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 June 30, 2022

or

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

For the transition period from to .

Commission file number: 001-33296

NATIONAL CINEMEDIA, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of August 4, 2022, 81,888,911 shares of the registrant's common stock (including unvested restricted shares), par value of $0.01 per share, were outstanding.

TABLE OF CONTENTS

PART I

Item 1. Financial Statements

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

	As of	
	June 30, 2022	December 30, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 73.1	$ 101.2
Short-term marketable securities	0.3	0.3
Receivables, net of allowance of $1.9 and $1.7, respectively	63.6	53.0
Other current assets and prepaid expenses	5.3	3.9
Total current assets	142.3	158.4
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of $55.6 and $59.9, respectively	13.5	21.3
Intangible assets, net of accumulated amortization of $257.6 and $245.6, respectively	603.3	606.3
Deferred tax assets, net of valuation allowance of $225.4 and $223.8, respectively	—	—
Other investments	0.7	0.8
Long-term marketable securities	1.0	1.0
Debt issuance costs, net	6.4	4.5
Other assets	22.7	25.1
Total non-current assets	647.6	659.0
TOTAL ASSETS	$ 789.9	$ 817.4
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members, net	$ 12.4	$ 11.8
Payable to founding members under tax receivable agreement (including payables to related parties of $0.4 and $0.0, respectively)	0.6	—
Accrued expenses	11.6	13.4
Accrued payroll and related expenses	7.8	7.9
Accounts payable	16.9	16.3
Deferred revenue	8.5	15.0
Short-term debt	220.2	3.2
Other current liabilities	2.2	2.2
Total current liabilities	280.2	69.8
NON-CURRENT LIABILITIES:		
Long-term debt, net of debt issuance costs of $9.2 and $10.5, respectively	900.4	1,094.3
Payable to founding members under tax receivable agreement (including payables to related parties of $15.5 and $11.9, respectively)	21.4	16.4
Other liabilities	19.2	20.4
Total non-current liabilities	941.0	1,131.1
Total liabilities	1,221.2	1,200.9
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
EQUITY/(DEFICIT):		
NCM, Inc. Stockholders' Equity/(Deficit):		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding, respectively	—	—
Common stock, $0.01 par value; 260,000,000 and 175,000,000 shares authorized, 81,492,426 and 80,626,889 issued and outstanding, respectively	0.8	0.8
Additional paid in capital/(deficit)	(190.5)	(195.5)
Retained earnings (distributions in excess of earnings)	(364.9)	(332.0)
Total NCM, Inc. stockholders' equity/(deficit)	(554.6)	(526.7)
Noncontrolling interests	123.3	143.2
Total equity/(deficit)	(431.3)	(383.5)
TOTAL LIABILITIES AND EQUITY/(DEFICIT)	$ 789.9	$ 817.4

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2022	**July 1, 2021**	**June 30, 2022**	**July 1, 2021**
REVENUE (including revenue from related parties of $4.6, $1.6, $7.4 and $2.0, respectively)	$ 67.1	$ 14.0	$ 103.0	$ 19.4
OPERATING EXPENSES:				
Advertising operating costs	8.3	3.2	13.0	4.7
Network costs	2.1	1.9	4.1	3.7
Theater access fees and revenue share to founding members (including fees to related parties of $16.9, $7.1, $29.8, and $8.4, respectively)	23.2	11.2	41.1	14.3
Selling and marketing costs	10.4	8.9	20.6	16.6
Administrative and other costs	9.7	9.6	19.4	19.8
Impairment of long-lived assets	—	—	5.8	—
Depreciation expense	1.5	2.6	3.5	5.9
Amortization of intangibles recorded for network theater screen leases	6.3	6.2	12.4	12.3
Total	61.5	43.6	119.9	77.3
OPERATING INCOME (LOSS)	5.6	(29.6)	(16.9)	(57.9)
NON-OPERATING EXPENSES (INCOME):				
Interest on borrowings	20.4	16.9	37.6	31.6
Interest income	(0.1)	(0.1)	(0.1)	(0.1)
(Gain) loss on modification and retirement of debt, net	(5.9)	0.4	(5.9)	0.8
(Gain) loss on re-measurement of the payable to founding members under the tax receivable agreement	(0.1)	0.1	6.3	(1.4)
Other non-operating (income) expense	(0.1)	—	(0.2)	0.1
Total	14.2	17.3	37.7	31.0
LOSS BEFORE INCOME TAXES	(8.6)	(46.9)	(54.6)	(88.9)
Income tax expense	—	—	—	—
CONSOLIDATED NET LOSS	(8.6)	(46.9)	(54.6)	(88.9)
Less: Net loss attributable to noncontrolling interests	(7.9)	(24.2)	(28.7)	(46.8)
NET LOSS ATTRIBUTABLE TO NCM, INC.	$ (0.7)	$ (22.7)	$ (25.9)	$ (42.1)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NCM, INC.	$ (0.7)	$ (22.7)	$ (25.9)	$ (42.1)
NET LOSS PER NCM, INC. COMMON SHARE:				
Basic	$ (0.01)	$ (0.28)	$ (0.32)	$ (0.53)
Diluted	$ (0.01)	$ (0.28)	$ (0.32)	$ (0.53)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	81,467,651	80,115,377	81,254,152	79,298,366
Diluted	81,467,651	80,115,377	81,254,152	79,298,366

