place.

Network costs. Network costs increased $0.5 million, or 8.8%, from $5.7 million for the nine months ended September 30, 2021 to $6.2 million for the nine months ended September 29, 2022. The increase was primarily related to a $0.5 million increase in personnel related costs due to the reinstatement of full salaries to all employees in the first quarter of 2022 impacting the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021 when temporary salary and wage reductions were in place.

Theater access fees and revenue share—founding members. Theater access fees and revenue share increased by $31.4 million, or 101.3%, from $31.0 million for the nine months ended September 30, 2021 to $62.4 million for the nine months ended September 29, 2022. This increase was primarily caused by an $18.6 million increase due to the substantial increase in founding member theater attendance for the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021, and an $11.1 million increase due to the 38.8% increase in average active screens for the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021. This increase was also due to a $1.7 million increase in Platinum Spot revenue share in the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021.

Selling and marketing costs. Selling and marketing costs increased $6.2 million, or 25.0%, from $24.8 million for the nine months ended September 30, 2021 to $31.0 million for the nine months ended September 29, 2022. This increase was primarily due to a $3.1 million increase in personnel related expenses following the reinstatement of full salaries to employees in the first quarter of 2022 impacting the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021 when temporary salary and wage reductions were in place. The increase was also due to a $2.3 million increase in selling related expenses due to increased marketing activity, a $0.8 million increase in bad debt expense driven by the increase in revenue and a $0.4 million increase in software costs for the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021. These increases were partially offset by a $0.7 million decrease in non-cash barter expense for the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021.

<u>Administrative and other costs.</u> Administrative and other costs increased $0.8 million, or 2.7%, from $29.4 million for the nine months ended September 30, 2021 to $30.2 million for the nine months ended September 29, 2022. This increase was primarily due to a $1.3 million increase in advisor and legal fees related to the Cineworld Proceeding during the third quarter of 2022, a $0.4 million increase in cloud computing expense related to our cinema advertising management system and a $0.5 million increase related to corporate expenses. The increase was also partially offset by a $0.3 million decrease in other legal and professional fees and a $1.0 million decrease in personnel related expenses driven by a $1.3 million decrease in share-based compensation expense, partially offset by a $0.7 million decrease in capitalized personnel costs in the nine months ended September 29, 2022, compared to the nine months ended September 30, 2021.

<u>Impairment of long-lived assets.</u> Impairment of long-lived assets increased $5.8 million, or 100%, from $0.0 million for the nine months ended September 30, 2021 to $5.8 million for the nine months ended September 29, 2022. This increase in impairment expense consisted of the write-off of certain long-lived assets during the first quarter of 2022.

<u>Depreciation expense.</u> Depreciation expense decreased $3.3 million, or 39.3%, from $8.4 million for the nine months ended September 30, 2021 to $5.1 million for the nine months ended September 29, 2022, primarily due to the write-off of internally developed software in the first quarter of 2022.

<u>Amortization of intangibles recorded for network theater screen leases.</u> Amortization of intangibles recorded for network theater screen leases increased $0.2 million, or 1.1%, from $18.5 million for the nine months ended September 30, 2021 to $18.7 million for the nine months ended September 29, 2022.

Non-operating expenses. Total non-operating expenses increased $9.3 million, or 20.3%, from $45.8 million for the nine months ended September 30, 2021 to $55.1 for the nine months ended September 29, 2022. The following table shows the changes in non-operating expense for the nine months ended September 29, 2022 and September 30, 2021 (in millions):

	Nine Months Ended		**$ Change**	**% Change**
	September 29, 2022	**September 30, 2021**	**YTD 2021 to YTD 2022**	**YTD 2021 to YTD 2022**
Interest on borrowings	$ 57.3	$ 48.2	$ 9.1	18.9 %
Interest income	(0.1)	(0.1)	$ —	— %
(Gain) loss on modification and retirement of debt, net	(5.9)	0.8	$ (6.7)	(837.5)%
Loss (gain) on the re-measurement of the payable to founding members under the tax receivable agreement	4.0	(3.2)	$ 7.2	(225.0)%
Other non-operating (income) expense	(0.2)	0.1	$ (0.3)	(300.0)%
Total non-operating expenses	$ 55.1	$ 45.8	$ 9.3	20.3 %

The increase in non-operating expense was primarily due to a $9.1 million increase in interest on borrowings primarily related to the issuance of the Revolving Credit Agreement 2022 in January of 2022 as well as rising interest rates and a $7.2 million increase in the loss on the re-measurement of the payable to founding members under the tax receivable agreement. These increases were partially offset by a $6.7 million increase in the gain on the modification and retirement of debt driven by NCM Inc.’s purchase of $25.8 million of the Notes due 2028 on the open market in the second quarter of 2022, reducing the principal amount owed by NCM LLC to third parties as of September 29, 2022.

Net Loss. Net loss decreased $22.5 million from net loss of $57.3 million for the nine months ended September 30, 2021 to $34.8 million for the nine months ended September 29, 2022. The decrease in net loss was due to a $55.4 million decrease in operating loss, partially offset by a $23.6 million decrease in net loss attributable to noncontrolling interests and a $9.3 million increase in non-operating expense.

Known Trends and Uncertainties

COVID-19 and Other Macroeconomic Factors—As discussed within the '*Recent Developments*' section, due to the COVID-19 Pandemic certain theaters within the Company's network were temporarily closed during a portion of 2021. The Company's ability to advertise within theaters once opened in 2021 was limited due to reduced movie schedules and patron capacities at many network theaters and the timing and frequency of new major motion picture releases as compared to prior years due to the COVID-19 Pandemic. Our theater access fees, network affiliate payments and Platinum Spot revenue share payments are driven by attendance, active screens and/or revenue, and therefore, were not incurred when theaters were closed and attendance-based fees were reduced for the period of time that attendance was lower than historical levels.

We are currently unable to fully determine the extent of the impact of the COVID-19 Pandemic and other current macroeconomic factors on our business in future periods due to the lingering impacts on our business environment and related market volatility. However, we continue to monitor the situation and its potential impacts on our financial position, results of operations, liquidity and cash flows.

Cineworld Proceeding—As discussed within the 'Recent Developments' section, on September 7, 2022, Cineworld Group plc, the parent company of Regal, and certain of its subsidiaries, including Regal, Regal Cinemas, Inc., a party to the ESA, and Regal CineMedia Holdings, LLC, a party to other agreements with NCM LLC and NCM, Inc., filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Southern District of Texas. On October 21, 2022, Regal filed a motion to reject the ESA without specifying an effective date for the rejection and indicated that Regal currently plans on negotiating with the Company regarding the ESA. NCM LLC has also filed a complaint against Regal seeking declaratory relief and an injunction prohibiting Regal from breaching certain exclusivity, non-compete, non-negotiate and confidentiality provisions in the ESA by entering into a new agreement with a third party or bringing any of the services performed by NCM LLC in-house. Although there can be no assurances that NCM LLC's request for declaratory relief will be successful, the Company believes these rights will survive any attempted rejection in the bankruptcy court by Regal. In the event that NCM LLC's or NCM, Inc.'s agreements with Regal and its affiliates are rejected, it could have a materially negative impact on the Company's operations or financial condition.

