
**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 April 2, 2015

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.)

9110 East Nichols Avenue, Suite 200
Centennial, Colorado
(Address of Principal Executive Offices)

80112-3405
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 7, 2015, 61,465,867 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 SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)
(UNAUDITED)

	April 2, 2015	January 1, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12.9	\$ 13.4
Short-term marketable securities	18.6	21.7
Receivables, net of allowance of \$4.5 and \$4.3, respectively	79.6	116.5
Prepaid expenses (including \$0.2 and \$0.0 to founding members, respectively)	4.3	3.6
Deferred tax assets	2.5	6.9
Income tax receivable	5.9	6.1
Current portion of notes receivable - founding members	4.2	4.2
Other current assets (including \$0.3 and \$0.0 with founding members, respectively)	0.6	—
Total current assets	128.6	172.4
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of \$75.2 and \$72.9, respectively	21.6	22.4
Intangible assets, net of accumulated amortization of \$74.6 and \$69.3, respectively	515.2	488.6
Deferred tax assets	237.9	227.3
Debt issuance costs, net of accumulated amortization of \$18.4 and \$17.8, respectively	14.9	15.5
Long-term notes receivable, net of current portion - founding members	16.6	16.6
Other investments (including \$1.4 and \$1.3 with related parties, respectively)	4.2	2.5
Long-term marketable securities	46.0	45.5
Other assets	0.6	0.6
Total non-current assets	857.0	819.0
TOTAL ASSETS	\$ 985.6	\$ 991.4
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	\$ 2.9	\$ 34.9
Payable to founding members under tax receivable agreement	9.0	19.6
Accrued expenses	20.6	19.2
Accrued payroll and related expenses	7.3	10.7
Accounts payable (including \$0.1 and \$1.0 to related party affiliates, respectively)	15.1	13.3
Deferred revenue	9.5	8.5
Deferred tax liability	0.7	1.0
Total current liabilities	65.1	107.2
NON-CURRENT LIABILITIES:		
Long-term debt	938.0	892.0
Deferred tax liability	53.9	54.2
Payable to founding members under tax receivable agreement	148.4	146.7
Total non-current liabilities	1,140.3	1,092.9
Total liabilities	1,205.4	1,200.1
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
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; 175,000,000 shares authorized, 58,944,045 and 58,750,926 issued and outstanding, respectively	0.6	0.6
Additional paid in capital (deficit)	(250.7)	(261.0)
Retained earnings (distributions in excess of earnings)	(169.8)	(147.4)
Accumulated other comprehensive income/(loss)	—	(0.4)
Total NCM, Inc. stockholders' equity/(deficit)	(419.9)	(408.2)
Noncontrolling interests	200.1	199.5
Total equity/(deficit)	(219.8)	(208.7)
TOTAL LIABILITIES AND EQUITY/DEFICIT	\$ 985.6	\$ 991.4

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 2, 2015	March 27, 2014
REVENUE:		
Advertising (including revenue from founding members of \$7.7 and 9.5, respectively)	\$ 76.9	\$ 70.2
OPERATING EXPENSES:		
Advertising operating costs (including \$0.0 and \$0.5 to related parties, respectively)	5.8	5.0
Network costs	4.5	4.6
Theatre access fees—founding members	17.2	17.4
Selling and marketing costs (including \$0.2 and \$0.2 to founding members, respectively)	16.0	15.0
Merger termination fee and related merger costs	33.4	—
Administrative and other costs	8.7	7.6
Depreciation and amortization	8.0	7.8
Total	<u>93.6</u>	<u>57.4</u>
OPERATING (LOSS) INCOME	<u>(16.7)</u>	<u>12.8</u>
NON-OPERATING EXPENSES:		
Interest on borrowings	13.1	13.1
Interest income (including \$0.3 and \$0.3 from founding members, respectively)	(0.6)	(0.4)
Accretion of interest on the discounted payable to founding members under tax receivable agreement	3.6	3.8
Amortization of terminated derivatives	1.6	2.5
Other non-operating expense	0.1	0.1
Total	<u>17.8</u>	<u>19.1</u>
LOSS BEFORE INCOME TAXES	(34.5)	(6.3)
Income tax benefit	(4.3)	(1.7)
CONSOLIDATED NET LOSS	(30.2)	(4.6)
Less: Net loss attributable to noncontrolling interests	(21.2)	(1.5)
NET LOSS ATTRIBUTABLE TO NCM, INC.	<u>\$ (9.0)</u>	<u>\$ (3.1)</u>
NET LOSS PER NCM, INC. COMMON SHARE:		
Basic	\$ (0.15)	\$ (0.05)
Diluted	\$ (0.15)	\$ (0.05)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	58,888,674	58,618,800
Diluted	58,888,674	58,618,800
Dividends declared per common share	\$ 0.22	\$ 0.72

See accompanying notes to Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(UNAUDITED)

	Three Months Ended	
	April 2, 2015	March 27, 2014
CONSOLIDATED NET LOSS, NET OF TAX OF \$(4.3) AND \$(1.7), RESPECTIVELY	\$ (30.2)	\$ (4.6)
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Amortization of terminated derivatives, net of tax of \$0.3 and \$0.4, respectively	1.3	2.1
CONSOLIDATED COMPREHENSIVE LOSS	(28.9)	(2.5)
Less: Comprehensive loss attributable to noncontrolling interests	(20.3)	(0.1)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NCM, INC.	\$ (8.6)	\$ (2.4)

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 2, 2015	March 27, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	\$ (30.2)	\$ (4.6)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Deferred income tax (benefit) expense	(4.4)	6.2
Depreciation and amortization	8.0	7.8
Non-cash share-based compensation	3.0	2.0
Excess tax benefit from share-based compensation	(0.1)	0.2
Accretion of interest on the discounted payable to founding members under tax receivable agreement	3.6	3.8
Amortization of terminated derivatives	1.6	2.5
Amortization of debt issuance costs	0.6	0.7
Other	(0.1)	—
Changes in operating assets and liabilities:		
Receivables, net	35.2	35.0
Accounts payable and accrued expenses	(0.3)	(17.0)
Amounts due to founding members	0.4	2.7
Payment to founding members under tax receivable agreement	(17.2)	(25.1)
Income taxes and other	0.2	(2.3)
Net cash provided by operating activities	<u>0.3</u>	<u>11.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2.0)	(2.1)
Purchases of marketable securities	(18.4)	(37.3)
Proceeds from sale and maturities of marketable securities	20.6	46.5
Purchases of intangible assets from network affiliates	(0.9)	(0.5)
Net cash (used in) provided by investing activities	<u>(0.7)</u>	<u>6.6</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(13.3)	(42.3)
Proceeds from borrowings	96.0	49.0
Repayments of borrowings	(50.0)	(32.0)
Founding member integration payments	0.8	0.7
Distributions to founding members	(32.9)	(31.0)
Excess tax benefit from share-based compensation	0.1	(0.2)
Proceeds from stock option exercises	0.4	0.5
Repurchase of stock for restricted stock tax withholding	(1.2)	(1.3)
Net cash used in financing activities	<u>(0.1)</u>	<u>(56.6)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(0.5)	(38.1)
Cash and cash equivalents at beginning of period	13.4	54.7
Cash and cash equivalents at end of period	<u>\$ 12.9</u>	<u>\$ 16.6</u>

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 2, 2015	March 27, 2014
Supplemental disclosure of non-cash financing and investing activity:		
Purchase of an intangible asset with NCM LLC equity	\$ 31.4	\$ 16.4
Accrued distributions to founding members	\$ —	\$ 6.2
Increase (decrease) in dividends not requiring cash in the period	\$ 0.1	\$ (0.9)
Increase in cost and equity method investments	\$ 1.6	\$ —
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 10.3	\$ 10.2
Payments (refunds) for income taxes, net	\$ 0.2	\$ (7.0)

See accompanying notes to Condensed Consolidated Financial Statements.

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

	NCM, Inc.						
	Consolidated	Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Accumulated Other Comprehensive Loss	Noncontrolling Interest
		Shares	Amount				
Balance—January 1, 2015	\$ (208.7)	58,750,926	\$ 0.6	\$ (261.0)	\$ (147.4)	\$ (0.4)	\$ 199.5
NCM LLC equity issued for purchase of intangible asset	31.4	—	—	14.1	—	—	17.3
Income tax and other impacts of NCM LLC ownership changes	(2.4)	—	—	(5.0)	—	—	2.6
Comprehensive income, net of tax	(28.9)	—	—	—	(9.0)	0.4	(20.3)
Share-based compensation issued	(0.8)	193,119	—	(0.8)	—	—	—
Share-based compensation expense/capitalized	3.0	—	—	2.0	—	—	1.0
Cash dividends declared \$0.22 per share	(13.4)	—	—	—	(13.4)	—	—
Balance—April 2, 2015	<u>\$ (219.8)</u>	<u>58,944,045</u>	<u>\$ 0.6</u>	<u>\$ (250.7)</u>	<u>\$ (169.8)</u>	<u>\$ (0.0)</u>	<u>\$ 200.1</u>
Balance—December 26, 2013	\$ (146.1)	58,519,137	\$ 0.6	\$ (271.7)	\$ (80.0)	\$ (3.2)	\$ 208.2
Distributions to founding members	(6.2)	—	—	—	—	—	(6.2)
NCM LLC equity issued for purchase of intangible asset	16.4	—	—	7.5	—	—	8.9
Income tax and other impacts of NCM LLC ownership changes	(0.7)	—	—	(2.2)	—	—	1.5
Comprehensive income, net of tax	(2.5)	—	—	—	(3.1)	0.7	(0.1)
Share-based compensation issued	(0.9)	197,209	—	(0.9)	—	—	—
Share-based compensation expense/capitalized	2.0	—	—	1.4	—	—	0.6
Excess tax benefit from share-based compensation	0.2	—	—	0.2	—	—	—
Cash dividends declared \$0.72 per share	(41.4)	—	—	—	(41.4)	—	—
Balance—March 27, 2014	<u>\$ (179.2)</u>	<u>58,716,346</u>	<u>\$ 0.6</u>	<u>\$ (265.7)</u>	<u>\$ (124.5)</u>	<u>\$ (2.5)</u>	<u>\$ 212.9</u>

See accompanying notes to Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. THE COMPANY

Description of Business

National CineMedia, Inc. (“NCM, Inc.”) was incorporated in Delaware as a holding company with the sole purpose of becoming a member and sole manager of National CineMedia, LLC (“NCM LLC”), a limited liability company owned by NCM, Inc., American Multi-Cinema, Inc. and AMC ShowPlace Theatres, Inc. (“AMC”), wholly owned subsidiaries of AMC Entertainment, Inc., Regal Cinemas, Inc. and Regal CineMedia Holdings, LLC, wholly owned subsidiaries of Regal Entertainment Group (“Regal”) and Cinemark Media, Inc. and Cinemark USA, Inc., wholly owned subsidiaries of Cinemark Holdings, Inc. (“Cinemark”). The terms “NCM”, “the Company” or “we” shall, unless the context otherwise requires, be deemed to include the consolidated entity. AMC, Regal and Cinemark and their affiliates are referred to in this document as “founding members”. The Company operates the largest digital in-theatre network in North America, allowing NCM LLC to sell advertising (the “Services”) under long-term exhibitor services agreements (“ESAs”) with the founding members and certain third-party theatre circuits under long-term network affiliate agreements referred to in this document as “network affiliates”, which have terms from three to twenty years.

As of April 2, 2015, NCM LLC had 130,648,539 common membership units outstanding, of which 58,944,045 (45.1%) were owned by NCM, Inc., 26,409,784 (20.2%) were owned by Regal, 25,631,046 (19.6%) were owned by Cinemark and 19,663,664 (15.1%) 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.

Recent Transactions

On May 5, 2014, NCM, Inc. entered into an Agreement and Plan of Merger (the “Merger Agreement”) to merge with Screenvision, LLC (“Screenvision”). On November 3, 2014, the Department of Justice filed an antitrust lawsuit seeking to enjoin the merger. On March 16, 2015, the Company announced the termination of the Merger Agreement. The antitrust lawsuit has been dismissed. After the Merger Agreement was terminated, NCM LLC reimbursed NCM, Inc. for certain expenses pursuant to an indemnification agreement among NCM LLC, NCM, Inc. and the founding members. During the three months ended April 2, 2015, NCM LLC paid Screenvision an approximate \$26.8 million termination payment on behalf of NCM, Inc. This payment was \$2 million lower than the reverse termination fee contemplated by the Merger Agreement. During the three months ended April 2, 2015, NCM LLC also either paid or reimbursed NCM, Inc. for the legal and other merger-related costs of approximately \$14.1 million (\$7.5 million incurred during the year ended January 1, 2015 and approximately \$6.6 million incurred during the three months ended April 2, 2015). The Company and the founding members each bore a pro rata portion of the merger termination fee and the related merger expenses based on their aggregate ownership percentages in NCM LLC.

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”). Accordingly, 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 January 1, 2015 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 January 1, 2015.

In the opinion of management, all adjustments (which include only normal recurring 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. The Company’s business is seasonal and for this and other reasons operating results for interim periods may not be indicative of the Company’s full year results or future performance. As a result of the various related party agreements discussed in Note 4—*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 reportable segment: advertising.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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 those estimates.