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 30, 2022	**July 1, 2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	$ (54.6)	$ (88.9)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Depreciation expense	3.5	5.9
Amortization of intangibles recorded for network theater screen leases	12.4	12.3
Non-cash share-based compensation	3.0	4.8
Impairment of long-lived assets	5.8	—
Amortization of debt issuance costs	4.5	1.9
(Gain) loss on modification and retirement of debt, net	(5.9)	0.8
Non-cash loss (gain) on re-measurement of the payable to founding members under the tax receivable agreement	6.3	(1.4)
Other	(0.2)	(0.1)
Founding member integration and other encumbered theater payments	1.5	0.1
Payment to the founding members under tax receivable agreement (including payments to related parties of $0.0 and $0.6, respectively)	—	(0.9)
Other cash flows from operating activities	(0.3)	—
Changes in operating assets and liabilities:		
Receivables, net	(10.6)	4.4
Accounts payable and accrued expenses (including payments to related parties of $0.0 and $0.6, respectively)	0.6	1.0
Amounts due to/from founding members, net	0.4	2.3
Deferred revenue	(6.5)	1.2
Other, net	(0.3)	(5.0)
Net cash used in operating activities	(40.4)	(61.6)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1.5)	(2.9)
Net cash used in investing activities	(1.5)	(2.9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(7.0)	(8.8)
Issuance of revolving credit facility	50.0	—
Issuance of term loans	—	50.0
Repayment of Notes due 2028	(19.8)	—
Repayment of term loan facility	(2.4)	(1.5)
Payment of debt issuance costs	(6.8)	(6.7)
Repurchase of stock for restricted stock tax withholding	(0.2)	(1.4)
Net cash provided by financing activities	13.8	31.6
CHANGE IN CASH AND CASH EQUIVALENTS:	(28.1)	(32.9)
Cash and cash equivalents at beginning of period	101.2	180.3
Cash and cash equivalents at end of period	$ 73.1	$ 147.4

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 30, 2022	**July 1, 2021**
Supplemental disclosure of non-cash financing and investing activity:		
Purchase of an intangible asset with NCM LLC equity	$ 10.4	$ 14.1
Purchase of subsidiary equity with NCM, Inc. equity	$ —	$ 6.6
Increase in dividend equivalent accrual not requiring cash in the period	$ 0.5	$ 0.9
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 35.0	$ 29.2
Cash payments (refunds) for income taxes	$ 0.1	$ (0.1)

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

		NCM, Inc.				
		Common Stock				
	Consolidated	Shares	Amount	Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
Balance—April 1, 2021	$ (299.3)	80,017,551	$ 0.8	$ (198.9)	$ (290.3)	$ 189.1
Income tax and other impacts of NCM LLC ownership changes	(0.2)	—	—	0.2	—	(0.4)
Comprehensive loss, net of tax	(46.9)	—	—	—	(22.7)	(24.2)
Share-based compensation issued	(0.3)	221,200	—	(0.3)	—	—
Share-based compensation expensed/capitalized	2.1	—	—	1.4	—	0.7
Cash dividends declared $0.05 per share	(4.4)	—	—	—	(4.4)	—
Balance—July 1, 2021	$ (349.0)	80,238,751	$ 0.8	$ (197.6)	$ (317.4)	$ 165.2
Balance—March 31, 2022	$ (421.4)	81,403,872	$ 0.8	$ (191.5)	$ (361.4)	$ 130.7
Comprehensive loss, net of tax	(8.6)	—	—	—	(0.7)	(7.9)
Share-based compensation issued	(0.1)	88,554	—	(0.1)	—	—
Share-based compensation expensed/capitalized	1.6	—	—	1.1	—	0.5
Cash dividends declared $0.03 per share	(2.8)	—	—	—	(2.8)	—
Balance—June 30, 2022	$ (431.3)	81,492,426	$ 0.8	$ (190.5)	$ (364.9)	$ 123.3