Beverage Revenue—Under the ESAs, up to 90 seconds of the *Noovie*® pre-show program can be sold to the founding members to satisfy their on-screen advertising commitments under their beverage concessionaire agreements. For the first three and nine months of 2022 and 2021, two of the founding members purchased 60 seconds of on-screen advertising time and one founding member purchased 30 seconds to satisfy their obligations under their beverage concessionaire agreements. The founding members' current long-term contracts with their beverage suppliers require the 30 or 60 seconds of beverage advertising, although such commitments could change in the future. Per the ESA with AMC, the time sold to the founding member beverage supplier is priced equal to the greater of (1) the advertising CPM charged by NCM LLC in the previous year for the time sold to the founding member beverage supplier and (2) the advertising CPM for the previous year charged by NCM LLC to unaffiliated third parties during segment one (closest to showtime) of the *Noovie* pre-show in the founding member's theaters, limited to the highest advertising CPM being then-charged by NCM LLC. Beginning in 2020 and in accordance with the 2019 ESA Amendments, the price for the time sold to Cinemark and Regal's beverage suppliers now increases at a fixed rate of 2.0% each year.

Theater Access Fees—In consideration for NCM LLC's access to the founding members' theater attendees for on-screen advertising and use of lobbies and other space within the founding members' theaters for the LEN and lobby promotions, the founding members receive a monthly theater access fee under the ESAs. The theater access fee is composed of a fixed payment per patron and a fixed payment per digital screen (connected to the DCN). The payment per theater patron increases by 8% every five years, with an increase occurring in the current year and the next increase occurring in 2027. Pursuant to the ESAs, the payment per digital screen increases annually by 5%. Pursuant to the 2019 ESA Amendments, Cinemark and Regal each receive an additional monthly theater access fee beginning November 1, 2019 in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film. These fees are also based upon a fixed payment per patron: (i) $0.0375 per patron beginning on November 1, 2020, (ii) $0.05 per patron beginning on November 1, 2021, (iii) $0.052 per patron beginning on November 1, 2022 and (iv) increasing 8% every five years beginning November 1, 2027.

Platinum Spot—In consideration for the utilization of the theaters post-showtime for Platinum Spots, Cinemark and Regal receive a percentage of all revenue generated for the actual display of Platinum Spots in their applicable theaters, subject to a specified minimum. If NCM LLC runs advertising in more than one concurrent advertisers' Platinum Spot for any portion of the network over a period of time, then NCM LLC will be required to satisfy a minimum average CPM for that period of time.

Financial Condition and Liquidity

Liquidity and Capital Resources

Our cash balances can fluctuate due to the seasonality of our business and related timing of collections of accounts receivable balances and operating expenditure payments, as well as available cash payments (as defined in the NCM LLC operating agreement) to Cinemark and Regal, interest or principal payments on our term loans and the Notes due 2026 and Notes due 2028, income tax payments, TRA payments to the founding members and amount of dividends to NCM, Inc.'s common stockholders.

As discussed within the '*Recent Developments*' section, due to the COVID-19 Pandemic, certain theaters within the Company's network remained temporarily closed during a portion of 2021 and the Company's ability to advertise within the reopened theaters in 2021 was limited due to lower than historical levels of attendance due in part to reduced movie schedules and patron capacities at many network theaters and the timing and frequency of major motion picture releases as compared to prior years due to the COVID-19 Pandemic. The Company's attendance levels have continued to improve but still remain below historic levels, which continues to impact cash receipts and advertising revenue. Further, there is a lag between when revenue is generated and when the Company ultimately collects the associated accounts receivable balance. The Company also had reduced cash payments during the period when theaters within the Company's network were closed or attendance levels were low as expenses related to theater attendance (i.e., theater access fees, Platinum Spot revenue share and network affiliate revenue share payments) were either not incurred or incurred at lower levels. As all of the theaters within our network were open during the first nine months of 2022, the screen-based portion of these expenses returned to historical levels and the attendance-based portion of these expenses is expected to continue to increase as attendance increases following the continued release of many major motion pictures. The Company also implemented the following cost-saving measures in order to preserve cash at the start of the COVID-19 Pandemic, and those measures remain in place as of the filing date:

- Offered the option for the Board to receive the cash retainers beginning with the first quarter of 2021 in equivalent value of the Company's common stock in lieu of cash;
- Curtailed certain non-essential operating expenditures, including marketing, research, and consulting services;
- Temporarily suspended the 401K employee match program;
- Terminated or deferred certain non-essential capital expenditures;
- Strategically worked with our vendors, and other business partners to manage, defer, and/or abate certain costs during the disruptions caused by the COVID-19 Pandemic;
- Decreased our quarterly dividend beginning in the second quarter of 2020 through the second quarter of 2022 and suspended our quarterly dividend in the third quarter of 2023, which results in cash savings of $15.5 million in the third quarter of 2022 and cash savings of $99.9 million for NCM, Inc. since the beginning of the COVID-19 Pandemic; and
- Introduced an active cash management process, which, among other things, requires CEO or CFO approval of all outgoing payments.

In March 2020, we drew down an additional $110.0 million on our revolving credit facility, in March 2021, we received $43.0 million in proceeds under incremental term loans that mature on December 20, 2024, and in January 2022 we received $43.3 million in proceeds under an incremental revolving credit facility that matures on June 20, 2023. The $60.9 million of cash at NCM LLC as of September 29, 2022 will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. is held for future payment of dividends to NCM, Inc. stockholders, income tax payments, income tax receivable payments to NCM LLC's founding members and other obligations.

On January 5, 2022, NCM LLC entered into the Credit Agreement Third Amendment. Among other things, the Credit Agreement Third Amendment provides for: (i) certain modifications to and extensions to modifications of the affirmative and negative covenants therein; (ii) the suspension of the consolidated net total leverage and consolidated net senior secured leverage financial covenants through the fiscal quarter ending December 29, 2022; (iii) the consolidated net total leverage ratio and consolidated net senior secured leverage ratio financial covenants to be set to 9.25 to 1.00 and 7.25 to 1.00, respectively, for the fiscal quarter ending on or about March 30, 2023, 8.50 to 1.00 and 6.50 to 1.00, respectively, for the fiscal quarter ending on or about June 29, 2023, 8.00 to 1.00 and 6.00 to 1.00, respectively, for the fiscal quarter ending on or about September 28, 2023, and 6.25 to 1.00 and 4.50 to 1.00, respectively, for the fiscal quarter ending on or about December 28, 2023 and each fiscal quarter thereafter, and (iv) with respect to NCM LLC's audited financial statements for the fiscal year ended December 30, 2021, a waiver of the requirement to deliver an auditor's opinion for such financial statements without a "going concern" or like qualification or exception.