Significant Accounting Policies

The Company's annual financial statements included in its Form 10-K filed for the fiscal year ended January 1, 2015 contain a complete discussion of the Company's significant accounting policies. Following is additional information related to the Company's accounting policies.

Concentration of Credit Risk and Significant Customers—Bad debts are provided for using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. The collectability risk with respect to national and regional advertising is reduced by the fact that the majority of accounts receivable are with large, national advertising agencies that have strong reputations in the advertising industry and clients with stable financial positions. The Company has smaller contracts with thousands of local clients that are not individually significant. As of April 2, 2015 and January 1, 2015, there were no advertising agency groups or individual customers through which the Company sources national advertising revenue representing more than 10% of the Company's outstanding gross receivable balance. During the three months ended April 2, 2015, there were no customers that accounted for more than 10% of revenue, and during the three months ended March 27, 2014, revenue related to advertisements of NCM LLC's founding members' beverage supplier accounted for 13.3% of total revenue.

Share-Based Compensation—The Company has issued stock options, restricted stock and restricted stock units to its employees and independent directors. In 2015 and 2014, the Company did not grant stock options. In 2015 and 2014, restricted stock grants for Company officers vest upon the achievement of Company performance measures and service conditions, or only service conditions, while non-officer grants vest only upon the achievement of service conditions. Compensation expense of restricted stock that vests 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 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 that is expected to vest and are only paid with respect to shares that actually vest. During the three months ended April 2, 2015 and March 27, 2014, 238,315 and 247,988 shares of restricted stock and restricted stock units vested, respectively. During the three months ended April 2, 2015 and March 27, 2014, 32,515 and 21,298 stock options were exercised at a weighted average exercise price of \$12.24 and \$15.35 per share, respectively.

In connection with the Company's March 2014 special cash dividend of \$0.50 per share and pursuant to the antidilution adjustment terms of the Company's Equity Incentive Plan, the exercise price and the number of shares of common stock subject to options held by the Company's employees were adjusted to prevent dilution and restore their economic value that existed immediately before the special dividend. The antidilution adjustments made with respect to such options resulted in a decrease in the range of exercise prices from \$5.35 - \$24.68 per share to \$5.18 - \$23.90 per share and an increase in the aggregate number of shares issuable upon exercise of such options by 98,589 shares, or 3.3%, of previously outstanding options. The number of shares authorized under the Equity Incentive Plan increased by an equivalent number of shares. There were no accounting consequences for the changes made to reduce the exercise prices and increase the number of underlying options as a result of the special cash dividend because the aggregate fair values of the awards immediately before and after the modifications were the same.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Consolidation—NCM, Inc. consolidates the accounts of NCM LLC under the provisions of ASC 810, *Consolidation* (“ASC 810”). Under ASC 810, a managing member of a limited liability company (“LLC”) is presumed to control the LLC, unless the non-managing members have the right to dissolve the entity or remove the managing member without cause, or if the non-managing members have substantive participating rights. The non-managing members of NCM LLC do not have dissolution rights or removal rights. NCM, Inc. has evaluated the provisions of the NCM LLC membership agreement and has concluded that the various rights of the non-managing members are not substantive participation rights under ASC 810, as they do not limit NCM, Inc.’s ability to make decisions in the ordinary course of business.

The following table presents the changes in NCM, Inc.’s equity resulting from net loss attributable to NCM, Inc. and transfers to or from noncontrolling interests (in millions):

	Three Months Ended	
	April 2, 2015	March 27, 2014
Net loss attributable to NCM, Inc.	\$ (9.0)	\$ (3.1)
NCM LLC equity issued for purchase of intangible asset	14.1	7.5
Income tax and other impacts of subsidiary ownership changes	(5.0)	(2.2)
Change from net income attributable to NCM, Inc. and transfers from noncontrolling interests	<u>0.1</u>	<u>2.2</u>

Income Taxes—Income taxes are accounted for under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which differences are expected to be recovered or settled pursuant to the provisions of ASC 740, *Income Taxes*. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records a valuation allowance if it is deemed more likely than not that all or a portion of its deferred income tax assets will not be realized, which will be assessed on an on-going basis. In addition, income tax rules and regulations are subject to interpretation and the application of those rules and regulations require judgment by the Company and may be challenged by the taxation authorities. The Company follows ASC 740-10-25, which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. Only tax positions that meet the more likely than not recognition threshold are recognized.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. The new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This guidance will be effective for annual periods beginning after December 15, 2017 and early adoption is permitted no earlier than fiscal years beginning after December 15, 2016. The standard allows for either a full retrospective or a modified retrospective transition method. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its unaudited Condensed Consolidated Financial Statements or notes thereto, as well as, which transition method it intends to use.

In January 2015, the FASB issued Accounting Standards Update 2015-01, *Income Statement Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* (“ASU 2015-01”), which eliminates the concept of extraordinary items from GAAP. Under ASU 2015-01, reporting entities will no longer be required to assess whether an underlying event or transaction is

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

extraordinary, however, presentation and disclosure guidance for items that are unusual in nature or occur infrequently are retained, and are expanded to include items that are both unusual in nature and infrequently occurring. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. A reporting entity may apply ASU 2015-01 prospectively. A reporting entity may also apply ASU 2015-01 retrospectively to all periods presented in the financial statements. The Company expects to adopt this accounting guidance in its first quarter of 2016 and does not expect the application of ASU 2015-01 to have an impact in the unaudited Condensed Consolidated Financial Statements or notes thereto.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 amends current consolidation guidance by modifying the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, eliminating the presumption that a general partner should consolidate a limited partnership, and affects the consolidation analysis of reporting entities that are involved with variable interest entities. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the application of ASU 2015-02 to have an impact in the unaudited Condensed Consolidated Financial Statements or notes thereto.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which provides guidance for simplifying the presentation of debt issuance costs. ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. This guidance will be effective for fiscal years beginning after December 15, 2015, and early adoption is permitted for financial statements that have not been previously issued. The standard requires application on a retrospective basis and represents a change in accounting principle. The Company expects to adopt this accounting guidance in its first quarter of 2016 and will present debt issuance costs as a reduction of debt, rather than an asset.

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.

2. 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	
	April 2, 2015	March 27, 2014
Net loss attributable to NCM, Inc. (in millions)	\$ (9.0)	\$ (3.1)
Weighted average shares outstanding:		
Basic	58,888,674	58,618,800
Add: Dilutive effect of stock options and restricted stock	—	—
Diluted	<u>58,888,674</u>	<u>58,618,800</u>
Loss per NCM, Inc. share:		
Basic	\$ (0.15)	\$ (0.05)
Diluted	\$ (0.15)	\$ (0.05)

The effect of 69,923,520 and 68,575,219 exchangeable NCM LLC common units held by the founding members for the three months ended April 2, 2015 and March 27, 2014, respectively, have been excluded from the calculation of diluted weighted average shares and earnings per NCM, Inc. share as they were antidilutive. NCM LLC common units do not participate in NCM, Inc. dividends. In addition, there were 5,529,103 and 5,196,784 stock options and non-vested (restricted) shares for the three months ended April 2, 2015 and March 27, 2014, respectively, excluded from the calculation as they were antidilutive, primarily due to the net loss during those periods.

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3. INTANGIBLE ASSETS

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 theatre additions or dispositions during the previous year. During the first quarter of 2015 and 2014, NCM LLC issued 2,160,915 and 1,087,911 common membership units to its founding members, respectively, for the rights to exclusive access to the theatre screens and attendees added, net of dispositions by the founding members to NCM LLC's network during the previous year. NCM LLC recorded a net intangible asset of \$31.4 million and \$16.4 million during the three months ended April 2, 2015 and March 27, 2014, respectively, as a result of the Common Unit Adjustments.

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 theatres, 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 date. If an existing on-screen advertising agreement with an alternative provider is in place with respect to any acquired theatres, the founding members may elect to receive common membership units related to those encumbered theatres in connection with the Common Unit Adjustment. If the founding members make this election, 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"). During the three months ended April 2, 2015 and March 27, 2014, the Company recorded a reduction to net intangible assets of \$0.3 million and \$0.2 million, respectively, related to integration payments due from AMC and Cinemark related to their acquisitions of theatres from Rave Cinemas that are encumbered by an existing on-screen advertising agreement with an alternative provider. During the three months ended April 2, 2015 and March 27, 2014, AMC and Cinemark paid a total of \$0.8 million and \$0.7 million, respectively, in integration payments.

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. If common membership units are issued to a founding member for newly acquired theatres 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 theatres for all of its services. 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 theatres with pre-existing advertising agreements.

4. 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. They include the following:

- **ESAs.** Under the ESAs, NCM LLC is the exclusive provider within the United States of advertising services in the founding members' theatres (subject to pre-existing contractual obligations and other limited exceptions for the benefit of the founding members). The advertising services include the on-screen advertising of the *FirstLook* pre-show, use of the lobby entertainment network ("LEN") and lobby promotions. Further, some advertising in the *FirstLook* pre-show is sold to NCM LLC's founding members to be used to satisfy the founding members' on-screen advertising commitments under their beverage concessionaire agreements. In consideration for access to the founding members' theatre attendees for on-screen advertising and use of the founding members' theatres for the LEN and lobby promotions, the founding members receive a monthly theatre access fee.

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- **Common Unit Adjustment Agreement.** The common unit adjustment agreement provides a mechanism for adjusting membership units held by the founding members based on increases or decreases in the number of screens operated by each founding member.
- **Tax Receivable Agreement.** The tax receivable agreement 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. Refer to Note 7 – *Income Taxes* for further details.
- **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 digital content network ("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.

Following is a summary of the transactions between the Company and the founding members (in millions):

<u>Included in the Condensed Consolidated Statements of Loss:</u>	<u>Three Months Ended</u>	
	<u>April 2, 2015</u>	<u>March 27, 2014</u>
<u>Revenue:</u>		
Beverage concessionaire revenue (included in advertising revenue) (1)	\$ 7.6	\$ 9.4
Advertising inventory revenue (included in advertising revenue) (2)	0.1	0.1
<u>Operating expenses:</u>		
Theatre access fee (3)	17.2	17.4
Purchase of movie tickets and concession products and rental of theatre space (included in selling and marketing costs) (4)	0.2	0.2
<u>Non-operating expenses:</u>		
Interest income from notes receivable (included in interest income) (5)	0.3	0.3

- (1) For the three months ended April 2, 2015 and March 27, 2014, the founding members purchased 60 seconds of on-screen advertising time (with a right to purchase up to 90 seconds) from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a rate specified by the ESA at a 30 second equivalent cost per thousand ("CPM").
- (2) The value of such purchases is calculated by reference to NCM LLC's advertising rate card.
- (3) Comprised of payments per theatre attendee, payments per digital screen with respect to the founding member theatres included in the Company's network and payments for access to higher quality digital cinema equipment.
- (4) Used primarily for marketing to NCM LLC's advertising clients.
- (5) On December 26, 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. In consideration for the sale, NCM LLC received a total of \$25.0 million in promissory notes from its founding members (one-third or approximately \$8.3 million from each founding member). The notes bear interest at a fixed rate of 5.0% per annum, compounded annually. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing.

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Included in the Condensed Consolidated Balance Sheets:	As of	
	April 2, 2015	January 1, 2015
Purchase of movie tickets and concession products (included in Prepaid expenses) (1)	\$ 0.2	\$ —
Current portion of notes receivable - founding members (2)	4.2	4.2
Long-term portion of notes receivable - founding members (2)	16.6	16.6
Interest receivable on notes receivable (included in other current assets) (2)	0.3	—
Common unit adjustments and integration payments, net of amortization (included in intangible assets) (3)	484.5	458.3
Current payable to founding members under tax receivable agreement (4)	9.0	19.6
Long-term payable to founding members under tax receivable agreement (4)	148.4	146.7

(1) Used primarily for marketing to NCM LLC's advertising clients.

(2) Refer to the discussion of notes receivable from the founding members above.

(3) Refer to Note 3—*Intangible Assets* for further information on common unit adjustments and integration payments.

(4) The Company paid the founding members \$17.2 million in the first quarter of 2015, of which \$0.9 million was net operating loss carrybacks for the 2009, 2010 and 2011 tax years and \$16.3 million was for the 2014 tax year. The Company paid the founding members \$25.1 million in the first quarter of 2014, of which \$6.7 million was net operating loss carrybacks for the 2009, 2010 and 2011 tax years and \$18.4 million was for the 2013 tax year.

On March 16, 2015, the Company announced the termination of the Merger Agreement. After the Merger Agreement was terminated, NCM LLC reimbursed NCM, Inc. for certain expenses pursuant to an indemnification agreement among NCM LLC, NCM, Inc. and the founding members. During the three months ended April 2, 2015, NCM LLC paid Screenvision an approximate \$26.8 million termination payment on behalf of NCM, Inc. This payment was \$2 million lower than the reverse termination fee contemplated by the Merger Agreement. During the three months ended April 2, 2015, NCM LLC also either paid or reimbursed NCM, Inc. for the legal and other merger-related costs of approximately \$14.1 million (\$7.5 million incurred during the year ended January 1, 2015 and approximately \$6.6 million incurred during the three months ended April 2, 2015). The Company and the founding members each bore a pro rata portion of the termination fee and the related merger expenses based on their aggregate ownership percentages in NCM LLC.