		NCM, Inc.				
		Common Stock				
	Consolidated	Shares	Amount	Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
Balance—December 31, 2020	$ (268.6)	78,040,818	$ 0.8	$ (207.5)	$ (266.4)	$ 204.5
NCM LLC equity issued for purchase of intangible asset	14.1	—	—	6.8	—	7.3
Income tax and other impacts of NCM LLC ownership changes	(0.3)	—	—	0.9	—	(1.2)
Issuance of shares	6.6	1,390,567	—	6.6	—	—
NCM LLC common membership unit redemption	(6.6)	—	—	(6.6)	—	—
Comprehensive loss, net of tax	(88.9)	—	—	—	(42.1)	(46.8)
Share-based compensation issued	(1.4)	807,366	—	(1.4)	—	—
Share-based compensation expensed/capitalized	5.0	—	—	3.6	—	1.4
Cash dividends declared $0.10 per share	(8.9)	—	—	—	(8.9)	—
Balance—July 1, 2021	$ (349.0)	80,238,751	$ 0.8	$ (197.6)	$ (317.4)	$ 165.2
Balance—December 30, 2021	$ (383.5)	80,626,889	$ 0.8	$ (195.5)	$ (332.0)	$ 143.2
NCM LLC equity issued for purchase of intangible asset	10.4	—	—	4.9	—	5.5
Income tax and other impacts of NCM LLC ownership changes	0.6	—	—	(1.7)	—	2.3
Comprehensive loss, net of tax	(54.6)	—	—	—	(25.9)	(28.7)
Share-based compensation issued	(0.2)	865,537	—	(0.2)	—	—
Share-based compensation expensed/capitalized	3.0	—	—	2.0	—	1.0
Cash dividends declared $0.08 per share	(7.0)	—	—	—	(7.0)	—
Balance—June 30, 2022	$ (431.3)	81,492,426	$ 0.8	$ (190.5)	$ (364.9)	$ 123.3

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

1. THE COMPANY

Description of Business

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

The Company operates the largest cinema advertising network reaching movie audiences in the U.S. and sells advertising under long-term exhibitor service agreements ("ESAs") with the founding members and with certain third-party network affiliates, under long-term network affiliate agreements. As previously disclosed, the COVID-19 pandemic has had a significant impact on the world and the Company's business as the United States' government and other state and local governments issued restrictions on travel, public gatherings and other events and issued social distancing guidelines. These and subsequent developments are referred to as the "COVID-19 Pandemic." All of the theaters within the Company's network are open and the release of major motion pictures has resumed since the third quarter of 2021 resulting in the highest theater attendance since the start of the COVID-19 Pandemic. Despite the increase in network attendance, in-theater advertising revenue for the year ended December 30, 2021 and the six months ended June 30, 2022 remained below historical levels due to the lag between the recovery of attendees and advertisers.

On September 17, 2019, NCM LLC entered into amendments to the ESAs with Cinemark and Regal (collectively, the "2019 ESA Amendments"). The 2019 ESA Amendments extended the contract life of the ESAs with Cinemark and Regal by four years resulting in a weighted average remaining term of the ESAs with the founding members (weighted based upon pre-COVID-19 attendance levels) of approximately 17.2 years as of June 30, 2022. The network affiliate agreements expire at various dates between August 2022 and December 2037. The weighted average remaining term of the ESAs and the network affiliate agreements together is 15.0 years as of June 30, 2022 (weighted based upon pre-COVID-19 attendance levels).

As of June 30, 2022, NCM LLC had 171,821,666 common membership units outstanding, of which 81,492,426 (47.4%) were owned by NCM, Inc., 40,683,797 (23.7%) were owned by Regal, 43,690,797 (25.4%) were owned by Cinemark and 5,954,646 (3.5%) were owned by AMC. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis.

Basis of Presentation

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

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

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

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

The Company has borrowings under two Revolving Credit Facilities with $217.0 million outstanding as of June 30, 2022, that mature on June 20, 2023 (see Note 6). The Company does not have available liquidity to repay the full outstanding balance on the date of maturity. Under the Credit Agreement, failure to repay borrowings under the Revolving Credit Facilities at maturity would result in an event of default for the term loans, which would allow a majority of the lenders under the Credit Agreement to accelerate the maturity of the principal amounts of outstanding term loans to become due and payable. It would also result in an event of default for the senior notes, which would allow the indenture trustee or senior note holders of each tranche of senior notes to accelerate the maturity to become due and payable. The Company does not have available liquidity to repay any accelerated principal of term loans or tranches of the outstanding senior notes upon an event of default within one year after the date that the financial statements are issued. Additionally, the Company does not expect to meet its financial covenants within one year following the date that these financial statements are issued. If these financial covenants are not met a majority of the lenders of the Senior Secured Credit Facility are permitted under the Credit Agreement to accelerate the debt which would also result in an event of default for the senior notes. In this event, the Company would not be able to repay the Company’s total outstanding debt balance. These conditions and events raise substantial doubt about the Company’s ability to continue as a going concern. In response to these conditions, management’s plans include amending NCM LLC’s Revolving Credit Facilities to extend the maturity dates, amending its Senior Secured Credit Facility to extend a waiver of these financial covenants, or obtaining additional debt financing through a loan from third parties, and/or NCM, Inc. Management expects to conclude one of these alternatives; however, there can be no assurance that the Company will be successful in completing any of these options. As a result, management’s plan cannot be considered probable and thus does not alleviate the substantial doubt about the Company’s ability to continue as a going concern.

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

Significant Accounting Policies

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

Revenue Recognition—The Company derives revenue principally from the advertising business, which includes advertising through its on-screen cinema network, lobby network (LEN) and lobby promotions in theaters, and on websites, mobile applications and out-of-home locations owned by NCM LLC and other companies. Revenue is recognized over time as the customer receives the benefits provided by NCM LLC’s advertising services and the Company has the right to payment for performance to date. The Company considers the terms of each arrangement to determine the appropriate accounting treatment. The Company has changed the classification of the make good provision, retrospectively, to now be included within “Deferred Revenue” on the unaudited Consolidated Balance Sheet rather than “Accrued Expenses” as of June 30, 2022.