Also on January 5, 2022, NCM LLC also entered into the Revolving Credit Agreement 2022 among NCM LLC, the lenders party thereto and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent. The Revolving Credit Agreement 2022 provides for revolving loan commitments of $50.0 million of secured revolving loans, the entire amount of which was funded on January 5, 2022. The Revolving Credit Agreement 2022 provides for (i) a cash interest rate of term SOFR plus 8.00%, with a 1.00% floor, (ii) a maturity date of June 20, 2023 and (iii) a termination premium if NCM LLC terminates the commitments under the Revolving Credit Agreement 2022 at any time before maturity. The Revolving Credit Agreement 2022 also contains covenants, representations and warranties and events of default that are substantially similar to the Credit Agreement. In accordance with the Revolving Credit Agreement 2022 and the Credit Agreement Third Amendment, for the period beginning in the second quarter of 2020 through the date that NCM LLC delivers a compliance certificate for the fourth quarter of 2023, NCM LLC must maintain a minimum liquidity balance of $55.0 million consisting of a combination of unrestricted cash on hand and availability under NCM LLC's revolving credit facility (the “Minimum Liquidity Requirement”). As of September 29, 2022, NCM LLC was in compliance with the requirements of the Credit Agreement, as amended, and the Revolving Credit Agreement 2022.

The Company, through NCM LLC, has borrowings under two Revolving Credit Facilities with $217.0 million outstanding as of September 29, 2022, that mature on June 20, 2023 (refer to Note 6—*Borrowings*). The Company does not have available liquidity to repay the full outstanding balance on the date of maturity. Additionally, based on current projections, the Company does not expect to meet certain financial covenants for the period ending March 30, 2023. Further, if the Company’s independent registered public accounting firm includes a “going concern” or like qualification or exception, other than for debt maturing within one year, in its report on the Company’s financial statements for the year ending December 29, 2022, this would be an event of default under the Company’s Credit Agreement at the time the Company’s financial statements for the year ending December 29, 2022 are filed. Under the Credit Agreement, failure to remain in compliance with these covenants or inability to repay borrowings under the Revolving Credit Facilities at maturity would result in an event of default for the term loans, which would allow a majority of the lenders under the Credit Agreement to accelerate the maturity of the principal amounts of outstanding term loans to become due and payable. It would also result in an event of default for the senior notes, which would allow the indenture trustee or senior note holders of each tranche of senior notes to accelerate the maturity to become due and payable. Should the Company’s borrowings become due and payable, the Company would not be able to repay the Company’s total outstanding debt balance. These conditions and events raise substantial doubt about the Company’s ability to continue as a going concern. In response to these conditions, management’s plans include amending NCM LLC’s Revolving Credit Facilities to extend the maturity dates, amending its Senior Secured Credit Facility to extend a waiver of these financial covenants or obtaining additional debt financing through a loan from third parties, and/or NCM, Inc. Management expects to conclude one of these alternatives; however, there can be no assurance that the Company will be successful in completing any of these options. As a result, management’s plan cannot be considered probable and thus does not alleviate the substantial doubt about the Company’s ability to continue as a going concern. Based on the Company’s current financial position and liquidity sources, including current cash balances, and forecasted future cash flows, management believes the Company can meet its operating obligations as they become due.

During October 2022, in order to preserve NCM LLC’s liquidity in light of the Minimum Liquidity Requirement, NCM LLC elected not to make an interest payment in the amount of $11.8 million, $0.8 million of which relates to notes held by NCM, Inc., due October 17, 2022 under the Senior Secured Notes due 2028, and entered a 30-day grace period under the indenture governing the Senior Secured Notes due 2028. The Company made this payment on November 4, 2022, prior to the end of the applicable grace period.

A summary of our financial liquidity is as follows (in millions):

	As of			$ Change	$ Change
	September 29, 2022	December 30, 2021	September 30, 2021	YE 2021 to Q3 2022	Q3 2021 to Q3 2022
Cash, cash equivalents and marketable securities *(1)*	$ 74.8	$ 102.5	$ 111.3	$ (27.7)	$ (36.5)
NCM LLC revolving credit facility availability *(2)*	6.8	6.8	6.8	—	—
Total liquidity	$ 81.6	$ 109.3	$ 118.1	$ (27.7)	$ (36.5)

(1) Included in cash, cash equivalents and marketable securities as of September 29, 2022, December 30, 2021 and September 30, 2021, was $74.8 million, $58.6 million and $64.4 million, respectively, of cash held by NCM LLC that is not available to satisfy dividends declared by NCM, Inc., income tax, tax receivable payments to NCM LLC’s founding members and other obligations.

(2) The revolving credit facility portion of NCM LLC’s total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. NCM LLC’s total capacity under the revolving credit facility pursuant to the Credit Agreement was $175.0 million as of September 29, 2022, December 30, 2021 and September 30, 2021. As of September 29, 2022, December 30, 2021 and September 30, 2021, the amount available under the NCM

LLC revolving credit facility pursuant to the Credit Agreement in the table above was net of the amount outstanding under the revolving credit facility of $167.0 million, $167.0 million and $167.0 million, respectively, and net letters of credit of $1.2 million, $1.2 million and $1.2 million, respectively.

As of September 29, 2022, the weighted average remaining maturity of our debt was 3.5 years. As of September 29, 2022, approximately 53% of our total borrowings bear interest at fixed rates. The remaining 47% of our borrowings bear interest at variable rates and our net income and earnings per share could fluctuate with market interest rate fluctuations that could increase or decrease the interest paid on our borrowings.