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. Mandatory distributions of available cash for the three months ended April 2, 2015 and March 27, 2014 were as follows (in millions):

	Three Months Ended	
	April 2, 2015	March 27, 2014
AMC	\$ —	\$ 1.7
Cinemark	—	2.2
Regal	—	2.3
Total founding members	—	6.2
NCM, Inc.	—	5.3
Total	<u>\$ —</u>	<u>\$ 11.5</u>

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Due to the merger termination fee and related merger expenses, the mandatory distributions of available cash by NCM LLC to its founding members and NCM, Inc. for the three months ended April 2, 2015 was calculated as negative \$25.5 million (\$14.0 million for the founding members and \$11.5 million for NCM, Inc.). Therefore, there will be no payment made for the second quarter of 2015. Under the terms of the NCM LLC Operating Agreement, this negative amount will be netted against the available cash distributions for the second quarter of 2016, which will be paid in the third quarter of 2016. Until the settlement in the third quarter of 2016, the remaining merger-related costs will be funded through borrowings on the NCM LLC revolving credit facility.

Amounts due to founding members as of April 2, 2015 were comprised of the following (in millions):

	<u>AMC</u>	<u>Cinemark</u>	<u>Regal</u>	<u>Total</u>
Theatre access fees, net of beverage revenues	\$ 0.9	\$ 0.9	\$ 1.4	\$ 3.2
Cost and other reimbursement	(0.2)	(0.1)	—	(0.3)
Total amounts due to founding members	<u>\$ 0.7</u>	<u>\$ 0.8</u>	<u>\$ 1.4</u>	<u>\$ 2.9</u>

Amounts due to founding members as of January 1, 2015 were comprised of the following (in millions):

	<u>AMC</u>	<u>Cinemark</u>	<u>Regal</u>	<u>Total</u>
Theatre access fees, net of beverage revenues	\$ 0.8	0.8	1.2	\$ 2.8
Cost and other reimbursement	(0.6)	(0.2)	—	(0.8)
Distributions payable to founding members	9.1	11.6	12.2	32.9
Total amounts due to founding members	<u>\$ 9.3</u>	<u>\$ 12.2</u>	<u>\$ 13.4</u>	<u>\$ 34.9</u>

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. The Company concluded that its interest was more than minor under the accounting guidance despite the fact that 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’s investment in AC JV, LLC was \$1.4 million and \$1.3 million as of April 2, 2015 and January 1, 2015, respectively. Equity in earnings from AC JV, LLC was \$0.1 million and \$0.0 million for the three months ended April 2, 2015 and March 27, 2014, respectively and is included in non-operating expenses in the unaudited Condensed Consolidated Statements of Income.

Related Party Affiliates—NCM LLC enters into network affiliate agreements with network affiliates for NCM LLC to provide in-theatre advertising at theatre locations that are owned by companies that are affiliates of certain of the founding members or directors of NCM, Inc. Related party affiliate agreements are entered into at terms that are similar to those of the Company’s other network affiliates. NCM LLC has an agreement with Starplex Operating L.P. (“Starplex”), an affiliate of one of NCM, Inc.’s former directors, who served on NCM, Inc.’s board of directors during 2014. During the three months ended March 27, 2014, there was approximately \$0.5 million included in advertising operating costs related to Starplex, and there was approximately \$0.9 million of accounts payable with Starplex as of January 1, 2015. Following the director’s resignation from NCM, Inc.’s board of directors in 2014, Starplex is no longer a related party.

Other Transactions—NCM LLC has an agreement with an interactive media company to sell some of its online inventory. One of NCM, Inc.’s directors is also a director of this media company. During the three months ended April 2, 2015 and March 27, 2014, this company generated approximately \$0.0 million and \$0.1 million, respectively, in revenue for NCM LLC and there was approximately \$0.3 million and \$0.3 million of accounts receivable due from this company as of April 2, 2015 and January 1, 2015, respectively.

NCM LLC has an agreement with AEG Live, an affiliate of The Anschutz Corporation, for AEG Live to showcase musical artists in NCM LLC’s *FirstLook* preshow. During the three months ended April 2, 2015 and

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March 27, 2014, NCM LLC received approximately \$0.4 million and \$0.0 million, respectively, in revenue from AEG Live and as of April 2, 2015 and January 1, 2015, had \$0.5 million and \$0.4 million, respectively, of accounts receivable from AEG Live.

5. BORROWINGS

The following table summarizes NCM LLC's total outstanding debt as of April 2, 2015 and January 1, 2015 and the significant terms of its borrowing arrangements (in millions):

Borrowings	Outstanding Balance as of		Maturity Date	Interest Rate
	April 2, 2015	January 1, 2015		
Revolving Credit Facility	\$ 68.0	\$ 22.0	November 26, 2019	(1)
Term Loans	270.0	270.0	November 26, 2019	(1)
Senior Unsecured Notes	200.0	200.0	July 15, 2021	7.875%
Senior Secured Notes	400.0	400.0	April 15, 2022	6.000%
Total	<u>\$ 938.0</u>	<u>\$ 892.0</u>		

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

Senior Secured Credit Facility—As of April 2, 2015 and January 1, 2015, NCM LLC's senior secured credit facility consisted of a \$135.0 million revolving credit facility and a \$270.0 million term loan.

Revolving Credit Facility—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. As of April 2, 2015, NCM LLC's total availability under the revolving credit facility was \$67.0 million. The unused line fee is 0.50% per annum. Borrowings under the revolving credit facility bear interest at NCM LLC's option of either the LIBOR index plus an applicable margin or the base rate (Prime Rate or the Federal Funds Effective Rate, as defined in the senior secured credit facility) plus an applicable margin. 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, over a non-GAAP measure defined in the senior secured credit facility). The weighted-average interest rate on the outstanding balance on the revolving credit facility as of April 2, 2015 was 2.42%.

Term Loans—The interest rate on the term loans is a rate chosen at NCM LLC's option of either the LIBOR index plus 2.75% or the base rate (Prime Rate or the Federal Funds Effective Rate, as defined in the senior secured credit facility) plus 1.75%. The weighted-average interest rate on the term loans as of April 2, 2015 was 2.93%. Interest on the term loans is currently paid monthly.

The senior secured credit facility contains a number of covenants and financial ratio requirements, with which NCM LLC was in compliance as of April 2, 2015, including maintaining a consolidated net senior secured leverage ratio of equal to or less than 6.5 times on a quarterly basis. In addition, there are no borrower distribution restrictions as long as NCM LLC's consolidated net senior secured leverage ratio is below 6.5 times and NCM LLC is in compliance with its debt covenants. As of April 2, 2015, NCM LLC's consolidated net senior secured leverage ratio was 3.6 times (versus the covenant of 6.5 times).

Senior Unsecured Notes due 2021—On July 5, 2011, NCM LLC completed a private placement of \$200.0 million in aggregate principal amount of 7.875% Senior Unsecured Notes ("Senior Unsecured Notes") for which the registered exchange offering was completed on September 22, 2011. The Senior Unsecured Notes pay interest semi-annually in arrears on January 15 and July 15 of each year, which commenced January 15, 2012. The notes are subordinated to all existing and future secured debt, including indebtedness under NCM LLC's existing senior secured credit facility and the Senior Secured Notes defined below. The Senior Unsecured Notes contain certain non-maintenance covenants with which NCM LLC was in compliance as of April 2, 2015.

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Senior Secured Notes due 2022—On April 27, 2012, NCM LLC completed a private placement of \$400.0 million in aggregate principal amount of 6.00% Senior Secured Notes (the “Senior Secured Notes”) for which the registered exchange offering was completed on November 26, 2012. The Senior Secured Notes pay interest semi-annually in arrears on April 15 and October 15 of each year, which commenced October 15, 2012. The Senior Secured Notes are senior secured obligations of NCM LLC, rank the same as NCM LLC’s senior secured credit facility, subject to certain exceptions, and share in the same collateral that secures NCM LLC’s obligations under the senior secured credit facility. The Senior Secured Notes contain certain non-maintenance covenants with which NCM LLC was in compliance as of April 2, 2015.

6. 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 effect on its financial position, results of operations or cash flows.

Minimum Revenue Guarantees—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 theatre 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. The amount and term varies for each network affiliate, but terms range from three to 20 years, prior to any renewal periods of which some are at the option of the Company. As of April 2, 2015, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is \$35.1 million over the remaining terms of the network affiliate agreements, which calculation does not include any potential future extensions. As of April 2, 2015, the Company had no liabilities recorded for these obligations as such guarantees are less than the expected share of revenue paid to the affiliate. As of January 1, 2015, the Company had an inconsequential amount of liabilities recorded for these obligations.

Income Taxes—The Company is subject to taxation in the U.S. and various states. As of April 2, 2015 and January 1, 2015, there was no material liability or expense for the periods then ended recorded for payment of interest and penalties associated with uncertain tax positions or material unrecognized tax positions and the Company’s unrecognized tax benefits were not material.

7. FAIR VALUE MEASUREMENTS

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, cost and equity method investments, notes receivable and borrowings.

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Long-Lived Assets, Intangible Assets, Other Investments and Notes Receivable—The Company regularly reviews long-lived assets (primarily property, plant and equipment), intangible assets, investments accounted for under the cost or equity method and notes receivable for impairment whenever 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	
	April 2, 2015	January 1, 2015
Investment in AC JV, LLC (1)	\$ 1.4	\$ 1.3
Other investments (2)	2.8	1.2
Total	\$ 4.2	\$ 2.5

(1) Refer to Note 4—*Related Party Transactions*.

(2) During 2014 and the first quarter of 2015, the Company received equity securities in privately held companies as consideration for a portion of advertising contracts. The equity securities were accounted for under the cost method and represent an ownership of less than 20%. The Company does not exert significant influence of these companies' operating or financial activities.

The fair value of the investments has not been estimated as of April 2, 2015 and January 1, 2015 as there were no identified events or changes in the circumstances that had a significant adverse effect on the fair value of the investments and it is not practicable to do so because the equity securities are not in publicly traded companies. 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.

As of April 2, 2015 and January 1, 2015, the Company had notes receivable totaling \$20.8 million and \$20.8 million, respectively, from its founding members related to the sale of Fathom Events, as described in Note 4—*Related Party Transactions*. These notes were valued using comparative market multiples. There were no identified events or changes in circumstances that had a significant adverse effect on the fair value of the notes receivable. The notes are classified as Level 3 in the fair value hierarchy as the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs.

Borrowings—The carrying amount of the revolving credit facility is 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 April 2, 2015		As of January 1, 2015	
	Carrying Value	Fair Value (1)	Carrying Value	Fair Value (1)
Term Loans	\$ 270.0	\$ 267.3	\$ 270.0	\$ 257.9
Senior Unsecured Notes	200.0	212.8	200.0	210.8
Senior Secured Notes	400.0	413.3	400.0	400.8

(1) The Company has estimated the fair value on an average of at least two non-binding broker quotes and the Company's analysis. 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.

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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):

	As of April 2, 2015	Fair Value Measurements at Reporting Date Using		
		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)	\$ 7.4	\$ 7.4	\$ —	\$ —
Short-term marketable securities (2)	18.6	15.9	2.7	—
Long-term marketable securities (2)	46.0	42.2	3.8	—
Total assets	<u>\$ 72.0</u>	<u>\$ 65.5</u>	<u>\$ 6.5</u>	<u>\$ —</u>

	As of January 1, 2015	Fair Value Measurements at Reporting Date Using		
		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)	\$ 2.5	\$ 2.5	\$ —	\$ —
Short-term marketable securities (2)	21.7	9.5	12.2	—
Long-term marketable securities (2)	45.5	41.5	4.0	—
Total assets	<u>\$ 69.7</u>	<u>\$ 53.5</u>	<u>\$ 16.2</u>	<u>\$ —</u>

- (1) *Cash Equivalents*— The Company’s cash equivalents are carried at estimated fair value. 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 generally classified as Level 1 given the 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. For the three months ended April 2, 2015 and March 27, 2014, there was an inconsequential amount of net realized gains (losses) recognized in interest income and an inconsequential amount of net unrealized holding gains (losses) included in other comprehensive income. Original cost of short-term marketable securities is based on the specific identification method. As of April 2, 2015, there was an inconsequential amount of gross unrealized losses related to individual securities that had been in a continuous loss position for 12 months or longer, and as of January 1, 2015, there were no gross unrealized losses related to individual securities that had been in a continuous loss position for 12 months or longer.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The amortized cost basis, aggregate fair value and maturities of the marketable securities the Company held as of April 2, 2015 and January 1, 2015 were as follows:

	As of April 2, 2015		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities (1) (in years)
MARKETABLE SECURITIES:			
Short-term municipal bonds	\$ 15.9	\$ 15.9	0.5
Short-term certificates of deposit	2.7	2.7	0.4
Total short-term marketable securities	18.6	18.6	
Long-term U.S. government treasury bonds	1.2	1.2	2.6
Long-term municipal bonds	3.4	3.5	1.3
Long-term U.S. government agency bonds	37.5	37.5	3.1
Long-term certificates of deposit:			
Financial	3.5	3.5	3.0
Industrial	0.3	0.3	2.6
Total long-term marketable securities	45.9	46.0	
Total marketable securities	<u>\$ 64.5</u>	<u>\$ 64.6</u>	
	As of January 1, 2015		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities (1) (in years)
MARKETABLE SECURITIES:			
Short-term municipal bonds	\$ 9.4	\$ 9.5	0.5
Short-term commercial paper:			
Financial	3.4	3.4	—
Industrial	3.3	3.3	0.1
Utility	3.0	3.0	0.2
Short-term certificates of deposit	2.5	2.5	0.6
Total short-term marketable securities	21.6	21.7	
Long-term U.S. government treasury bonds	5.1	5.1	2.7
Long-term municipal bonds	0.3	0.3	1.4
Long-term U.S. government agency bonds	36.1	36.1	3.3
Long-term certificates of deposit	4.0	4.0	3.1
Total long-term marketable securities	45.5	45.5	
Total marketable securities	<u>\$ 67.1</u>	<u>\$ 67.2</u>	

(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.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During 2012, NCM LLC terminated interest rate swap agreements that were used to hedge its interest rate risk associated with its term loan. Following the termination of the swap agreements, the variable interest rate on NCM LLC's \$270.0 million term loan is unhedged and as of April 2, 2015 and January 1, 2015, the Company did not have any outstanding derivative assets or liabilities. A portion of the breakage fees paid to terminate the swap agreements was for swaps in which the underlying debt remained outstanding. The balance in AOCI related to these swaps was fixed and was amortized into earnings over the remaining life of the original interest rate swap agreement, or February 13, 2015. The Company considered the guidance in ASC 815, *Derivatives and Hedging* which states that amounts in AOCI shall be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. As of April 2, 2015, there were no amounts outstanding related to these discontinued cash flow hedges.