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

The Company had no agencies through which it sourced advertising revenue that accounted for more than 10% of the Company's gross outstanding receivable balance as of June 30, 2022. The Company had one agency through which it sourced advertising revenue that accounted for 15.7% of the Company's gross outstanding receivable balance as of December 30, 2021. During the three and six months ended June 30, 2022, the Company had one customer that accounted for more than 14.8% and 15.3% of the Company's revenue, respectively. During the three and six months ended July 1, 2021, the Company had one customer that accounted for 14.1% and 11.3% of the Company's revenue, respectively.

Long-lived Assets—The Company assesses impairment of long-lived assets pursuant to ASC 360 – *Property, Plant and Equipment*. This includes determining whether certain triggering events have occurred that could affect the value of an asset. The Company recorded losses of $0.0 million, $0.0 million, $5.8 million and $0.0 million related to the write-off of certain internally developed software during the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, respectively.

Share-Based Compensation—The Company has issued stock options, restricted stock, and restricted stock units to certain employees and its independent directors. The restricted stock and restricted stock unit grants for Company management vest upon the achievement of Company performance measures and/or service conditions, while non-management grants vest only upon the achievement of service conditions. Compensation expense of restricted stock and restricted stock units that vest upon the achievement of Company performance measures is based on management's financial projections and the probability of achieving the projections, which require considerable judgment. A cumulative adjustment is recorded to share-based compensation expense in periods that management changes its estimate of the number of shares of restricted stock and restricted stock units expected to vest. Ultimately, the Company adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. Dividends are accrued when declared on unvested restricted stock and restricted stock units that are expected to vest and are only paid with respect to shares that actually vest. On January 19, 2022, March 2, 2021 and February 28, 2021, the Company's Board of Directors approved certain modifications to equity awards awarded under the Company's 2016 Equity Incentive Plan and 2020 Omnibus Equity Incentive Plan to adjust performance metrics, vesting amount and future performance goals in light of the COVID-19 Pandemic resulting in incremental share-based compensation expense of $0.1 million, $0.2 million, $0.3 million and $1.5 million for the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, respectively. During the three months ended June 30, 2022 and July 1, 2021 and the six months ended June 30, 2022 and July 1, 2021, 89,375, 281,810, 925,128 and 1,125,539 shares of restricted stock and restricted stock units vested, respectively.

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

	Three Months Ended		Six Months Ended	
	June 30, 2022	July 1, 2021	June 30, 2022	July 1, 2021
Net loss attributable to NCM, Inc.	$ (0.7)	$ (22.7)	$ (25.9)	$ (42.1)
NCM LLC equity issued for purchase of intangible asset	—	—	4.9	6.8
Income tax and other impacts of subsidiary ownership changes	—	0.2	(1.7)	0.9
NCM LLC common membership unit redemption	—	—	—	(6.6)
Issuance of shares to founding members	—	—	—	6.6
Change from net loss income attributable to NCM, Inc. and transfers from noncontrolling interests	$ (0.7)	$ (22.5)	$ (22.7)	$ (34.4)

Recently Adopted Accounting Pronouncements

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

Recently Issued Accounting Pronouncements

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

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

2. REVENUE FROM CONTRACTS WITH CUSTOMERS AND ACCOUNTS RECEIVABLE

Revenue Recognition

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

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

The Company does not have any contracts with customers with terms in excess of one year that are noncancellable as of June 30, 2022. Agreements with a duration less than one year are not included within this disclosure as the Company elected to use the practical expedient in ASC 606-10-50-14 for those contracts. In addition, the Company’s other contracts longer than one year that are cancellable are not included within this disclosure.

Disaggregation of Revenue

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

The following table summarizes revenue from contracts with customers for the three months and six months ended June 30, 2022 and July 1, 2021 (in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2022	July 1, 2021	June 30, 2022	July 1, 2021
National advertising revenue	$ 50.7	$ 8.6	$ 77.0	$ 11.8
Local and regional advertising revenue	10.5	3.3	16.6	5.0
Founding member advertising revenue from beverage concessionaire agreements	5.9	2.1	9.4	2.6
Total revenue	$ 67.1	$ 14.0	$ 103.0	$ 19.4

Deferred Revenue and Unbilled Accounts Receivable

Revenue recognized in the six months ended June 30, 2022 that was included within the Deferred Revenue balance as of December 30, 2021 was $8.3 million. As of June 30, 2022 and December 30, 2021, the Company had $8.0 million and $4.4 million in unbilled accounts receivable, respectively.