We have used and generated cash as follows (in millions):

	Nine Months Ended	
	September 29, 2022	September 30, 2021
Operating cash flow	$ (36.7)	$ (92.5)
Investing cash flow	$ (2.0)	$ (3.6)
Financing cash flow	$ 11.0	$ 25.9

- ***Operating Activitie***s. The $55.8 million decrease in cash used in operating activities for the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021, was primarily due to 1) a $46.1 million decrease in consolidated net loss, 2) a $7.2 million increase in the noncash gain on the remeasurement of the payable to founding members under the TRA, 3) a $5.8 million increase in accounts receivable collections during the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021, 4) a $5.8 million increase in the impairment of long-lived assets related to the write down in the first quarter of 2022 of certain internally developed software no longer in use, 5) a $2.8 million decrease in payments of accounts payable and accrued expenses due in part to the cash preservation actions taken by the Company to mitigate the impact of the COVID-19 Pandemic and 6) a $2.3 million increase in integration and other encumbered theater payments driven by higher revenue. These decreases in cash used were partially offset by a $11.4 million decrease in deferred revenue driven by higher advertising revenue and a $6.7 million increase in the gain on the modification and retirement of debt, net.

- ***Investing Activities.*** The $1.6 million decrease in cash used in investing activities for the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021, was due to a $1.9 million decrease in purchases of property and equipment in the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021.

- ***Financing Activities.*** The $14.9 million decrease in cash provided by financing activities for the nine months ended September 29, 2022, as compared to the nine months ended September 30, 2021 was primarily due to the issuance of the $50.0 million second tranche of term loans that occurred in the first quarter of 2021 and a $19.8 million increase in the purchase of Notes due 2028, partially offset by the issuance of the $50.0 million Revolving Credit Facility 2022 in the first quarter of 2022 and a $3.4 million decrease in dividends paid related to the decrease in the dividend amounts declared from $0.15 per share during the nine months ended September 30, 2021 to $0.11 per share during the nine months ended September 29, 2022.

Sources of Capital and Capital Requirements

NCM, Inc.'s primary source of liquidity and capital resources is the quarterly available cash distributions from NCM LLC as well as its existing cash balances and marketable securities, which as of September 29, 2022 were $74.8 million (including $60.9 million of cash held by NCM LLC). NCM LLC's primary sources of liquidity and capital resources are its cash provided by operating activities, availability under its revolving credit facility and cash on hand. NCM LLC drew down an additional $110.0 million of its revolving credit facility in March 2020 in order to supplement the decrease in cash provided by operating activities during the period our network theaters were closed. On January 5, 2022, NCM LLC entered in the Revolving Credit Agreement 2022 and drew down upon the new revolving credit facility of $50.0 million. The $60.9 million of cash at NCM LLC will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. is used to fund income taxes, payments associated with the TRA with the founding members and for future payment of dividends to NCM, Inc. stockholders.

Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members have been affected by the impact of the COVID-19 Pandemic on our operations and may be deferred through the quarter ending December 28, 2023 or longer due to the limitations instituted by the Credit Agreement First Amendment, Credit Agreement Second Amendment and

Credit Agreement Third Amendment. NCM LLC is required pursuant to the terms of the NCM LLC operating agreement to distribute its available cash, as defined in the operating agreement, unless prohibited by NCM LLC's Credit Agreement, quarterly to its members (Regal, Cinemark, AMC and NCM, Inc.). The available cash distribution to NCM LLC’s members for the nine months ended September 29, 2022 was calculated as approximately negative $41.3 million, of which NCM, Inc.'s share is approximately negative $19.6 million. Further there was $93.7 million and $85.2 million of negative available cash generated during the years ended December, 30, 2021 and December 31, 2020, respectively. Pursuant to the NCM LLC operating agreement and the Credit Agreement amendments, there will be no available cash distributions made for the first, second or third quarter of 2022. Negative available cash distributions for the years of 2021 and 2020 are expected to be netted in accordance with the NCM LLC operating agreement against future positive available cash distributions after the extended covenant waiver holiday, contingent upon the Company's compliance with the covenants outlined within the Credit Agreement Third Amendment defined within Note 6—*Borrowings* and in accordance with the NCM LLC operating agreement.

NCM, Inc. expects to use its cash balances and cash received from future available cash distributions (as allowed for under the Credit Agreement) to fund payments associated with the TRA with the founding members and future dividends as declared by the Board of Directors. The Company did not make a TRA payment in 2022 for the 2021 tax year. The Company will also consider opportunistically using cash received for partial repayments of NCM LLC's outstanding debt balance. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund payments associated with the TRA with the founding members, income taxes and any declared dividends for the foreseeable future at the discretion of the Board of Directors. At the discretion of the Board of Directors, it is the Company’s intention to distribute substantially all its free cash flow to stockholders through dividends. 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, which includes short-term and long-term impacts to the Company related to the COVID-19 Pandemic and restrictions under the NCM LLC Credit Agreement.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and understanding of our results of operations, and that affect the more significant judgments and estimates used in the preparation of our unaudited Condensed Consolidated Financial Statements, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” contained in our annual report on Form 10-K filed for the fiscal year ended December 30, 2021 and incorporated by reference herein. As of September 29, 2022, there were no significant changes in those critical accounting policies.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see the information provided under Note 1—*The Company* to the unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its unaudited Condensed Consolidated Financial Statements.

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>

The primary market risk to which we are exposed is interest rate risk. The Notes due 2026 and the Notes due 2028 are at fixed rates, and therefore are not subject to market risk. As of September 29, 2022, the only interest rate risk that we are exposed to is related to our $225.0 million revolving credit facilities and our term loans. A 100-basis point fluctuation in market interest rates underlying our term loans and revolving credit facilities would have the effect of increasing or decreasing our cash interest expense by approximately $5.3 million for an annual period on the $217.0 million in revolving credit balances, $49.4 million term loan and $259.2 million incremental term loan outstanding as of September 29, 2022.

In response to the COVID-19 Pandemic, the government lowered the Federal Reserve interest rate leading to historically low interest rates. However, to combat macroeconomic headwinds, the government consistently raised the Federal Reserve interest rate throughout the nine months ended September 29, 2022. These increases have had the effect of increasing the Company's interest rate risk. If interest rates continue to rise, this will increase the Company’s interest rate risk.

Item 4. <u>Controls and Procedures</u>

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of September 29, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company's management concluded that the Company's disclosure controls and procedures as of September 29, 2022 were effective.

In designing and evaluating our disclosure controls and procedures, management recognizes that any control, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended September 29, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On September 7, 2022, Cineworld Group plc and certain of its subsidiaries, including Regal, Regal Cinemas, Inc., a party to the ESA, and Regal CineMedia Holdings, LLC, a party to other agreements with NCM LLC and NCM, Inc., filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Southern District of Texas. On October 21, 2022, Regal Cinemas, Inc. filed a motion to reject the ESA without specifying an effective date for the rejection and indicated that Regal Cinemas, Inc. currently plans on negotiating with NCM LLC regarding the ESA. NCM LLC has also filed a complaint against Regal Cinemas, Inc. seeking declaratory relief and an injunction prohibiting Regal Cinemas, Inc. from breaching certain exclusivity, non-compete, non-negotiate and confidentiality provisions in the ESA by entering into a new agreement with a third party or bringing any of the services performed by NCM LLC in-house.