The changes in AOCI by component for the three months ended April 2, 2015 and March 27, 2014 were as follows (in millions):

	Three Months Ended		Income Statement Location
	April 2, 2015	March 27, 2014	
Balance at beginning of period	\$ (0.4)	\$ (3.2)	
Amounts reclassified from AOCI:			
Amortization on discontinued cash flow hedges	1.6	2.5	Amortization of terminated derivatives
Total amounts reclassified from AOCI	1.6	2.5	
Noncontrolling interest on reclassifications	(0.9)	(1.4)	
Tax effect on reclassifications	(0.3)	(0.4)	
Net other comprehensive income	0.4	0.7	
Impact of subsidiary ownership changes	—	—	
Balance at end of period	\$ —	\$ (2.5)	

9. SUBSEQUENT EVENT

On May 8, 2015, the Company declared a cash dividend of \$0.22 per share (approximately \$13.0 million) on each share of the Company's common stock (not including outstanding restricted stock which will accrue dividends until the shares vest) to stockholders of record on May 26, 2015 to be paid on June 9, 2015.

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”, 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” contained in our annual report on Form 10-K for the Company’s fiscal year ended January 1, 2015. The following discussion and analysis 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 January 1, 2015. In the following discussion and analysis, the term net income refers to net income attributable to NCM, Inc.

Overview

NCM LLC operates the largest digital in-theatre media network in North America, through which it sells in-theatre and online advertising and promotions. Our revenue is principally derived from the sale of advertising through long-term ESAs with NCM LLC’s founding members (approximately 22 years remaining as of April 2, 2015) and multi-year agreements with network affiliates, which expire at various dates between October 1, 2015 and July 22, 2031. The ESAs with the founding members and network affiliate agreements grant NCM LLC exclusive rights in their theatres to sell advertising, subject to limited exceptions. Our advertising *FirstLook* pre-show and LEN programming are distributed predominantly via satellite through our proprietary DCN. Approximately 96% of the aggregate founding member and network affiliate theatre attendance is generated by theatres connected to our DCN (855 screens receive advertisements on USB drives) and 100% of the *FirstLook* pre-show is projected on digital projectors (84% digital cinema projectors and 16% LCD projectors).

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. Senior executives hold meetings twice per quarter with officers, managers and staff to discuss and analyze operating results and address significant variances to budget and prior year in an effort to identify trends and changes in our business. We focus on many operating metrics including changes in revenue, OIBDA, Adjusted OIBDA and Adjusted OIBDA margin, as defined and discussed in “Non-GAAP Financial Measures” below, as some of our primary measurement metrics. In addition, we monitor our monthly advertising performance measurements, including advertising inventory utilization, advertising pricing (CPM), local and total advertising revenue per attendee, as well as, our free cash flow and related financial leverage and cash balances and revolving credit facility availability to ensure that there is adequate cash availability to fund our working capital needs and debt obligations and current and future dividends declared by our Board of Directors.

Recent Transactions

On May 5, 2014, NCM, Inc. entered into the Merger Agreement to merge with Screenvision. On November 3, 2014, the Department of Justice filed an antitrust lawsuit seeking to enjoin the merger. On March 16, 2015, the Company announced the termination of the Merger Agreement. The antitrust lawsuit has been dismissed. After the Merger Agreement was terminated, NCM LLC reimbursed NCM, Inc. for certain expenses pursuant to an indemnification agreement among NCM LLC, NCM, Inc. and the founding members. During the three months ended April 2, 2015, NCM LLC paid Screenvision an approximate \$26.8 million termination payment on behalf of NCM, Inc. This payment was \$2 million lower than the reverse termination fee contemplated by the Merger Agreement. During the three months ended April 2, 2015, NCM LLC also either paid or reimbursed NCM, Inc. for the legal and other merger-related costs of approximately \$14.1 million (\$7.5 million incurred during the year ended January 1, 2015 and approximately \$6.6 million incurred during the three months ended April 2, 2015). The Company and the founding members each bore a pro rata portion of the termination fee and the related merger expenses based on their aggregate ownership percentages in NCM LLC.

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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” in our Form 10-K filed with the SEC on February 27, 2015 for the Company’s fiscal year ended January 1, 2015 and Item 1A of this Form 10-Q.

Summary Historical and Operating Data

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

	Three Months Ended		% Change Q1 2015 to Q1 2014
	April 2, 2015	March 27, 2014	
Revenue:			
Advertising	\$ 76.9	\$ 70.2	9.5%
Operating expenses:			
Advertising	38.6	37.5	2.9%
Network, administrative and unallocated costs	21.6	19.9	8.5%
Merger termination fee and related merger costs (1)	33.4	—	100.0%
Total	93.6	57.4	63.1%
Operating (loss) income	(16.7)	12.8	NM
Non-operating expenses	17.8	19.1	(6.8%)
Income tax benefit	(4.3)	(1.7)	NM
Net loss attributable to noncontrolling interests	(21.2)	(1.5)	NM
Net loss attributable to NCM, Inc.	\$ (9.0)	\$ (3.1)	NM
Net loss per NCM, Inc. basic share	\$ (0.15)	\$ (0.05)	NM
Net loss per NCM, Inc. diluted share	\$ (0.15)	\$ (0.05)	NM
Adjusted OIBDA	\$ 27.7	\$ 22.6	22.6%
Adjusted OIBDA margin	36.0%	32.2%	3.8%
Total theatre attendance (in millions) (2)(3)	161.4	166.5	(3.1%)

NM = not meaningful.

- (1) Merger termination fee and related merger costs primarily include the merger termination payment and legal, accounting, advisory and other professional fees associated with the terminated merger with Screenvision.
- (2) Represents the total attendance within NCM LLC’s advertising network.
- (3) Excludes screens and attendance associated with certain AMC Rave and Cinemark Rave theatres for all periods presented.

Non-GAAP Financial Measures

Operating Income (Loss) Before Depreciation and Amortization (“OIBDA”), Adjusted OIBDA and Adjusted OIBDA margin are not financial measures calculated in accordance with GAAP in the U.S. OIBDA represents consolidated net income plus income tax expense, interest and other costs and depreciation and amortization expense. Adjusted OIBDA excludes from OIBDA non-cash share based payment costs and the merger termination fee and related merger costs. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. These non-GAAP financial measures are used by management to evaluate operating performance, to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on its operating performance and so highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial

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measures. The Company believes the presentation of these measures is relevant and useful for investors because it enables them to view performance in a manner similar to the method used by the Company's management, helps improve their ability to understand the Company's operating performance and makes it easier to compare the Company's results with other companies that may have different depreciation and amortization policies, non-cash share based compensation programs, levels of mergers and acquisitions, interest rates or debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization, which represent a proxy for the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the Company's share based payment costs or costs associated with the Screenvision merger. OIBDA or Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as indicators of operating performance, nor should they be considered in isolation of, or as substitutes for financial measures prepared in accordance with GAAP. The Company believes that consolidated net income is the most directly comparable GAAP financial measure to 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 consolidated net loss to OIBDA and Adjusted OIBDA for the periods presented (dollars in millions):

	Three Months Ended	
	April 2, 2015	March 27, 2014
Consolidated net loss	\$ (30.2)	\$ (4.6)
Income tax benefit	(4.3)	(1.7)
Interest and other non-operating costs	17.8	19.1
Depreciation and amortization	8.0	7.8
OIBDA	\$ (8.7)	\$ 20.6
Share-based compensation costs (1)	3.0	2.0
Merger termination fee and related merger costs (2)	33.4	—
Adjusted OIBDA	\$ 27.7	\$ 22.6
Total revenue	\$ 76.9	\$ 70.2
Adjusted OIBDA margin	36.0%	32.2%

- (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) Merger termination fee and related merger costs primarily include the merger termination payment and legal, accounting, advisory and other professional fees associated with the terminated merger with Screenvision.

The Company has also presented total operating expenses before the merger termination fee and related merger costs within its results of operations section below which is not a financial measure calculated in accordance with GAAP in the United States. Operating expenses before the merger termination fee and related merger costs represent operating costs less costs associated with the terminated Screenvision merger. This non-GAAP financial measure is used to provide readers a comparison of our first quarter 2015 results to our results in the first quarter of 2014 without the nonrecurring the merger termination fee and related merger costs. The Company believes this is an important supplemental measure because it eliminates these nonrecurring costs to highlight trends in its ongoing business that may not otherwise be apparent when relying solely on GAAP financial measures. Operating expenses before the merger termination fee and related merger costs should not be regarded as an alternative to operating expenses 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 total operating expenses is the most directly comparable GAAP financial measure.

Basis of Presentation

The results of operations data for the three months ended April 2, 2015 and March 27, 2014 was derived from the unaudited Condensed Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the notes thereto.

Results of Operations

Three Months Ended April 2, 2015 and March 27, 2014

Revenue. Total revenue increased \$6.7 million, or 9.5%, from \$70.2 million for the three months ended March 27, 2014 to \$76.9 million for the three months ended April 2, 2015. The following is a summary of revenue by category (in millions):

	<u>Three Months Ended</u>		<u>\$ Change</u> Q1 2015 to Q1 2014	<u>% Change</u> Q1 2015 to Q1 2014
	<u>April 2,</u> <u>2015</u>	<u>March 27,</u> <u>2014</u>		
National advertising revenue	\$ 50.9	\$ 42.7	\$ 8.2	19.2%
Local advertising revenue	18.4	18.1	0.3	1.7%
Founding member advertising revenue from beverage concessionaire agreements	7.6	9.4	(1.8)	(19.1%)
Total revenue	<u>\$ 76.9</u>	<u>\$ 70.2</u>	<u>\$ 6.7</u>	9.5%

The following table shows data on theatre attendance and revenue per attendee for the three months ended April 2, 2015 and March 27, 2014:

	<u>Three Months Ended</u>		<u>% Change</u> Q1 2015 to Q1 2014
	<u>April 2,</u> <u>2015</u>	<u>March 27,</u> <u>2014</u>	
National advertising revenue per attendee	\$ 0.315	\$ 0.256	23.0%
Local advertising revenue per attendee	\$ 0.114	\$ 0.109	4.6%
Total advertising revenue (excluding founding member beverage revenue) per attendee	\$ 0.429	\$ 0.365	17.5%
Total advertising revenue per attendee	\$ 0.476	\$ 0.422	12.8%
Total theatre attendance (in millions) (1) (2)	161.4	166.5	(3.1%)

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

(2) Excludes screens and attendance associated with certain AMC Rave and Cinemark Rave theatres for all periods presented.

National advertising revenue. The \$8.2 million, or 19.2%, increase in national advertising revenue (excluding beverage revenue from NCM LLC's founding members) was due primarily to a 38.2% increase in impressions delivered in the first quarter of 2015, compared to the first quarter of 2014, partially offset by a decrease in national advertising CPMs (excluding beverage) of 11.1% in the first quarter of 2015, compared to the first quarter of 2014. The increase in impressions delivered was driven by an increase in national inventory utilization, which rose from 72.6% for the first quarter of 2014 to 99.9% for the first quarter of 2015, due to an overall expansion of our client base, related in part to the success of our strategy to compete in the national television upfront marketplace. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our pre-show, which can be expanded, should market demand dictate. This increase in impressions delivered was partially offset by a decrease in our network theatre attendance of 3.1% that was impacted by our fiscal calendar, whereby the highly attended holiday week (Christmas to New Year's Day) fell in the fourth quarter of 2014, rather than the first quarter as it did in the prior year. The decrease in national advertising CPMs was due primarily to the mix of our clients during the first quarter of 2015, compared to the first quarter of 2014, related to our focus on increasing utilization during our historically low demand first quarter.