Allowance for Doubtful Accounts

The allowance for doubtful accounts balance is determined separately for each pool of the Company's receivables with similar risk characteristics. The Company has determined that two pools, national customers and local/regional customers, is appropriate. The changes within the allowance for doubtful accounts balances for the six months ended June 30, 2022 and July 1, 2021, respectively, were as follows (in millions):

	Six Months Ended			
	June 30, 2022		July 1, 2021	
	Allowance for National Customer Receivables	Allowance for Local/ Regional Customer Receivables	Allowance for National Customer Receivables	Allowance for Local/ Regional Customer Receivables
Balance at beginning of period	0.3	1.4	0.2	2.1
Provision for bad debt	—	0.6	—	(0.3)
Write-offs, net	(0.2)	(0.2)	—	(0.4)
Balance at end of period	0.1	1.8	0.2	1.4

3. LOSS PER SHARE

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

	Three Months Ended		Six Months Ended	
	June 30, 2022	July 1, 2021	June 30, 2022	July 1, 2021
Net loss attributable to NCM, Inc. (in millions)	$ (0.7)	$ (22.7)	$ (25.9)	$ (42.1)
Weighted average shares outstanding:				
Basic	81,467,651	80,115,377	81,254,152	79,298,366
Add: Dilutive effect of stock options, restricted stock and exchangeable membership units	—	—	—	—
Diluted	81,467,651	80,115,377	81,254,152	79,298,366
Loss per NCM, Inc. share:				
Basic	$ (0.01)	$ (0.28)	$ (0.32)	$ (0.53)
Diluted	$ (0.01)	$ (0.28)	$ (0.32)	$ (0.53)

The effect of 90,374,744, 86,084,305, 88,281,544 and 85,307,817 weighted average exchangeable NCM LLC common units held by the founding members for the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, respectively, have been excluded from the calculation of diluted weighted average shares and loss per NCM, Inc. share as they were anti-dilutive. NCM LLC common units do not participate in dividends paid on NCM, Inc.’s common stock. In addition, there were 6,442,164, 4,376,000, 6,442,164 and 4,376,000 stock options and non-vested (restricted) shares for the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, respectively, excluded from the calculation as they were anti-dilutive. The Company’s non-vested (restricted) shares do not meet the definition of a participating security as the dividends will not be paid if the shares do not vest.

4. INTANGIBLE ASSETS

Intangible assets consist of contractual rights to provide the Company’s services within the theaters of the founding members and network affiliates and are stated at cost, net of accumulated amortization. The Company’s intangible assets with its founding members are recorded at the fair market value of NCM, Inc.’s publicly traded stock as of the date on which the common membership units were issued. The NCM LLC common membership units are fully convertible into NCM, Inc.’s common stock. In addition, the Company records intangible assets for up-front fees paid to network affiliates upon commencement of a network affiliate agreement. The Company’s intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs or the term of the network affiliate agreement. During the fourth quarter of 2021, the Company determined that recent adverse changes in macroeconomic trends, reduced cash flows as a consequence of the temporary, and sometimes permanent, closure of the theaters within the Company's network in response to the COVID-19 Pandemic, a decline in the fair value of NCM LLC’s debt and the further sustained decline in the market price of NCM, Inc.'s common stock constituted a triggering event for certain of its intangible assets under *Accounting Standards Certification No. 360, Impairment and Disposal of Long-Lived Assets.* Management considered possible scenarios in a probability-weighted estimated future undiscounted cash flow analysis, including the potential of further delays in major motion picture releases, a delay in audience return to the theaters and other potential adverse impacts to certain of NCM LLC's founding members' and affiliates' financial liquidity related to the COVID-19 Pandemic. The estimated future cash flows from the ESAs calculated within the probability-weighted analyses were in excess of the net book value of these intangible assets and no impairment charges were recorded in the year ended December 30, 2021. Such analysis required management to make estimates and assumptions based on historical data and consideration of future market conditions. Given the uncertainty inherent in any projection, heightened by the possibility of unforeseen additional effects of the COVID-19 Pandemic, including potential adverse impacts to NCM LLC's founding members' and affiliates' financial liquidity, actual results may differ from the estimates and assumptions used, or conditions may change, which could result in impairment charges in the future.

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

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

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

Integration Payments and Other Encumbered Theater Payments—If an existing on-screen advertising agreement with an alternative provider is in place with respect to any acquired theaters (“encumbered theaters”), the founding members may elect to receive common membership units related to those encumbered theaters in connection with the Common Unit Adjustment. If the founding members make this election, then they are required to make payments on a quarterly basis in arrears in accordance with certain run-out provisions pursuant to the ESAs (“integration payments”). Because the Carmike Cinemas, Inc. (“Carmike”) theaters acquired by AMC are subject to an existing on-screen advertising agreement with an alternative provider, AMC makes integration payments to NCM LLC. The integration payments will continue until the earlier of (i) the date the theaters are transferred to NCM LLC’s network or (ii) the expiration of the ESA. Integration payments are calculated based upon the advertising cash flow that the Company would have generated if it had exclusive access to sell advertising in the theaters with pre-existing advertising agreements. The ESAs additionally entitle NCM LLC to payments related to the founding members’ on-screen advertising commitments under their beverage concessionaire agreements for encumbered theaters. These payments are also accounted for as a reduction to the intangible assets. During the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, the Company recorded a reduction to net intangible assets of $1.1 million, $0.2 million, $1.3 million and $0.2 million, respectively, related to other encumbered theater payments. During the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, AMC and Cinemark paid a total of $0.3 million, $0.1 million, $1.5 million and $0.1 million, respectively, in integration and other encumbered theater payments (as payments are made one quarter and one month in arrears, respectively). If common membership units are issued to a founding member for newly acquired theaters that are subject to an existing on-screen advertising agreement with an alternative provider, the amortization of the intangible asset commences after the existing agreement expires and NCM LLC can utilize the theaters for all of its services.