We are sometimes involved in legal proceedings arising in the ordinary course of business. We are not aware of any other litigation currently pending that would have a material adverse effect on our operating results or financial condition.

Item 1A. Risk Factors

Excluding the risk factor outlined below, there have been no material changes from risk factors as previously disclosed in our annual report on Form 10-K filed with the SEC on March 3, 2022 for the fiscal year ended December 30, 2021.

The ESA with a founding member that has declared bankruptcy may be rejected, renegotiated or deemed unenforceable.

On September 7, 2022, Cineworld Group plc, the parent company of Regal, and certain of its subsidiaries, including Regal, Regal Cinemas, Inc., a party to the ESA, and Regal CineMedia Holdings, LLC, a party to other agreements with NCM LLC and NCM, Inc., filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Southern District of Texas (the "Cineworld Proceeding"). In addition, each of the other founding members currently has a significant amount of indebtedness. As a result of the COVID-19 Pandemic, each of the founding members temporarily closed all of their theaters in the United States and furloughed the majority of their employees for a portion of 2020 and chose to seek additional financing through various methods. As a result of the Cineworld Proceeding, or if a bankruptcy case were commenced by or against another founding member, it is possible that all or part of the ESA with the applicable founding member could be rejected by a trustee in the bankruptcy case pursuant to Section 365 or Section 1123 of the United States Bankruptcy Code, or by the founding member, and thus not be enforceable. On October 21, 2022, Regal filed a motion to reject the ESA without specifying an effective date for the rejection and indicated that Regal currently plans on negotiating with the Company regarding the ESA. NCM LLC has also filed a complaint against Regal seeking declaratory relief and an injunction prohibiting Regal from breaching certain exclusivity, non-compete, non-negotiate and confidentiality provisions in the ESA by entering into a new agreement with a third party or bringing any of the services performed by NCM LLC in-house. Although there can be no assurances that NCM LLC's request for declaratory relief will be successful, the Company believes these rights will survive any attempted rejection in the bankruptcy court by Regal. While the Cineworld Proceeding is currently in early stages and the potential impact of the Cineworld Proceeding on NCM LLC's operations is unknown, in the event that NCM LLC's agreements with Regal and its affiliates is rejected or renegotiated, it could have a materially negative impact on the Company's operations or financial condition. In addition, as a part of the Cineworld Proceeding, Regal has announced plans to optimize the number of theaters it operates and has announced the closures of certain theaters. Should Regal or another founding member liquidate or dispose of theaters or remove theaters from our network through bankruptcy or for other business reasons, if the acquirer did not agree to continue to allow us to sell advertising in the acquired theaters the number of theaters in our advertising networks would be reduced which in turn would reduce the number of advertising impressions available to us and thus could reduce our advertising revenue.

We may be unsuccessful in extending the maturity dates of NCM LLC's Revolving Credit Facilities, amending its Senior Secured Credit Facility to extend a waiver of these financial covenants or obtaining additional debt financing from third parties. The failure to obtain such an extension, waiver or obtain additional debt financing could lead to our failure to pay outstanding debt when due and an event of default, which gives rise to substantial doubt about our ability to continue as a going concern.

The Company has borrowings under two Revolving Credit Facilities with $217.0 million outstanding as of September 29, 2022, that mature on June 20, 2023. The Company does not have available liquidity to repay the full outstanding balance on the date of maturity. Under the Credit Agreement, failure to repay borrowings under the Revolving Credit Facilities at maturity would result in an event of default for the term loans, which would allow a majority of the lenders under the Credit Agreement to accelerate the maturity of the principal amounts of outstanding term loans to become due and payable. It would also result in an event of default for each tranche of the senior notes, which would allow the indenture trustee or senior note holders of each tranche of senior notes to accelerate the maturity to become due and payable. The Company does not have available liquidity to repay any accelerated principal of term loans or tranches of the outstanding senior notes upon an event of default within one year after the date that the financial statements are issued. Additionally, based on current projections, the Company does not expect to meet certain financial covenants for the period ending March 30, 2023. Further, if the Company's independent registered public accounting firm includes a "going concern" or like qualification or exception, other than for debt maturing within one year, in its report on the Company's financial statements for the year ending December 29, 2022, this would be an event of default under the Company's Credit Agreement at the time the Company's financial statements for the year ending December 29, 2022 are filed. Under the Credit Agreement, failure to remain in compliance with these covenants or inability to repay borrowings under the Revolving Credit Facilities at maturity would result in an event of default for the term loans, which would allow a majority of the lenders under the Credit Agreement to accelerate the maturity of the principal amounts of outstanding term loans to become due and payable. It would also result in an event of default for the senior notes, which would allow the indenture trustee or senior note holders of each tranche of senior notes to accelerate the maturity to become due and payable. Should the Company's borrowings become due and payable, the Company would not be able to repay the Company's total outstanding debt balance. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern. Management believes it will be able to amend NCM LLC's Revolving Credit Facilities to extend the maturity dates, amend its Senior Secured Credit Facility to extend a waiver of these financial covenants or obtain additional debt financing through a loan from third parties, and/or NCM, Inc., but there is no assurance that the Company will be successful in completing any of these options in a timely manner, or on acceptable terms, if at all.

Management believes that based on the Company's current financial position and liquidity sources, including current cash balances, and forecasted future cash flows, the Company can meet its operating obligations as they become due.

During October 2022, in order to preserve NCM LLC's liquidity in light of the Minimum Liquidity Requirement, NCM LLC delayed paying certain invoices and did not make an interest payment in the amount of $11.8 million, $0.8 million of which relates to notes held by NCM, Inc., due October 17, 2022 under the Senior Secured Notes due 2028, and entered a 30-day grace period under the indenture governing the Senior Secured Notes due 2028. The Company made this payment on November 4, 2022, prior to the end of the applicable grace period. NCM LLC expects to continue to preserve liquidity in order to maintain compliance with the Minimum Liquidity Requirement throughout the fourth quarter of 2022.

However, the failure to amend the Revolving Credit Facilities to extend the maturity dates, amend its Senior Secured Credit Facility to extend a waiver of these financial covenants or obtain additional debt financing through a loan from third parties and any associated events of default under the Credit Agreement or NCM LLC's senior notes would have a material adverse effect on our financial condition, which gives rise to substantial doubt about our ability to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements, and it is likely that investors will lose all or a part of their investment.