Local advertising revenue. The \$0.3 million, or 1.7%, increase in local advertising revenue was driven by a 5.7% increase in average contract value, partially offset by a 5.1% decrease in total contract volume, compared to the first quarter of 2014. The increase in average contract value was driven by a 7.8% increase in the average value of contracts between \$10,000 and \$250,000, while the decrease in contract volume was driven by a 7.0% decrease in the number of contracts under \$10,000 and was impacted by the absence of the holiday week during 2015, described above, and a temporary increase in the number of open local sales positions related to anticipation of closing the Screenvision merger.

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Founding member beverage revenue. The \$1.8 million, or 19.1%, decrease in national advertising revenue from NCM LLC's founding members' beverage concessionaire agreements was due to a 14.4% decrease in beverage revenue CPMs and a decrease of 5.5% in founding member attendance in the first quarter of 2015, compared to the first quarter of 2014. The 2015 beverage revenue CPM is based on the change in CPM during segment one of the *FirstLook* pre-show from 2013 to 2014, which decreased 14.4%. The decrease in founding member attendance was due primarily to the absence of the holiday week during the first quarter of 2015, described above.

Operating expenses. Total operating expenses increased \$36.2 million, or 63.1%, from \$57.4 million for the three months ended March 27, 2014 to \$93.6 million for the three months ended April 2, 2015 due primarily to the Screenvision merger termination fee and related merger costs. The following table shows the changes in operating expense for the three months ended April 2, 2015 and March 27, 2014 (in millions):

	Three Months Ended		\$ Change Q1 2015 to Q1 2014	% Change Q1 2015 to Q1 2014
	April 2, 2015	March 27, 2014		
Advertising operating costs	\$ 5.8	\$ 5.0	\$ 0.8	16.0%
Network costs	4.5	4.6	(0.1)	(2.2%)
Theatre access fees—founding members	17.2	17.4	(0.2)	(1.1%)
Selling and marketing costs	16.0	15.0	1.0	6.7%
Administrative and other costs	8.7	7.6	1.1	14.5%
Depreciation and amortization	8.0	7.8	0.2	2.6%
Total operating expenses before the merger termination fee and related merger costs	60.2	57.4	2.8	4.9%
Merger termination fee and related merger costs	33.4	—	33.4	100.0%
Total operating expenses	<u>\$ 93.6</u>	<u>\$ 57.4</u>	<u>\$ 36.2</u>	63.1%

Advertising operating costs. Advertising operating costs increased \$0.8 million, or 16.0%, from \$5.0 million for the first quarter of 2014 to \$5.8 million for the first quarter of 2015. This increase was primarily the result of a \$0.6 million increase in affiliate advertising payments and a \$0.2 million increase in onscreen production costs. The increase in affiliate advertising payments was driven by higher total advertising revenue and an 8.3% or 278 screen increase in the number of average affiliate screens in the first quarter of 2015, compared to the first quarter of 2014. Onscreen production costs increased due to higher related advertising revenue in the period.

Network costs. Network costs decreased \$0.1 million, or 2.2%, from \$4.6 million for the first quarter of 2014 to \$4.5 million for the first quarter of 2015 due to a decrease in personnel expense.

Theatre access fees—founding members. Theatre access fees decreased \$0.2 million, or 1.1%, from \$17.4 million for the first quarter of 2014 to \$17.2 million for the first quarter of 2015. The decrease was due to a \$0.6 million decrease related to the 5.5% decrease in founding member attendance in the first quarter of 2015 compared to the first quarter of 2014, partially offset by a \$0.4 million increase in theatre access fees due to an increase in the fee associated with the number of digital screens that are connected to DCN, including higher quality digital cinema projectors and related equipment. The fees for digital screens and equipment increased \$0.3 million related to an annual 5% rate increase specified in the ESAs and \$0.1 million from an increase of 1.7% in the average number of founding member theatres equipped with the higher quality digital cinema equipment.

Selling and marketing costs. Selling and marketing costs increased \$1.0 million, or 6.7%, from \$15.0 million for the first quarter of 2014 to \$16.0 million for the first quarter of 2015. This increase was primarily due to an increase of \$0.9 million in personnel expense due primarily to \$0.5 million of higher non-cash share-based compensation expense, as well as, increases in salaries and related benefit costs and an increase in local sales commissions resulting from the higher revenue.

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Administrative and other costs. Administrative and other costs increased \$1.1 million, or 14.5%, from \$7.6 million for the first quarter of 2014 to \$8.7 million for the first quarter of 2015 due primarily to a \$0.9 million increase in personnel expense due primarily to a \$0.6 million increase in non-cash share-based compensation expense and an increase in salaries and related benefit costs of \$0.3 million due primarily to annual cost of living increases and select adjustments in annual salaries related to promotions.

Depreciation and amortization. Depreciation and amortization expense increased \$0.2 million, or 2.6%, from \$7.8 million for the first quarter of 2014 to \$8.0 million for the first quarter of 2015. The increase was primarily due to NCM LLC founding member common unit adjustments and amortization of intangible assets related to new affiliate agreements.

Merger termination fee and related merger costs. The merger termination fee and related merger costs were \$33.4 million for the first quarter of 2015 due to the merger termination payment of approximately \$26.8 million and approximately \$6.6 million in legal, accounting, advisory and other professional fees associated with the terminated Screenvision merger.

Non-operating expenses. Total non-operating expenses decreased \$1.3 million, or 6.8%, from \$19.1 million for the three months ended March 27, 2014 to \$17.8 million for the three months ended April 2, 2015. The following table shows the changes in non-operating expense for the three months ended April 2, 2015 and March 27, 2014 (in millions):

	Three Months Ended		\$ Change Q1 2015 to Q1 2014	% Change Q1 2015 to Q1 2014
	April 2, 2015	March 27, 2014		
Interest on borrowings	\$ 13.1	\$ 13.1	\$ —	0.0%
Interest income	(0.6)	(0.4)	(0.2)	50.0%
Accretion of interest on the discounted payable to founding members under tax receivable agreement	3.6	3.8	(0.2)	(5.3%)
Amortization of terminated derivatives	1.6	2.5	(0.9)	(36.0%)
Other non-operating expense	0.1	0.1	—	0.0%
Total non-operating expenses	<u>\$ 17.8</u>	<u>\$ 19.1</u>	<u>\$ (1.3)</u>	<u>(6.8%)</u>

The decrease in non-operating expense was due primarily to a \$0.9 million decrease in the amortization of terminated derivatives as the amortization period ended in February 2015. Interest due to NCM LLC's founding members under the tax receivable agreement decreased \$0.2 million due primarily to changes in tax rates and NCM LLC ownership rates period over period. In addition, interest income increased by \$0.2 million due primarily to the Company's movement toward a longer-term investment strategy that resulted in higher average returns.

Net loss. Net loss increased \$5.9 million from a net loss of \$3.1 million for the three months ended March 27, 2014 to a net loss of \$9.0 million for the three months ended April 2, 2015. The increase in net loss was primarily due to a decrease in operating income of \$29.5 million (due primarily to an increase of \$33.4 million of the merger termination fee and related merger costs), as described further above, partially offset by a \$19.7 million increase in loss attributable to noncontrolling interests, an increase in income tax benefit of \$2.6 million due primarily to higher net loss before taxes in the period and a decrease of \$1.3 million in non-operating expense, as described above.

Known Trends and Uncertainties

Trends and Uncertainties Related to our Business, Industry and Corporate Structure

Changes in the current macro-economic environment and changes in the national and local and regional advertising markets, including increased competition related to the expansion of online and mobile advertising platforms, present uncertainties that could impact our results of operations, including the timing and amount of spending from our advertising clients. The impact to our business associated with these issues could be mitigated somewhat over time due to factors including the increase in salable advertising impressions and better geographic coverage related to the expansion of our network, diversification and growth of our advertising client base and improvements in the technical quality of our network and upgrades to our inventory management and audience targeting systems that are being accelerated. We could also benefit from the effectiveness of cinema advertising

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relative to other advertising mediums as consumer viewing habits shift to smaller less effective mobile devices and television ratings and effectiveness declines due to the time-shifting of programming and related ad-skipping associated with the increasing use of DVRs by consumers. The impact of these consumer and media market trends appear to have favorably impacted our upfront national bookings that were up approximately 100% going into 2015 (for the period from October 1, 2014 through December 31, 2015). Consistent with the television industry upfront booking practices, a portion of our upfront commitments have cancellation options that could reduce what is ultimately spent by clients that have made upfront commitments. Due in part to the strength of our 2014 upfront campaign, we experienced 19.2% national advertising growth in the first quarter of 2015, compared to the first quarter of 2014 and as of May 8, 2015, 83% of our 2015 national budget has been booked, compared to 60% of the 2014 actual national revenue at the same time last year.

During 2014 and thus far in 2015, we have entered into agreements with seven new affiliate theatre circuits with 406 screens. In total, these affiliate additions are expected to add approximately 15 million new attendees on a full-year pro-forma basis, which we expect will result in approximately 216 million new salable national advertising impressions (assuming 14 national advertising units of 30 seconds each). One of these affiliates, with 142 screens and approximately 7 million attendees, will become a part of our network in January 2016. We expect these additional attendees to provide our advertising clients a better marketing product with increased advertising impressions, improved geographic coverage and better audience targeting capabilities that is expected to expand our and our theatre circuit partner's revenue, operating income and cash flow. Our future revenue growth could also be positively impacted by the expansion of our advertising network. We also believe that the continued growth of our market coverage ubiquity and overall number of impressions will strengthen our selling proposition and competitive positioning versus other national and local video advertising platforms, including television, online and mobile video platforms and other out-of-home advertising platforms.

In 2014 and in the first quarter of 2015, we experienced a decline of 16.4% and 11.1%, respectively, compared to the prior period in national advertising CPMs (excluding beverage revenue) due primarily to the increased competition from other national video networks, including online and mobile advertising platforms and the implementation of more aggressive seasonal and volume pricing strategies that contributed to the expansion of our inventory utilization related to the addition of new client industries that traditionally buy their television advertising at lower CPMs. Due to the higher level of upfront bookings which has reduced our reliance on the scatter market and increased scatter activity, we expect national advertising CPMs (excluding beverage) to continue to stabilize for the remainder of fiscal year 2015.

Under the ESAs, up to 90 seconds of the *FirstLook* program can be sold to NCM LLC's founding members to satisfy their on-screen advertising commitments under their beverage concessionaire agreements. During 2014 and in the first quarter of 2015, we sold 60 seconds to NCM LLC's founding members. In December 2014, we were notified by one of our founding members that beginning in July 2015, they will reduce their beverage advertising from 60 seconds to 30 seconds to accommodate a six-month test of other in-theatre marketing activities by their beverage supplier. During the six-month test, we will have the right to sell the 30 second unit to other clients. We expect this decrease to result in a reduction in beverage revenue of approximately \$2.8 million for the second half of 2015. However, we believe that some or all of this revenue may be replaced through the sale of advertising to other brands who will find this premium inventory attractive. The other founding members have just signed long-term contracts with their beverage suppliers that require 60 seconds of beverage advertising, although such commitments could change in the future. Should the amount of time acquired as part of these beverage concessionaire agreements decline with the other founding members, this premium time will be available for sale to other clients. Per the ESAs, beginning in 2012, the time sold to the founding member beverage supplier is priced equal to the advertising CPM for the previous year charged by NCM LLC to unaffiliated third parties during segment one (closest to showtime) of the *FirstLook* pre-show, limited to the highest advertising CPM being then-charged by NCM LLC. Due to a 14.4% decline in segment one CPMs in 2014, the CPM on our beverage concessionaire revenue declined during the first quarter of 2015 by 14.4% and the remainder of 2015 will decline by an equivalent percentage.

In consideration for NCM LLC's access to NCM LLC's founding members' theatre attendees for on-screen advertising and use of lobbies and other space within NCM LLC's founding members' theatres for the LEN and lobby promotions, NCM LLC's founding members receive a monthly theatre access fee under the ESAs. The theatre access fee is composed of a fixed payment per patron and a fixed payment per digital screen (connected to the DCN). The payment per theatre patron increases by 8% every five years, with the first such increase taking effect for fiscal year 2012, and the payment per digital screen increases annually by 5%. The theatre 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. Pursuant to ESAs, beginning on October 1, 2010 the theatre access fee paid to the members of NCM LLC included an additional fee for access to the higher quality digital cinema systems. This additional fee will continue to increase as additional screens are equipped with the new digital cinema equipment and the fee increases annually by 5%. As of April 2, 2015 and March 27, 2014, 91% and 86%, respectively, of our founding member network screens were showing advertising on digital cinema projectors.

Trends and Uncertainties Related to Liquidity and Financial Performance

During 2014, 2013 and 2012, we amended our senior secured credit facility to extend the maturity, expand the revolver availability and reduce the interest rate spreads. In 2012 and 2011, we issued new Senior Unsecured Notes and Senior Secured Notes primarily to refinance outstanding bank debt. As a result of these financing transactions, we extended the average maturities of our debt by over six years. The average remaining maturity is 6.0 years as of April 2, 2015. As of April 2, 2015, approximately 64% of our total borrowings bear interest at fixed rates. The remaining 36% of our borrowings bear interest at variable rates and as such, our net income (loss) and earnings (loss) per share could fluctuate with interest rate fluctuations related to our borrowings. Refer to Note 5—*Borrowings* to the unaudited Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q for more information regarding the Company's borrowings.