5. RELATED PARTY TRANSACTIONS

Founding Member Transactions—In connection with NCM, Inc.’s initial public offering (“IPO”), the Company entered into several agreements to define and regulate the relationships among NCM, Inc., NCM LLC and the founding members which are outlined below. AMC has owned less than 5% of NCM LLC since July 2018 and is no longer a related party. AMC remains a party to the ESA, Common Unit Adjustment Agreement, Tax Receivable Agreement (“TRA”) and certain other original agreements and is a member under the terms of the NCM LLC operating agreement, subject to fulfilling the requirements of Section 3.1 of the NCM LLC operating agreement. AMC will continue to participate in the annual Common Unit Adjustment and receive available cash distributions or allocation of earnings and losses in NCM LLC (as long as its ownership is greater than zero), TRA payments and theater access fees. Further, AMC will continue to pay beverage revenue, among other things. AMC's ownership percentage does not impact future integration payments and other encumbered theater payments owed to NCM LLC by AMC. As of June 30, 2022, AMC’s ownership was 3.5% on an as converted to NCM, Inc.’s common stock basis.

The material agreements with the founding members are as follows:

- **ESAs.** Under the ESAs, NCM LLC is the exclusive provider within the United States of advertising services in the founding members’ theaters (subject to pre-existing contractual obligations and other limited exceptions for the benefit of the founding members). The advertising services include the use of the digital content network (“DCN”) equipment required to deliver the on-screen advertising and other content included in the *Noovie®* pre-show, use of the LEN and rights to sell and display certain lobby promotions. Further, NCM LLC’s founding members have elected to purchase 30 seconds to 60 seconds of advertising, out of the 90 seconds allowed for under the ESA, in the *Noovie* pre-show to satisfy the founding members’ on-screen advertising commitments under their beverage concessionaire agreements. In consideration for access to the founding members’ theaters, theater patrons, the network equipment required to display on-screen and LEN video advertising and the use of theaters for lobby promotions, the founding members receive a monthly theater access fee. In conjunction with the 2019 ESA Amendments, NCM LLC agreed to pay Cinemark and Regal incremental monthly theater access fees and, subject to NCM LLC's use of specified inventory, a revenue share in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film beginning November 1, 2019, and the underlying term of the ESAs were extended until 2041. The ESAs and 2019 ESA Amendments with Cinemark and Regal are considered leases with related parties under ASC 842.

- **Common Unit Adjustment Agreement.** The Common Unit Adjustment Agreement provides a mechanism for increasing or decreasing the membership units held by the founding members based on the acquisition or construction of new theaters or sale or closure of theaters that are operated by each founding member and included in NCM LLC’s network.

- **Tax Receivable Agreement.** The TRA provides for the effective payment by NCM, Inc. to the founding members of 90% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that is actually realized as a result of certain increases in NCM, Inc.’s proportionate share of tax basis in NCM LLC’s tangible and intangible assets resulting from the IPO and related transactions.

- **Software License Agreement.** At the date of the Company’s IPO, NCM LLC was granted a perpetual, royalty-free license from NCM LLC’s founding members to use certain proprietary software that existed at the time for the delivery of digital advertising and other content through the DCN to screens in the U.S. NCM LLC has made improvements to this software since the IPO date and NCM LLC owns those improvements, except for improvements that were developed jointly by NCM LLC and NCM LLC’s founding members, if any.

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

	Three Months Ended		Six Months Ended	
Included in the unaudited Condensed Consolidated Statements of Income:	**June 30, 2022**	**July 1, 2021**	**June 30, 2022**	**July 1, 2021**
Revenue:				
Beverage concessionaire revenue (included in advertising revenue) *(1)*	$ 4.6	$ 1.6	$ 7.4	$ 2.0
Operating expenses:				
Theater access fee and revenue share to founding members *(2)*	$ 16.9	$ 7.1	$ 29.8	$ 8.4
Advertising operating costs *(3)*	$ —	$ —	$ —	$ 0.1

(1) For the three and six months ended June 30, 2022 and July 1, 2021, Cinemark and Regal purchased 60 seconds of on-screen advertising time from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a 30

seconds equivalent CPM rate specified by the ESA. Beverage revenue was limited for periods of reduced attendance due to the COVID-19 Pandemic.