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

The table below provides information about shares delivered to the Company from restricted stock held by Company employees upon vesting for the purpose of funding the recipient's tax withholding obligations.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
July 1, 2022 through July 28, 2022	—	$ —	—	N/A
July 29, 2022 through September 1, 2022	2,074	$ 1.65	—	N/A
September 2, 2022 through September 29, 2022	—	$ —	—	N/A

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On November 3, 2022, NCM LLC and NCM, Inc. entered into a Receivable Sales Agreement pursuant to which, NCM, Inc. acquired the right to approximately $4.9 million of NCM LLC's accounts receivable at a purchase price equal to the book value of the accounts receivable in exchange for a cash payment. The foregoing description of the Receivables Sales Agreement is qualified in its entirety by reference to the complete copy of a form of Receivables Sales Agreement filed as Exhibit 10.2 to the Quarterly Report and incorporated by reference herein.

Item 6. Exhibits

Exhibit	Reference	Description
10.1	(1)	Employment Agreement dated August 1, 2022 between National CineMedia, Inc. and Thomas F. Lesinski.
10.2	*	Form of Receivable Sales Agreement, dated November 3, 2022, between National CineMedia, LLC and National CineMedia, Inc.
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

(1) Incorporated by reference to Exhibit 10.3 from the Registrant's Quarterly Report on Form 10-Q (File No. 001-33296) filed on August 8, 2022

SIGNATURES

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

NATIONAL CINEMEDIA, INC.
(Registrant)

Date: November 7, 2022	/s/ Thomas F. Lesinski
	Thomas F. Lesinski *Chief Executive Officer and Director* *(Principal Executive Officer)*
Date: November 7, 2022	/s/ Ronnie Y. Ng
	Ronnie Y. Ng *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

FORM OF RECEIVABLES SALES AGREEMENT

This RECEIVABLES SALES AGREEMENT (this "Agreement"), dated as of _____ (the "Effective Date"), is by and between National CineMedia, LLC, a Delaware limited liability company ("LLC "), as the seller (the "Seller") and National CineMedia, Inc., a Delaware corporation, as the purchaser (in such capacity, the "Purchaser"). Capitalized terms used and not otherwise defined shall have the meanings set forth on of Appendix A to this Agreement.

Article I -SALES AND PURCHASES OF RECEIVABLES

Section 1.1 Sales of Receivables; Payment of Purchase Price.

(a) On the terms and conditions of this Agreement, Seller agrees to sell, and Purchaser agrees to purchase, the accounts receivables identified on Appendix B (the "Accounts Receivable") from Seller as mutually agreed and in accordance with Section 1.2(b).

(b) The purchase price ("Purchase Price") for each Accounts Receivable shall be equal to [ ] of such Accounts Receivable as agreed by the Seller and the Purchaser at the time of purchase.

(c) The Purchaser shall pay to the Seller the Purchase Price with respect to each Accounts Receivable on the Purchase Date by transfer of immediately available funds.

Section 1.2 Assignment of Assets.

(d) In consideration of the payment of the Purchase Price on behalf of the Purchaser, with respect to each Accounts Receivable identified on Appendix B, and immediately upon receipt by the Seller of the applicable Purchase Price on the applicable Purchase Date, the Seller hereby, irrevocably and absolutely, sells, transfers, and assigns to the Purchaser, without recourse except as expressly provided in this Agreement, all of its right, title and interest, whether now owned or hereafter acquired, in and to and under the following: (1) the Accounts Receivable; (2) all payments received or receivable and all other amounts due or to become due under the Accounts Receivable; (3) all other rights, interests (whether whole, fractional or otherwise), benefits, proceeds, remedies and claims arising from or relating to the Accounts Receivable; (4) all Proceeds related to each Accounts Receivable received; (5) all present and future claims, demands, causes of action and choses in action in respect of any of all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing (collectively, the "Purchased Receivables").

(e) As of each Purchase Date, upon the payment of the Purchase Price, the Purchaser shall be the sole legal and beneficial owner for all purposes of each Accounts Receivable identified on Appendix B and all related Purchased Receivables, and subject to the terms and conditions of this Agreement, the Purchaser shall be entitled to all of the rights, privileges and remedies applicable to such ownership interest, including the right to pledge, transfer, sell, assign, service, exchange or collect and receive payments under the Purchased Receivables. The Seller will hold in trust any payment received and immediately turn over any such payment to the Purchaser. To the extent of any contractual restriction on the sale of any Receivable, the parties agree that they will treat Buyer as the owner of the Receivable and that Seller will be irrevocably sell and transfer to Buyer all economic benefits of the Receivable and the maximum legal right rights permitted by such contract.

Section 1.3 Books and Records. Upon the receipt by the Seller of the Purchase Price for each Purchased Receivable as of the Purchase Date title to the Purchased Receivable shall be vested in the name of the Purchaser. In connection with the sale of the Purchased Receivable

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under this Agreement, the Seller agrees on or prior to each Purchase Date, to indicate or cause to be indicated clearly and unambiguously in its books and records (including computer files) that Purchased Receivables have been sold to the Purchaser.

Article II
True Sale; Grant of Security Interest

Section 1.4 **True Sale**. Both the Seller and the Purchaser intend each transfer of Purchased Receivables under this Agreement to be an absolute sale of such Purchased Receivables conveying good title, free and clear of any liens, from the Seller to the Purchaser that is absolute and irrevocable, and not a financing or contract to the Seller secured by the Purchased Receivables. At any time and from time to time, the Seller shall promptly and duly execute and deliver, or shall promptly cause to be executed and delivered, such further instruments and documents and take such further actions as are reasonably requested by the Purchaser to confirm the sales of Purchased Receivables or for the purpose of obtaining or preserving the full benefit of this Agreement.

Section 1.5 **Grant of Security Interest**.

(f) Notwithstanding the intent of the Parties, if a court of competent jurisdiction holds that the transactions evidenced hereby do not constitute purchases and sales, it is the intention of the Parties that (i) this Agreement shall also be deemed to be a security agreement under Applicable Laws, and (ii) the conveyances by the Seller provided for in this Agreement shall be deemed to be a first priority security interest in and to all of Seller's right, title and interest, whether now existing or hereafter acquired, in, to and under all of the Purchased Receivables to secure all obligations now or hereafter arising from the Seller to the Purchaser.

(g) The Purchaser is hereby authorized to take all reasonably necessary or appropriate actions to perfect its potential security interest in the Purchased Receivables, including authorization to (i) file UCC financing statements (and amendments to and continuations of such financing statements where applicable) with respect to any or all of the Purchased Receivables naming the Purchaser (and its assigns) as secured party/buyer and the Seller as debtor/seller, and identifying any or all of the Purchased Receivables as potential collateral therein.