Due primarily to the decrease in our national advertising revenue in 2014, our cash flow available for the payment of dividends (NCM LLC's Adjusted OIBDA, less capital expenditures, interest expense, distributions to NCM LLC's founding members, income taxes, tax receivable agreement payments to NCM LLC's founding members and plus certain cash items) was less than our regular dividend payment in 2014 (\$0.88 per share). The deficit was funded by NCM, Inc.'s cash and marketable securities balances, which as of January 1, 2015 were \$70.4 million. As of April 2, 2015, these balances totaled \$75.0 million. While we anticipate over time that our revenue growth will result in cash flow available for dividends in excess of our regular dividend payments and believe that our cash and marketable securities balances could continue to fund deficits similar to 2014 for the foreseeable future, our Board of Directors will evaluate continued deficits as one of the factors when declaring dividends in the future.

Our short-term marketable securities balance decreased \$3.1 million, from \$21.7 million as of January 1, 2015 to \$18.6 million as of April 2, 2015 and our long-term marketable securities balance increased by \$0.5 million, from \$45.5 million as of January 1, 2015 to \$46.0 million as of April 2, 2015. The decrease in short-term marketable securities and the increase in long-term marketable securities were due primarily to the Company purchasing more marketable securities with original maturities greater than one year to increase its average interest rates and increase interest income on excess cash balances.

On March 16, 2015, the Company announced the termination of the Merger Agreement. After the Merger Agreement was terminated, NCM LLC reimbursed NCM, Inc. for certain expenses pursuant to an indemnification agreement among NCM LLC, NCM, Inc. and the founding members. During the three months ended April 2, 2015, NCM LLC paid Screenvision an approximate \$26.8 million termination payment on behalf of NCM, Inc. This payment was \$2 million lower than the reverse termination fee contemplated by the Merger Agreement. During the three months ended April 2, 2015, NCM LLC also either paid or reimbursed NCM, Inc. for the legal and other merger-related costs of approximately \$14.1 million (\$7.5 million incurred during the year ended January 1, 2015 and approximately \$6.6 million incurred during the three months ended April 2, 2015). The Company and the founding members each bore a pro rata portion of the termination fee and the related merger expenses based on their aggregate ownership percentages in NCM LLC. We do not expect to incur additional material expenses related to the terminated merger.

Trends Related to Ownership in NCM LLC

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 theatre additions or dispositions during the previous year. During the first quarter of 2015 and 2014, NCM LLC issued 2,160,915 and 1,087,911 common membership units to its founding members, respectively, for the rights to exclusive access to the theatre screens and attendees added, net of dispositions by the

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founding members to NCM LLC's network during the previous year. NCM LLC recorded a net intangible asset of \$31.4 million and \$16.4 million during the three months ended April 2, 2015 and March 27, 2014, respectively, as a result of the Common Unit Adjustments.

Overall, NCM, Inc.'s ownership in NCM LLC decreased to 45.1% as of April 2, 2015 compared to 45.8% at January 1, 2015 due primarily to the common unit adjustment described above, which has proportionally increased net income attributable to noncontrolling interests and decreased net income attributable to NCM, Inc.

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 NCM LLC's founding members, interest or principal payments on our term loan and the Senior Secured Notes and Senior Unsecured Notes, income tax payments, tax receivable agreement payments to NCM LLC's founding members and amount of quarterly dividends to NCM, Inc.'s common stockholders (including special dividends).

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

	As of			\$ Change	\$ Change
	April 2, 2015	January 1, 2015	March 27, 2014	Q1 2015 to YE 2014	Q1 2015 to Q1 2014
Cash, cash equivalents and marketable securities (1)	\$ 77.5	\$ 80.6	\$ 78.8	\$ (3.1)	\$ (1.3)
Revolver availability (2)	67.0	113.0	87.0	(46.0)	(20.0)
Total liquidity	<u>\$144.5</u>	<u>\$ 193.6</u>	<u>\$ 165.8</u>	<u>\$ (49.1)</u>	<u>\$ (21.3)</u>

- (1) Included in cash and cash equivalents as of April 2, 2015, January 1, 2015 and March 27, 2014, was \$2.5 million, \$10.2 million and \$2.0 million, respectively, of cash held by NCM LLC that is not available to satisfy NCM, Inc.'s dividend, 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 is \$135.0 million.

The \$21.3 million decrease in liquidity as of April 2, 2015, compared to March 27, 2014, was due primarily to the funding of the merger termination fee and related merger costs during the first quarter of 2015 with NCM LLC's revolving credit facility. Pursuant to the NCM LLC Operating Agreement, the negative available cash distribution calculation for the first quarter of 2015 will be netted against the available cash distributions for the second quarter of 2016 (to be paid in the third quarter of 2016). As such, the revolving credit facility borrowings related to the remaining merger costs are expected to be repaid at that time.

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

	Three Months Ended	
	April 2, 2015	March 27, 2014
Operating cash flow	\$ 0.3	\$ 11.9
Investing cash flow	\$ (0.7)	\$ 6.6
Financing cash flow	\$ (0.1)	\$ (56.6)

- **Operating Activities.** The \$11.6 million decrease in cash provided by operating activities for the three months ended April 2, 2015 compared to the three months ended March 27, 2014 was due primarily to the \$25.6 million increase in consolidated net loss, as described further above, and a decrease in the change to deferred tax assets due to net operating losses recorded in the period. These decreases to cash provided by operating activities were partially offset by a \$16.7 million decrease in accounts

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payable and accrued expenses period over period primarily due to the timing of payments and a \$7.9 million lower payment to NCM LLC's founding members under the tax receivable agreement due to a larger tax loss in 2014.

- **Investing Activities.** The \$7.3 million decrease in cash provided by investing activities for the three months ended April 2, 2015 compared to the three months ended March 27, 2014 was due primarily to lower proceeds from sale and maturities of marketable securities, net of purchases of \$7.0 million.
- **Financing Activities.** The \$56.5 million decrease in cash used in financing activities for the three months ended April 2, 2015 compared to the three months ended March 27, 2014 was due primarily to a decrease of \$29.0 million in cash dividends paid due to the absence of the payment of a special cash dividend of \$0.50 per share during the first quarter of 2014 and higher proceeds from borrowings, net of repayments of \$29.0 million due to higher borrowings on the revolving credit facility to pay the merger termination fee and related merger costs, as described above.

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 April 2, 2015 were \$75.0 million (excluding 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.

Management believes that future funds generated from NCM LLC's operations and cash on hand should be sufficient to fund working capital requirements, NCM LLC's debt service requirements, and capital expenditure and other investing requirements, through the next twelve months. Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members can be impacted by the seasonality of advertising sales, stock option exercises, interest on borrowings under our revolving credit agreement and to a lesser extent theatre attendance. 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, quarterly to its members (NCM LLC's founding members and NCM, Inc.). The available cash distribution to the members of NCM LLC for the three months ended April 2, 2015 was calculated as negative \$25.5 million (\$11.5 million with NCM, Inc.) due to the merger termination fee and related merger costs. Pursuant to the NCM LLC Operating Agreement, there will be no payment made for the second quarter of 2015 and the negative amount will be netted against available cash distributions for the second quarter of 2016, which will be paid in the third quarter of 2016. NCM, Inc. expects to use cash received from future available cash distributions and its cash balances to fund income taxes, payments associated with the tax receivable agreement with NCM LLC's founding members and current and future dividends as declared by the Board of Directors, including a dividend declared on May 8, 2015 of \$0.22 per share (approximately \$13.0 million) on each share of the Company's common stock (not including outstanding restricted stock) to stockholders of record on May 26, 2015 to be paid on June 9, 2015. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund the above listed items for the foreseeable future at the discretion of the Board of Directors dependent on anticipated cash needs, overall financial condition, future prospects for earnings, available cash and cash flows, as well as other relevant factors.

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We expect to make \$13.0 million to \$15.0 million of capital expenditures in fiscal 2015 (an increase of \$2.0 million to \$3.0 million from our initial estimates) primarily related to an acceleration of the development of our management systems, including upgrades to our digital content software distribution and content management software and our proposal, inventory and audience targeting management systems. Our total capital expenditure projections also include investments in reporting systems, server and storage upgrades, software licensing, our internet site and network equipment related to currently contracted network affiliate theatres.

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 January 1, 2015 and incorporated by reference herein. As of April 2, 2015, 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 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.

Related Party Transactions

For a discussion of related party transactions, see the information provided under Note 4—*Related Party Transactions* to the unaudited Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

Off-Balance Sheet Arrangements

Our operating lease obligations, which primarily include office leases, are not reflected on our balance sheet. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual and Other Obligations” contained in our annual report on Form 10-K for the fiscal year ended January 1, 2015 and incorporated by reference herein. We do not believe these arrangements are material to our current or future financial condition, results of operations, liquidity, capital resources or capital expenditures.

Contractual and Other Obligations

There were no material changes to our contractual obligations during the three months ended April 2, 2015.

Seasonality

Our revenue and operating results are seasonal in nature, coinciding with the timing of marketing expenditures by our advertising clients and to a lesser extent the attendance patterns within the film exhibition industry. Both advertising expenditures and theatre attendance tend to be higher during the second, third, and fourth fiscal quarters. Advertising revenue is primarily correlated with new product releases, advertising client marketing priorities and economic cycles and to a lesser extent theatre attendance levels. The actual quarterly results for each quarter could differ materially depending on these factors or other risks and uncertainties. Based on our historical experience, our first quarter typically has less revenue than the other quarters of a given year due primarily to lower advertising client demand and lower theatre industry attendance levels. Accordingly, there can be no assurances that seasonal variations will not materially affect our results of operations in the future.

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The following table reflects the quarterly percentage of total revenue for the fiscal years ended 2011, 2012, 2013 and 2014.

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
FY 2011	16.3%	26.2%	31.2%	26.3%
FY 2012	17.6%	24.5%	32.1%	25.8%
FY 2013	17.8%	26.5%	29.2%	26.5%
FY 2014	17.8%	25.4%	25.6%	31.2%

The following table reflects the quarterly percentage of total advertising revenue for the fiscal years ended 2010, 2011, 2012 and 2013.

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
FY 2011	15.3%	25.5%	32.9%	26.3%
FY 2012	16.2%	24.7%	33.7%	25.4%
FY 2013	17.3%	27.4%	29.9%	25.4%
FY 2014	17.8%	25.4%	25.6%	31.2%

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk to which we are exposed is interest rate risk. The Senior Unsecured Notes and the Senior Secured Notes are at fixed rates, and therefore are not subject to market risk. As of April 2, 2015, the only interest rate risk that we are exposed to is related to our \$135.0 million revolving credit facility and our \$270.0 million term loan. A 100 basis point fluctuation in market interest rates underlying our term loan and revolving credit facility would have the effect of increasing or decreasing our cash interest expense by approximately \$3.4 million for an annual period on the \$68.0 million revolving credit balance and \$270.0 million term loan outstanding as of April 2, 2015. For a discussion of market risks, see Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contained in our annual report on Form 10-K for the fiscal year ended January 1, 2015 and incorporated by reference herein.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that information is accumulated and communicated to our management, including the Chief Executive Officer (principal executive officer) and Senior Vice President, Finance and Interim Co-Chief Financial Officer (principal financial officer) as appropriate to allow timely decisions regarding required disclosure. As of April 2, 2015, our management evaluated, with the participation of the Chief Executive Officer and Senior Vice President, Finance and Interim Co-Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the Company's management concluded that the Company's disclosure controls and procedures as of April 2, 2015 were effective.

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended April 2, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

On November 3, 2014, the Department of Justice filed, in the U.S. district court for the Southern District of New York, an antitrust lawsuit seeking to enjoin the merger between NCM, Inc. and Screenvision. On March 16, 2015, NCM, Inc. and Screenvision agreed to terminate the merger and the lawsuit has since been dismissed.

In addition, 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

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 February 27, 2015 for the fiscal year ended January 1, 2015. However, on March 16, 2015, the Company announced the termination of the Merger Agreement, as described in Note 1 – *The Company* to the unaudited Condensed Consolidated Financial Statements in this Form 10-Q and the Company believes the merger-related risk factors in the Form 10-K are no longer applicable.

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 purpose of funding the recipient's tax withholding obligations.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
January 2, 2015 through January 29, 2015	77,535	\$14.89	—	N/A
January 30, 2015 through February 26, 2015	—	N/A	—	N/A
February 27, 2015 through April 2, 2015	176	\$15.24	—	N/A

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

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Item 6. Exhibits

<u>Exhibit</u>	<u>Reference</u>	<u>Description</u>
10.1	*	Employment Agreement dated as of May 8, 2015, by and among National CineMedia, Inc., National CineMedia, LLC and Clifford E. Marks. +
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	*	Rule 13a-14(a) Certification of Principal Financial Officer.
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	*	XBRL Instance Document
101.SCH	*	XBRL Taxonomy Extension Schema Document
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

+ Management contract.