(2) Comprised of payments per theater attendee, payments per digital screen with respect to the founding member theaters included in the Company's network and payments for access to higher quality digital cinema equipment. Following the 2019 ESA Amendments this also includes payments to Cinemark and Regal for their share of the revenue from the sale of an additional single unit that is either 30 or 60 seconds of the *Noovie* pre-show in the trailer position directly prior to the "attached" trailers preceding the feature film (the "Platinum Spot"). Theater access fees and revenue share expenses were reduced for periods of reduced attendance due to the COVID-19 Pandemic.

(3) Includes purchase of movie tickets, concession products, rental of theater space primarily for marketing to NCM LLC's advertising clients and other payments made to the founding members in the ordinary course of business.

	As of	
Included in the unaudited Condensed Consolidated Balance Sheets:	**June 30, 2022**	**December 30, 2021**
Common unit adjustments and ESA extension costs, net of amortization and integration payments (included in intangible assets) *(1)*	$ 586.6	$ 589.6
Current payable to founding members under tax receivable agreement *(2)*	$ 0.4	$ —
Long-term payable to founding members under tax receivable agreement *(2)*	$ 15.5	$ 11.9

(1) Refer to Note 4—*Intangible Assets* for further information on common unit adjustments and integration payments. This balance includes common unit adjustments issued to all of the founding members (including AMC) as the Company's intangible balance is considered one asset inclusive of all common unit adjustment activity.

(2) The Company paid Cinemark and Regal $0.2 million and $0.4 million during 2021, respectively, in payments pursuant to the TRA which were for the 2019 tax year.

Pursuant to the terms of the NCM LLC operating agreement in place since the completion of the Company's IPO, NCM LLC is required to make mandatory distributions on a proportionate basis to its members of available cash, as defined in the NCM LLC operating agreement, on a quarterly basis in arrears. Due to the continued recovery from the COVID-19 Pandemic during the six months ended June 30, 2022 and decrease in 2021 in-theater advertising revenue, the mandatory distributions of available cash by NCM LLC to its related party founding members and NCM, Inc. for the three months ended June 30, 2022 were calculated as negative $6.0 million (including negative $1.6 million for Cinemark, negative $1.5 million for Regal and negative $2.9 million for NCM, Inc.). The mandatory distributions of available cash by NCM LLC to its related party founding members and NCM, Inc. for the six months ended June 30, 2022 were calculated as negative $32.2 million (including negative $8.5 million for Cinemark, negative $7.9 million for Regal and negative $15.8 million for NCM, Inc.). Therefore, there will be no payment made for the second quarter of 2022. Under the terms of the NCM LLC operating agreement, these negative amounts will be netted against future positive available cash distributions after the extended covenant waiver holiday, contingent upon the Company's compliance with the covenants outlined within the Credit Agreement Third Amendment defined within Note 6—*Borrowings* and in accordance with the NCM LLC operating agreement.

Amounts due to related party founding members, net, as of June 30, 2022 were comprised of the following (in millions):

	Cinemark	**Regal**	**Total**
Theater access fees and revenue share, net of beverage revenues and other encumbered theater payments	$ 2.3	$ 2.8	$ 5.1
Cost and other reimbursement	4.9	—	4.9
Total amounts due to founding members, net	$ 7.2	$ 2.8	$ 10.0

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

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

AC JV, LLC Transactions—In December 2013, NCM LLC sold its Fathom Events business to a newly formed limited liability company, AC JV, LLC, owned 32% by each of the founding members and 4% by NCM LLC. The Company accounts for its investment in AC JV, LLC under the equity method of accounting in accordance with ASC 323-30, *Investments—Equity Method and Joint Ventures* (“ASC 323-30”) because AC JV, LLC is a limited liability company with the characteristics of a limited partnership and ASC 323-30 requires the use of equity method accounting unless the Company’s interest is so minor that it would have virtually no influence over partnership operating and financial policies. Although NCM LLC does not have a representative on AC JV, LLC’s Board of Directors or any voting, consent or blocking rights with respect to the governance or operations of AC JV, LLC, the Company concluded that its interest was more than minor under the accounting guidance. The Company’s investment in AC JV, LLC was $0.7 million and $0.7 million as of June 30, 2022 and December 30, 2021, respectively. During the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, NCM LLC received cash distributions from AC JV, LLC of $0.1 million, $0.0 million, $0.2 million and $0.0 million, respectively. Equity in earnings (losses) from AC JV, LLC of $0.1 million, $0.0 million, $0.2 million and $(0.1) million for the three months and six months ended June 30, 2022 and July 1, 2021, respectively, is included in “Other non-operating income” in the unaudited Condensed Consolidated Statements of Income.