Article III
Representations and Warranties

Section 1.1 **Seller's Representations and Warranties**. As of the Effective Date and as of each Purchase Date, the Seller represents and warrants to the Purchaser, as to itself, that:

(a) Due Organization. The Seller is a limited liability company duly organized and validly existing under the laws of the State of Delaware. The Seller has full power and authority to own and operate its assets and properties, conduct the business in which it is now engaged and to execute and deliver and perform its obligations under this Agreement.

(b) Due Qualification and Good Standing. The Seller is (i) in good standing in the State of Delaware and (ii) duly qualified to do business and, to the extent applicable, in good standing in each other jurisdiction in which the nature of its business, assets and properties, including the performance of its obligations under this Agreement, and its Constituent Documents, requires such qualification.

(c) Due Authorization; Execution and Delivery; Legal, Valid and Binding; Enforceability. The execution and delivery by it of, and the performance of its obligations under, this Agreement are within its powers and have been duly authorized by all requisite action by it and have been duly executed and delivered by it and constitute its legal, valid and binding obligations enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(d)

Section 1.1 Purchased Receivables Representations and Warranties. The Seller hereby represents and warrants to the Purchaser as of the related Purchase Date with respect to each Accounts Receivable purchased on such Purchase Date that:

(e) Ownership. Immediately prior to the transfer and assignment to the Purchaser, the Seller is the absolute owner of such Accounts Receivable and had the full right, power and authority to sell and transfer its interest in such Accounts Receivable, and, immediately upon the transfer thereof to the Purchaser, the Purchaser shall be the sole equitable and legal owner thereof.

(f) Receivable in Force. The Accounts Receivable have not been satisfied, subordinated or rescinded and, since the date of transfer to the Seller, the Seller has not taken any action to prevent or impair the Accounts Receivable from being valid, binding and enforceable against the related advertiser or agency to which the Accounts Receivable relates.

Section 1.1 Purchaser Representations and Warranties. As of the Effective Date and as of each Purchase Date, the Purchaser hereby represents and warrants that:

(g) Due Organization. The Purchaser is a corporation duly organized and validly existing under the laws of the State of Delaware. The Purchaser has full power and authority to own and operate its assets and properties, conduct the business in which it is now engaged and to execute and deliver and perform its obligations under this Agreement.

(h) Due Qualification and Good Standing. It is (i) in good standing in the State of Delaware and (ii) duly qualified to do business and, to the extent applicable, in good standing in each other jurisdiction in which the nature of its business, assets and properties, including the performance of its obligations under this Agreement, and its Constituent Documents, requires such qualification.

(i) Due Authorization; Execution and Delivery; Legal, Valid and Binding; Enforceability. The execution and delivery by it of, and the performance of its obligations under, this Agreement are within its powers and have been duly authorized by all requisite action by it and have been duly executed and delivered by it and constitute its legal, valid and binding obligations enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Article IV
Covenants

Section 1.1 Seller Covenants. The Seller hereby covenants and agrees as follows:

(a) Further Assurances. The Seller shall take all action necessary (including any such action that the Purchaser may reasonably request) to effect and maintain the Purchaser's ownership interest in any and all Purchased Receivables.

(b) No Transfer of Accounts Receivable. The Seller shall not sell, assign or otherwise dispose of, or grant any option with respect to, any of the Purchased Receivables to a third party. The Seller shall defend the right, title and interest of the Purchaser in, to and under any and all of the Purchased Receivables against all claims of third parties.

(c) Name Change, Offices and Records. Until the date on which this Agreement terminates in accordance with its terms, in the event that the Seller changes its (i) jurisdiction of organization, (ii) name or (iii) type of organization, the Seller shall give the Purchaser written notice thereof within ten (10) Business Days after such occurrence and authorizes the Purchaser, to file all financing statements, instruments and other documents reasonably requested by the Purchaser in connection with such change or relocation

Section 1.2 Return of Misapplied Payments. To the extent that any payment related to an Accounts Receivable of Seller that is not a Purchased Accounts Receivable is received by the Purchaser, the Purchaser shall hold such payment in trust for the Seller and promptly turn over such amount to or at the direction of the Seller as promptly as practicable.

Article V
Indemnity; Remedies

Section 1.3 Indemnification. Each of (i) the Seller and (ii) the Purchaser (in each case, the "Indemnifying Party") hereby agrees to indemnify the Purchaser (in the case of the Seller acting as Indemnifying Party) or the Seller (in the case of the Purchaser acting as Indemnifying Party) and, in each case, their respective Affiliates, trustees, directors, officers, employees, agents and representatives (hereinafter referred to as the "Indemnified Parties") from and against any loss, liability, expense (including reasonable and documented out of pocket external attorneys' fees and costs) or damage suffered or sustained by reason of third party claims which may be asserted against or incurred by the Indemnifying Party or any of the permitted assignees (collectively, "Losses") as a result of breach of the Indemnified Party's representations and warranties contained herein, and if Seller is the Indemnifying Party, any failure by the Seller to comply with its obligations under Section 2.2 or Section 4.1. Notwithstanding the foregoing, such indemnity shall not be available to an Indemnified Party to the extent that such Losses (A) have resulted from the gross negligence, bad faith, fraud or willful misconduct of such Indemnified Party or (B) arise primarily due to the deterioration in the credit quality or market value of the Accounts Receivable or otherwise constituting credit recourse for the failure of a counterparty to the Accounts Receivable to pay any amount owing with respect to any Accounts Receivable; provided that if the failure to pay by a counterparty is caused by the Seller's subsequent action with respect to advertising between the Seller and the counterparty, then this indemnity will be available to the Indemnified Party.

Section 1.4 Notice of Claims. An Indemnified Party seeking indemnification under this Article V shall give prompt written notice to the Indemnifying Party of any claim for which it may seek indemnity. Knowledge by the Indemnified Party of any breach or non-compliance hereunder shall not constitute a waiver of the Indemnified Party's rights and remedies under this Agreement, provided that the Indemnified Party has notified the Indemnifying Party of such breach or non-compliance in a timely manner or the failure to give such notice in a timely manner does not prejudice the Indemnifying Party. No express or implied waiver by the Indemnified Party of any default hereunder shall in any way be, or be construed to be, a waiver of any other default. The failure or delay of the Indemnified Party to exercise any of its rights granted hereunder regarding any default shall not constitute a waiver of such right as to any other default and any single or partial exercise of any particular right granted the Indemnified Party hereunder shall not exhaust the same or constitute a waiver of any other right provided herein.

Article VI
Miscellaneous

Section 1.5 **Amendment; Waiver**. Except as otherwise expressly provided herein, the Parties may amend this Agreement from time to time, in a writing signed by duly authorized officers of each of the Parties. No waiver of any provision of this Agreement, nor consent to any departure by any Party shall in any event be effective unless the same shall be in writing and signed by a duly authorized officer of the Party to be charged with the waiver or consent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 1.6 **Cumulative Rights**. All rights and remedies of the Parties under this Agreement shall, except as otherwise specifically provided herein, be cumulative and non- exclusive of any rights or remedies which they may have under any other agreement or instrument, by operation of law or otherwise.