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: May 12, 2015

/s/ Kurt C. Hall

Kurt C. Hall

*President and Chief Executive Officer
(Principal Executive Officer)*

Date: May 12, 2015

/s/ David J. Oddo

David J. Oddo

*Senior Vice President, Finance and Interim Co-Chief Financial Officer
(Principal Financial Officer)*

Date: May 12, 2015

/s/ Jeffrey T. Cabot

Jeffrey T. Cabot

*Senior Vice President, Controller and Interim Co-Chief Financial
Officer (Principal Accounting Officer)*

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, (this "**Agreement**"), is made effective as of May 8, 2015, between National CineMedia, Inc., a Delaware corporation ("**NCM**" or the "**Company**"), and Clifford E. Marks (the "**Executive**").

RECITALS

A. The Executive currently serves as the President of Sales & Marketing for the Company and the terms of his employment are covered under the Employment Agreement between Executive and the Company effective as of February 13, 2007, as amended on January 1, 2009 (the "**Employment Agreement**").

B. NCM and the Executive desire to amend and restate the Employment Agreement in its entirety as set forth in this Agreement.

AGREEMENT

Executive and the Company agree as follows:

1. DEFINITIONS.

(a) **Base Salary** shall mean the annual salary provided for in Section 3 below, as adjusted from time to time.

(b) **Beneficiary** shall mean the person or persons named by the Executive pursuant to Section 19 below, or in the event no such person is named and survives the Executive, his estate.

(c) **Board** shall mean the Board of Directors of the Company, including any committee thereof authorized to exercise any powers of the Board in connection with the subject matter of this Agreement.

(d) **Cause** shall mean:

(i) the Executive's fraud, dishonesty, willful misconduct or deliberate injury to the Company or its affiliates or subsidiaries, in the performance of his duties hereunder; or

(ii) the Executive's intentional or grossly negligent refusal or failure to perform his duties consistent with his position with the Company; or

(iii) the Executive's conviction of a felony.

(e) **Disability** shall mean the illness or other mental or physical disability of the Executive, resulting in his failure to perform substantially his duties under this Agreement for a period of six or more consecutive months.

(f) **Spouse** shall mean, during the Term of Employment, the person who as of the relevant date is legally married to the Executive.

(g) **Term of Employment** shall mean the period specified in subsection 2(b) below.

2. TERM OF EMPLOYMENT, POSITIONS AND DUTIES.

(a) The Company hereby employs the Executive, and the Executive hereby accepts employment with the Company, in the position of President of Sales & Marketing of the Company and with the duties and responsibilities set forth below, and upon such other terms and conditions as are hereinafter stated.

(b) The Term of Employment shall commence on the Effective Date (as defined in Section 27) and shall terminate on December 31, 2017, and on each December 31 during the Term of Employment it shall be deemed that the Term of Employment has been extended by one year unless, prior to any such anniversary date, either the Executive or the Company notifies the other to the contrary.

(c) Until the date of his termination of employment hereunder, the Executive shall be employed as the President of Sales & Marketing of the Company and shall have the responsibilities assigned to him from time to time.

(d) Anything herein to the contrary notwithstanding, nothing shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, and (ii) engaging in charitable activities and community affairs; provided, however, that in the opinion of the Board or Chief Executive Officer such activities do not materially interfere with the proper performance of his duties and responsibilities specified in subsection 2(c) above and/or do not conflict with the Executive's obligations under Section 9 below.

3. BASE SALARY.

The Executive shall receive from the Company a Base Salary, payable in accordance with the regular payroll practices of the Company, of \$825,000 (but not less frequently than monthly). The Compensation Committee and the Board shall review the Base Salary no less often than annually; provided, however, that for calendar year 2016 Executive Base Salary shall be increased by not less than 2%.

4. ANNUAL BONUSES.

The Executive shall be eligible to receive annual bonuses during the Term of Employment, as determined by the Compensation Committee and the Board. The amount, time and form of payment of any bonus award to the Executive hereunder shall be determined under the Company's applicable performance bonus plan.

5. EXPENSE REIMBURSEMENT.

During the Term of Employment, the Executive shall be entitled to prompt reimbursement by the Company for all reasonable out-of-pocket expenses incurred by him in performing services under this Agreement, upon his submission of such accounts and records as may be required under Company policy.

6. OTHER BENEFITS.

The Executive shall receive such other benefits as are then customarily provided generally to the other officers of the Company and of its subsidiaries, as determined from time to time by the Board or the Chief Executive Officer, including, without limitation, paid vacation in accordance with the Company's practices as in effect from time to time.

7. EMPLOYEE BENEFIT PLANS.

The Executive shall be entitled to participate in all employee benefit plans and programs made available to other of the Company's executives having the same title or to its employees generally, as such plans or programs may be in effect from time to time, including, without limitation, Section 401(k) and related supplemental plans, group life insurance, accidental death and dismemberment insurance, travel accident insurance, hospitalization insurance, surgical insurance, major and excess major medical insurance, dental insurance, short-term and long-term disability insurance, sick leave (including salary continuation arrangements), holidays and any other employee benefit plans or programs that may be sponsored by the Company from time to time, including any plans that supplement the above-listed types of plans, whether funded or unfunded.

8. TERMINATION OF EMPLOYMENT.

(a) **Termination by Death.** In the event that the Executive's employment is terminated by death, his Beneficiary as defined in Section 19 hereof, shall be entitled to:

- (i) the Executive's Base Salary, at the rate in effect on the date of his death, through the end of the month in which his death occurs;
- (ii) any annual bonuses awarded for prior periods but not yet paid;

(iii) continuation of the medical benefits pursuant to COBRA to which he, his surviving Spouse and "eligible dependents" (as defined below) were entitled at the time of his death, for a period of one year following his death at the expense of the Company;

(iv) reimbursement in accordance with this Agreement of any business expenses incurred by the Executive but not yet paid to him on the date of his death; and

(v) other benefits to which he is then entitled in accordance with the applicable plans and programs of the Company.

“Eligible dependents” means dependents of the Executive who are eligible to receive medical benefits under the Company’s medical plan.

(b) **Termination Due to Disability.** The Company or the Executive may terminate the Executive’s employment due to Disability of the Executive, such termination to be effective 30 days after delivery of written notice thereof. In the event that the Executive’s employment is terminated due to Disability and in exchange for a release of claims against the Company, the Executive shall be entitled to:

(i) his Base Salary, at the rate in effect when he is terminated due to Disability, for a period of six months following such termination, offset by any payments that he receives under the Company’s long-term disability plan and any supplement thereto, whether funded or unfunded, that is adopted or provided by the Company for the Executive’s benefit;

(ii) any annual bonuses awarded for prior periods but not yet paid;

(iii) reimbursement in accordance with this Agreement of any business expenses incurred by the Executive but not yet paid to him on the date of his termination of employment; and

(iv) for a period of one year from the time of termination of employment, other benefits to which he is then entitled in accordance with applicable plans and programs of the Company.

In the case of the termination of the Executive’s employment for Disability, the Executive shall be entitled to receive the amounts described in clauses (i)-(iii) at the time and in the form provided in Section 8(i).

(c) **Termination by the Company for Cause.** In the event that the Executive’s employment is terminated for Cause, he shall only be entitled to:

(i) his Base Salary through the date of his termination for Cause;

(ii) any annual bonuses awarded but not yet paid;

(iii) reimbursement in accordance with this Agreement for any business expenses incurred by the Executive but not yet paid to him on the date of his termination of employment; and

(iv) other benefits accrued and earned by the Executive through the date of termination in accordance with applicable plans and programs of the Company.

(d) Termination Without Cause or Expiration of Term of Employment. A Termination Without Cause shall mean a termination of the Executive's employment by the Company other than due to death, Disability or for Cause, including termination of the Executive's employment by reason of the Company's refusal to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year at the end of the Term of Employment.

In the event of a Termination Without Cause and in exchange for a release of claims against the Company, the Executive shall be entitled to:

(i) his Base Salary, at the rate in effect on the date of his termination of employment, for 12 months, payable in accordance with the Company's normal payroll practices plus an amount equal to the most recent annual bonus awarded to the Executive under Section 4;

(ii) any annual bonuses awarded but not yet paid;

(iii) continued participation in all employee benefit plans or programs as in effect from time to time in which he was participating on the date of his termination of employment until the date he receives equivalent coverage in benefits from another employer, but in no event for a period longer than 12 months;

(iv) reimbursement in accordance with this Agreement for any business expenses incurred by the Executive but not yet paid to him on the date of his termination of employment; and

(v) other benefits (other than for the payment of severance) that are made available to employees of the Company in general upon termination of employment under similar circumstances in accordance with applicable severance plans and programs of the Company.

In the event that, under the terms of any employee benefit plan referred to in subsection 8(d)(iii) above, the Executive may not continue his participation, he shall be provided with the after-tax economic equivalent of the benefits provided under any plan in which he is unable to participate for the period specified in subsection 8(d)(iii) above.

(e) Termination for Good Reason. The Executive may elect to terminate his employment with the Company for Good Reason, which is defined in Section 8(i)(iv) by providing written notice thereof specifically citing this subsection 8(e).

In the event the Executive terminates his employment for Good Reason, and in exchange for a release of claims against the Company, the Executive shall be entitled to receive the benefits outlined in subsections 8(d)(i) through 8(d)(v).

(f) **Voluntary Resignation by the Executive.** The Executive may voluntarily terminate his employment with the Company at any time with or without notice and with or without reason. Such voluntary termination by the Executive shall include, without limitation, the Executive's decision not to renew this Agreement upon expiration of the Term of Employment if the Company offers to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year. In the event the Executive voluntarily terminates his employment, the Executive's salary shall cease on the termination date and the Executive will not be entitled to severance pay, pay in lieu of notice, or any other compensation other than payment of accrued salary and vacation and other benefits as expressly required in such event by applicable law or the terms of applicable benefit plans.

(g) **No Mitigation; No Offset.** In the event of any termination of employment under this Section 8, the Executive shall be under no obligation to seek other employment, and except as provided in subsection 8(d)(iii), he shall have no obligation to offset or repay any payments he receives under this Agreement by any payments he receives from a subsequent employer; provided, however, that (without limiting any rights of the Company for any breach of this Agreement under law, equity or otherwise), if the Executive engages in any Covered Activity (as defined in Section 9), any obligation of the Company to make payments to the Executive under Section 8 of this Agreement shall cease.

(h) **Nature of Payments.** Any amounts due under this Section 8 are in the nature of severance payments or liquidated damages or both, and shall fully compensate the Executive and his dependents or Beneficiary, as the case may be, for any and all direct damages and consequential damages that any of them may suffer as a result of termination of the Executive's employment, and they are not in the nature of a penalty.

(i) **Section 409A; Time and Form of Payments and Benefits.** The parties intend that each payment and benefit provided to the Executive upon his termination of employment, shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A or shall comply with the requirements of Section 409A. The purpose of this subsection 8(i) is to comply with, or be eligible for one or more exceptions from, the requirements of Section 409A.

(i) **Time and Form of Payment.** Each of the following amounts payable to the Executive under this Agreement shall constitute a separate payment for purposes of Section 409A:

(1) The amount of Base Salary payable pursuant to subsection 8(b)(i), and each installment thereof, shall constitute a separate payment defined as the "Disability Payment." The Disability Payment shall be paid in equal installments on the same date that the Company makes its normal payroll payments in accordance with the Company's payroll practices in effect for the

Executive on the Effective Date, provided, however, that if the six month delay in payment required by subsection 8(i)(iii) hereof applies, the installment payments for the first six months following the date of separation from service shall be withheld and paid on the first pay date that is more than six months following the date of separation from service. The first installment payment of the Disability Payment shall be made on the first pay date that is 60 days or more following the date of separation from service by the Executive, provided that the Executive must execute and not revoke a release of claims against the Company within such 60 day period.

(2) The amount of Base Salary payable pursuant to subsections 8(d)(i) or 8(e), and each installment thereof, shall constitute a separate payment defined as the "Severance Payment." The Severance Payment shall be paid in equal installments on the same date that the Company makes its normal payroll payments in accordance with the Company's payroll practices in effect for the Executive on the Effective Date, provided, however, that if the six month delay in payment required by subsection 8(i)(iii) hereof applies, the installment payments for the first six months following the date of separation from service shall be withheld and paid on the first pay date that is more than six months following the date of separation from service. The first installment payment of the Severance Payment shall be made on the first pay date that is 60 days or more following the date of separation from service by the Executive, provided that the Executive must execute and not revoke a release against the Company within such 60 day period.

(3) Any incentive bonus payable to the Executive pursuant to subsections 8(a)(ii), 8(b)(ii), 8(c)(ii), 8(d)(ii) or 8(e) shall be determined under the terms of the applicable performance bonus plan in which he participates (the "Bonus Plan") and shall constitute a separate payment defined as the "Accrued Bonus." The Accrued Bonus shall be paid in a lump sum payment no later than the 15th day of the third month following the later of (A) the end of the Company's taxable year or (B) the end of the calendar year to which the performance bonus relates, except as required by subsection 8(i)(iii) hereof, and provided further that the release required of the Executive shall have been executed and not revoked within the time period specified in subsections 1 and 2 above.

(ii) **Continuation of Benefits; Reimbursements.** For purposes of the Agreement, with respect to continued coverage or participation by the Executive in employee benefit plans and programs or reimbursement of expenses for the specified periods, the Agreement shall be interpreted as follows:

(1) **Continuation of Medical Benefits Following Death.** Payments by the Company for the continued medical benefits pursuant to COBRA for the Executive's surviving Spouse and "eligible dependents" set forth in subsection 8(a)(iii) shall be paid in monthly installments for the one year period following the death of the Executive consistent with the amount and time of

payment required under the applicable plan. The first such payment for continued medical benefits pursuant to COBRA shall be made on the first day of the month immediately following the month in which the Executive dies. The right to continued coverage shall not be subject to liquidation or exchange for another benefit.

(2) **Continuation of Benefits.** In lieu of, and in full satisfaction of, continued participation in all employee benefit plans or programs in which the Executive was participating on the date of his termination of employment, pursuant to subsection 8(b)(iv), 8(d)(iii) or 8(e) of this Agreement, the Executive shall receive payments at the same time, and subject to the same conditions, as the Severance Payments or the Disability Payments, as applicable, the "Benefit Payment", except as required by subsection 8(i)(iii) hereof. The amount of the Benefit Payment shall be determined as the sum of the Company payments or contributions on behalf of the Executive (and his family) under each such benefit plan for the immediately preceding calendar year, divided by 12 (the "Monthly Benefit Amount"). The Monthly Benefit Amount shall be paid for the number of months specified in the relevant subsection of Section 8 of the Agreement, as applicable, and shall be divided by the number of pay periods in each such month and the applicable portion of the Monthly Benefit Amount shall be paid at the same time as installment payments of Severance Payments or Disability Payments are made in accordance with this subsection 8(i).

(3) **Reimbursement of Expenses.** Section 5 and subsections 8(a)(iv), 8(b)(iii), 8(c)(iii), 8(d)(iv), and 8(e) provide for reimbursement of any business expenses incurred by the Executive prior to his separation from service (or death). The amount of any such reimbursement shall be paid to the Executive (or his beneficiary or estate) on or before December 31 of the calendar year following the calendar year in which the Executive incurred the eligible expenses. The amount of expenses eligible for reimbursement during any calendar year shall not affect the amount of expenses eligible or reimbursement in any other calendar year. The right to reimbursement shall not subject to liquidation or exchange for another benefit.

(iii) **Delay in Payment.** Notwithstanding anything contained in the Agreement to the contrary, if the Executive is deemed by the Company at the time of the Executive's "separation from service" with the Company to be a "specified employee," any "nonqualified deferred compensation" to which the Executive is entitled in connection with such separation from service after taking into account all applicable exceptions from Section 409A, shall not be paid or commence payment until the date which is the first business day following the six-month period after the Executive's separation from service (or if earlier, the Executive's death). Such delay in payment shall only be affected with respect to each separate payment to the extent required to avoid adverse tax treatment to the Executive under Section 409A. Any payments and benefits not subject to such delay, shall be paid pursuant to the time and form of payment specified as above. Any compensation which would have otherwise been paid during the delay period in the absence of this subsection 8(i)(iii) shall be paid to the Executive (or his beneficiary or estate) in a lump sum payment on the first business day following the expiration of the delay period.

(iv) **Good Reason.** The parties intend that the definition of Good Reason and the operation of subsection 8(e) be treated as an involuntary separation from service consistent with the requirements of Treasury Regulation § 1.409A-1(n). “**Good Reason**” shall mean the Executive’s resignation following a material diminution in the Executive’s authority, duties, or responsibilities without the written consent of the Executive. The Executive shall provide written notice to the Company within 90 days of the initial existence of the Good Reason condition. Upon receipt of such notice, the Company shall have a period of 20 days during which it may remedy the condition and not be required to pay the amounts.

(v) **Key Definitions.** For purposes of the Agreement, the term “termination of employment” shall mean “separation from service” and the terms “separation from service,” “specified employee” and “nonqualified deferred compensation” shall have the meanings ascribed to such terms pursuant to Section 409A and other applicable guidance.

9. COVENANTS AND CONFIDENTIAL INFORMATION.

(a) The Executive agrees that during the Term of Employment and for so long as he is entitled to receive any benefits or payments under this Agreement (but in no event for less than one year after the Term of Employment) and, as to subsection 9(a)(iii) below, at any time after the Term of Employment, he will not, directly or indirectly, do or suffer any of the following:

(i) Own, manage, control or participate in the ownership, management or control of, or be employed or engaged by or otherwise affiliated or associated as a consultant, independent contractor or otherwise with, any other corporation, partnership, proprietorship, firm, association or other business entity or otherwise engage in any business that competes with, the business of the Company or any of the Company’s affiliates or subsidiaries (as conducted on the date the Executive ceases to be employed by the Company in any capacity, including as a consultant) (collectively, the “**Covered Activities**”); provided, however, that the ownership of not more than 1% of the stock of any publicly traded corporation shall not be deemed a violation of this covenant; provided, further, however, that in the event of a Termination Without Cause, the Executive may engage in any Covered Activity if prior to accepting any such employment he enters into a confidentiality agreement with the Company in form and substance satisfactory to the Company in its sole discretion (it being agreed that such confidentiality agreement may be broader in scope than the provisions of this Agreement and that such confidentiality agreement is intended to protect the Company from any risks which may arise in connection with the specific prospective employment of the Executive).

(ii) Induce any person who is an employee, officer or agent of the Company or any of the Company's affiliates or subsidiaries to terminate said relationship.

(iii) Disclose, divulge, discuss, copy or otherwise use or suffer to be used in any manner in competition with, or contrary to the interests of, the Company or any of the Company's affiliates or subsidiaries, the customer lists, or trade secrets of the Company or any of the Company's affiliates or subsidiaries, it being acknowledged by the Executive that all such information regarding the business of the Company and the Company's affiliates or subsidiaries, compiled or obtained by, or furnished to, the Executive while the Executive shall have been employed by or associated with the Company is confidential information and the Company's exclusive property; provided, however, that this subsection 9(a)(iii) shall not apply to the disclosure by the Executive of confidential information (A) in the course of carrying out his duties under this Agreement or (B) when required to do so by a court of law, to any governmental agency having jurisdiction over the business of the Company and its subsidiaries or to any administrative body or legislative body (including a committee thereof) with jurisdiction to order him to divulge, discuss or make accessible such information.

(b) The Executive expressly agrees and understands that the remedy at law for any breach by him of this Section 9 will be inadequate and that the damages flowing from such breach are not readily susceptible of being measured in monetary terms. Accordingly, it is acknowledged that upon adequate proof of the Executive's violation of any legally enforceable provision of this Section 9, the Company shall be entitled to seek immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach (all as determined by a court of competent jurisdiction). Nothing in this Section 9 shall be deemed to limit the Company's remedies at law or in equity for any breach by the Executive of any of the provisions of this Section 9 that may be pursued or availed of by the Company.

(c) In the event that the Executive shall violate any legally enforceable provision of this Section 9 (as determined by a court of competent jurisdiction) as to which there is a specific time period during which he is prohibited from taking certain actions or from engaging in certain activities, as set forth in such provision, then such violation shall toll the running of that time period from the date of its commencement until the date of its cessation.

10. WITHHOLDING TAXES.

All payments to the Executive or his Beneficiary shall be subject to withholding on account of federal, state and local taxes as required by law. If any payment hereunder is insufficient to provide the amount of such taxes required to be withheld, the Company may withhold such taxes from any other payment due the Executive or his Beneficiary. In the event all cash payments due the Executive are insufficient to provide the required amount of such withholding taxes, the Executive or his Beneficiary, within five days after written notice from the Company, shall pay to the Company the amount of such withholding taxes in excess of all cash payments due the Executive or his Beneficiary.

11. INDEMNIFICATION.

The Company agrees to indemnify the Executive to the fullest extent permitted by applicable law consistent with the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of Company as in effect on the effective date of this Agreement with respect to any acts or non-acts he may have committed while he was an officer, director and/or employee (i) of the Company or any subsidiary thereof, or (ii) of any other entity if his service with such entity was at the request of the Company. This provision shall survive the termination of this Agreement.

12. EFFECT OF AGREEMENT ON OTHER BENEFITS.

Except as expressly set forth herein, the existence of this Agreement shall not prohibit or restrict the Executive's entitlement to participate fully in the executive compensation, benefit and other plans or programs of the Company in which senior executives are eligible to participate.

13. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to (i) a merger or consolidation in which the Company is not the continuing entity or (ii) sale or liquidation of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company each further agree that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will use its best efforts to cause such assignee or transferee expressly to assume the liabilities, obligations and duties of the Company hereunder. No obligations of the Executive under this Agreement may be assigned or transferred by the Executive.

14. REPRESENTATION.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between the Company and any other person, firm or organization.

15. ENTIRE AGREEMENT.

Except to the extent otherwise provided herein, this Agreement contains the entire understanding and agreement between the parties concerning the subject matter hereof and, as of the date hereof, supersedes any prior agreements, including, without limitation, the Employment Agreement whether written or oral, between the parties concerning the subject matter hereof.

16. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company. No waiver by any party of any breach by any other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

17. SEVERABILITY.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

18. SURVIVORSHIP.

The respective rights and obligations of the parties hereunder shall survive any termination of the Executive's employment with the Company to the extent necessary to the intended preservation of such rights and obligations as described in this Agreement.

19. BENEFICIARIES; REFERENCES.

The Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company (or, if applicable, any insurer of an insured benefit) written notice thereof in accordance with the terms of the plans and policies governing such compensation and benefits. In the event of the Executive's death or of a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed to refer to his beneficiary, and if the Executive shall not have designated a beneficiary, his estate.

20. GOVERNING LAW; JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of Colorado, without reference to principles of conflict of laws.

21. RESOLUTION OF DISPUTES.

(a) Any disputes arising under or in connection with this Agreement shall be resolved, in the Executive's discretion, by arbitration, to be held in Denver, Colorado, in accordance with the rules and procedures of the American Arbitration Association.

(b) All costs, fees and expenses, including attorneys' fees, of any arbitration or litigation in connection with this Agreement, including, without limitation, attorneys' fees of both the Executive and the Company, shall be borne by, and be the obligation of, the Company unless the Company shall substantially prevail, in which event the Executive shall be required to pay the costs and expenses incurred by him relating to such arbitration or litigation. The obligation of the Company under this Section 21 shall survive the termination for any reason of this Agreement (whether such termination is by the Company, by the Executive, upon the expiration of this Agreement or otherwise).

(c) Pending the outcome or resolution of any arbitration or litigation, the Company shall continue payment of all amounts due the Executive under this Agreement without regard to any dispute.

22. NOTICES.

Any notice given to any party shall be in writing and shall be deemed to have been given when delivered either personally, faxed, by overnight delivery service (such as Federal Express), or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at the address indicated below or to such changed address as such party may subsequently give such notice of:

If to the Company or the Board:

National CineMedia, LLC.
9110 East Nichols Avenue
Centennial, Colorado 80112
Attention: Chief Executive Officer
Fax: (303) 792-8649

If to the Executive:

Cliff Marks
22 E. 42nd Suite 511
New York, New York 10168
Fax: (212) 931-8120

23. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

24. SECTION 409A; DEFERRED COMPENSATION.

The parties intend that any amounts payable and benefits provided under this Agreement and the exercise of authority or discretion by the Company or by the Executive (a)

shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A; or (b) shall comply with the provisions of Section 409A, in both cases so as not to subject the Executive to the payment of additional taxes and interest that may be imposed under Section 409A. To the extent that any amount payable or benefit provided to the Executive would trigger the additional tax or interest imposed under Section 409A, the Company and the Executive agree to work together to modify the Agreement to the minimum extent necessary to reasonably comply with the requirements of Section 409A, provided that the Company shall not be required to assume any increased economic burden.

25. PERFORMANCE.

NCM Inc. hereby agrees that it shall be directly liable for the payment of all sums due hereunder.

26. COUNTERPARTS.

This Agreement may be executed in two or more counterparts.

27. EFFECTIVE DATE.

This Agreement shall be effective as of May 8, 2015 (the "**Effective Date**").

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates set forth below, to be effective as of the Effective Date.

NATIONAL CINEMEDIA, INC.

By: /s/ Kurt C. Hall
Kurt C. Hall
President and Chief Executive Officer

EXECUTIVE

/s/ Clifford E. Marks
Clifford E. Marks

CERTIFICATIONS

I, Kurt C. Hall, 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: May 12, 2015

/s/ Kurt C. Hall

Kurt C. Hall

President, Chief Executive Officer and Chairman
(Principal Executive Officer)

CERTIFICATIONS

I, David J. Oddo, 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: May 12, 2015

/s/ David J. Oddo

David J. Oddo

Senior Vice President, Finance and Interim Co-Chief Financial Officer

(Principal Financial Officer)

**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 April 2, 2015 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Kurt C. Hall, the President, Chief Executive Officer and Chairman 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: May 12, 2015

/s/ Kurt C. Hall

Kurt C. Hall

President, Chief Executive Officer and Chairman (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.

**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 April 2, 2015 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, David J. Oddo, the Senior Vice President, Finance and Interim Co-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: May 12, 2015

/s/ David J. Oddo

David J. Oddo

Senior Vice President, Finance and Interim Co-Chief Financial Officer

(Principal Financial 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.