Section 1.7 **Governing Law; Submission to Jurisdiction; Waiver of Jury Trial**. THIS AGREEMENT SHALL BE GOVERNED EXCLUSIVELY BY THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

EACH PARTY EXPRESSLY AND IRREVOCABLY SUBMITS FOR ITSELF AND ITS PROPERTY TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT OF DELAWARE AND OF ANY DELAWARE STATE COURT FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

EACH PARTY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, WAIVES (TO THE EXTENT THAT IT MAY LAWFULLY DO SO) ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. INSTEAD, ANY DISPUTE RESOLVED IN COURT SHALL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

Section 1.8 **Limitation of Liability**. Except for the obligations set forth in Article V, above, in no event shall any Party be liable to the other Party for any lost profits, costs of cover or other special, consequential, incidental or indirect damages, however caused, on any theory of liability except in the case of acts or omissions that constitute fraud or willful misconduct.

Section 1.9 **Severability**. Any provision of this Agreement that is prohibited or not fully enforceable in any jurisdiction, will be ineffective only to the extent of such prohibition or unenforceability without otherwise invalidating or diminishing any Party’s rights hereunder or under the remaining provisions of this Agreement in such jurisdiction, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable in any respect any such provision in any other jurisdiction.

Section 1.10 **Entire Agreement**. As of the date hereof, each of the Seller and the Purchaser hereby acknowledge and agree that this Agreement, together with the exhibits hereto, represent the complete and entire agreement between the Parties, and shall supersede all prior written or oral statements, agreements or understandings between the Parties relating to the subject matter of this Agreement.

Section 1.11 **Waiver of Defaults**. Any default by the Seller in the performance of its obligations hereunder and its consequences may be waived by the Purchaser. Upon any such waiver of a default, such default shall cease to exist, and any default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

Section 1.12 **Counterparts**. This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which shall constitute one and the same instrument. Each of the Parties agrees that this Agreement may be electronically signed, that any digital or electronic signatures (including pdf, facsimile or electronically imaged signatures provided by DocuSign) appearing on this Agreement are the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and that delivery of any such electronic signature to, or a signed copy of, this Agreement may be made by facsimile, email or other electronic transmission.

Section 1.13 **Successors and Assigns**. This Agreement shall inure to the benefit of the respective successors and permitted assigns of the Seller and the Purchaser and their respective successors and permitted assigns and the obligations and liabilities assumed in this Agreement by the Parties shall be binding upon their respective successors and permitted assigns. This Agreement shall not be assigned, pledged or hypothecated by any Party without the prior written consent of the other Party.

Section 1.14 **Survival**. The provisions of Article IV, Article V and this Article VI shall survive the termination of this Agreement or of the commitment of the Seller or the commitment of the Purchaser hereunder.

[Signature pages to follow]

IN WITNESS WHEREOF, the Parties have caused to be duly authorized, executed and delivered, as of the date first above written, this Receivables Purchase Agreement.

Purchaser:
National CineMedia, Inc,

By: ____
Name:
Title:

Seller:
National CineMedia, LLC,
By: National CineMedia, Inc.,
as Manager

By: ____
Name:
Title:

APPENDIX A

PART I — DEFINITIONS

All terms defined in this Appendix shall have the defined meanings when used in this Agreement, unless otherwise defined therein.

"Affiliate" means, with respect to any specified Person, a Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such specified Person.

"Applicable Law" means all federal, state and local laws, statutes, rules, regulations and orders (in the applicable jurisdiction) applicable to the Seller, the Purchaser or any Accounts Receivable (including the execution, underwriting, origination, servicing, ownership, holding, acquisition, and sale of such Accounts Receivable), and all requirements of any Regulatory Authority having jurisdiction over any of the foregoing.

"Constituent Documents" means in respect of any Person, the trust agreement, the limited liability company agreement, operating agreement, partnership agreement, joint venture agreement or other applicable agreement of formation or organization (or equivalent or comparable constituent documents) and other organizational documents and by-laws and any certificate of trust, certificate of incorporation, certificate or articles of formation or organization, certificate of limited partnership and other agreement, similar instrument filed or made in connection with its formation or organization.

"Control" means the direct possession of more than 50% of both the direct voting and beneficial interests of such Person, and the terms "Controlling" and "Controlled" have meanings correlative to the foregoing.

"Governmental Authority" means any federal, state, municipal, national, or foreign or government or other governmental authority, department, court, commission, board, bureau, agency or instrumentality or political subdivision thereof, including any agency related thereto, or any entity exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to any government or any court, arbitrator, or similar authority.

"Party" shall mean either the Seller or the Purchaser, and "Parties" shall mean the Seller and the Purchaser collectively.

"Person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or other entity, including any government agency, commission, board, department, bureau or instrumentality.

"Proceeding" means any suit in equity, action at law or other judicial, arbitral or administrative proceeding or formal investigation (excluding any routine actions or examinations on the part of a Governmental Authority).

"Proceeds" has, with reference to any asset or property, the meaning assigned to it under the UCC and, in any event, shall include, but not be limited to, any and all amounts from time to time paid or payable under or in connection with such asset or property.

"Purchase Date" shall mean each date on which Accounts Receivables are purchased under this Agreement.

"UCC" shall mean the Uniform Commercial Code (or similar or equivalent legislation) as in effect from time to time in the applicable jurisdiction.

"United States" shall mean the United States of America.

APPENDIX B

Accounts Receivable to be Purchased

Exhibit 31.1

CERTIFICATIONS

I, Thomas F. Lesinski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National CineMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022

/s/ Thomas F. Lesinski
Thomas F. Lesinski
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Ronnie Y. Ng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National CineMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2022

/s/ Ronnie Y. Ng

Ronnie Y. Ng

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ending September 29, 2022 (the “Report”) of National CineMedia, Inc. (the “Registrant”) as filed with the Securities and Exchange Commission on the date hereof, I, Thomas F. Lesinski, the Chief Executive Officer and Director of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 7, 2022	/s/ Thomas F. Lesinski
	Thomas F. Lesinski
	Chief Executive Officer and Director
	(Principal Executive Officer)

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ending September 29, 2022 (the “Report”) of National CineMedia, Inc. (the “Registrant”) as filed with the Securities and Exchange Commission on the date hereof, I, Ronnie Y. Ng, the Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 7, 2022	/s/ Ronnie Y. Ng
	Ronnie Y. Ng
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.