6. BORROWINGS

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

Borrowings	Outstanding Balance as of June 30, 2022	Outstanding Balance as of December 30, 2021	Maturity Date	Interest Rate
Revolving credit facility 2018	$ 167.0	$ 167.0	June 20, 2023	*(1)*
Revolving credit facility 2022	50.0	—	June 20, 2023	*(1)*
Term loans - first tranche	259.2	261.2	June 20, 2025	*(1)*
Term loans - second tranche	49.4	49.8	December 20, 2024	*(1)*
Senior secured notes due 2028	374.2	400.0	April 15, 2028	5.875%
Senior unsecured notes due 2026	230.0	230.0	August 15, 2026	5.750%
Total borrowings	1,129.8	1,108.0		
Less: debt issuance costs and debt discounts related to term loans and senior notes	(9.2)	(10.5)		
Total borrowings, net	1,120.6	1,097.5		
Less: current portion of debt	(220.2)	(3.2)		
Carrying value of long-term debt	$ 900.4	$ 1,094.3		

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

Senior Secured Credit Facility—NCM LLC's credit agreement, as amended, (the "Credit Agreement") consists of a term loan facility and a revolving credit facility. As of June 30, 2022, NCM LLC's senior secured credit facility consisted of a $175.0 million revolving credit facility, a $259.2 million term loan (first tranche) and a $49.4 million term loan (second tranche). The obligations under the senior secured credit facility are secured by a lien on substantially all of the assets of NCM LLC.

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

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

The senior secured credit facility contains a number of covenants and various financial ratio requirements including, (i) a consolidated net total leverage ratio covenant of 6.25 times for each quarterly period and (ii) with respect to the revolving credit facility, maintaining a consolidated net senior secured leverage ratio of equal to or less than 4.50 times on a quarterly basis for each quarterly period in which a balance is outstanding on the revolving credit facility, each of which has been modified by the Credit Agreement Third Amendment. Pursuant to the terms of the Credit Agreement Third Amendment, NCM LLC is restricted from making available cash distributions until after NCM LLC delivers a compliance certificate for the quarter ending on or about December 28, 2023, and, thereafter, NCM LLC may only make available cash distributions if: (i) no default or event of default under the Credit Agreement has occurred and is continuing; (ii) the consolidated net senior secured leverage ratio is equal to or less than 4.00 to 1.00; and (iii) the aggregate principal amount of all outstanding revolving loans under the Credit Agreement is $39.0 million or less. As of June 30, 2022, NCM LLC was in compliance with the requirements of the Credit Agreement Third Amendment described above and the noncompliance with the financial covenants was automatically waived.

Term Loans—First Tranche—The interest rate on the initial tranche of term loans was originally a rate chosen at NCM LLC's option of either the LIBOR index plus 3.00% or the base rate plus 2.00%. The rate increased from LIBOR index plus 2.75% or the base rate plus 1.75%. The interest rate on the term loans as of June 30, 2022 was 5.69%. The term loans amortize at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of June 30, 2022, NCM LLC has paid principal of $10.8 million, reducing the outstanding balance to $259.2 million.

Term Loans—Second Tranche—The interest rate on the second tranche of term loans is the LIBOR index plus 8.00%. The interest rate on the term loans as of June 30, 2022 was 9.69%. The term loans amortize at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of June 30, 2022, NCM LLC has paid principal of $0.6 million, reducing the outstanding balance to $49.4 million.

Revolving Credit Facility 2018—The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. During March 2020, NCM LLC drew down an additional $110.0 million on the revolving credit facility to fund operations during the period of expected disrupted cash flows due to the temporary closure of the theaters within NCM LLC's network due to the COVID-19 Pandemic. As of June 30, 2022, NCM LLC's total availability under the $175.0 million revolving credit facility was $6.8 million, net of $167.0 million outstanding and $1.2 million in letters of credit. The unused line fee is 0.50% per annum which is consistent with the previous facility. Borrowings under the revolving credit facility bear interest at NCM LLC's option of either the LIBOR index plus an applicable margin ranging from 1.75% to 2.25% or the base rate plus an applicable margin ranging from 0.75% to 1.25%. The margin changed to the aforementioned range from a fixed margin of LIBOR index plus 2.00% or the base rate plus 1.00%. The applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC (the ratio of secured funded debt less unrestricted cash and cash equivalents of up to $100.0 million, divided by Adjusted EBITDA for debt purposes, defined as NCM LLC's net income before depreciation and amortization expense adjusted to also exclude non-cash share based compensation costs for NCM LLC plus integration payments received). The weighted-average interest rate on the revolving credit facility as of June 30, 2022 was 5.10%.

Revolving Credit Facility 2022—On January 5, 2022, NCM LLC also entered into a new revolving credit agreement (the "Revolving Credit Agreement 2022"). The Revolving Credit Agreement 2022 provides for revolving loan commitments of $50.0 million of secured revolving loans, the entire amount of which was funded on January 5, 2022. The Revolving Credit Agreement 2022 provides for (i) a cash interest rate of term Secured Overnight Financing Rate (SOFR) plus 8.00%, with a 1.00% floor, (ii) a maturity date of June 20, 2023 and (iii) a termination premium if NCM LLC terminates the commitments under the Revolving Credit Agreement 2022 at any time before maturity. The Revolving Credit Agreement 2022 also contains covenants, representations and warranties and events of default that are substantially similar to the Credit Agreement. As of June 30, 2022, NCM LLC's total availability under the $50.0 million revolving credit facility was $0.0 million. The weighted-average interest rate on the revolving credit facility as of June 30, 2022 was 9.11%.

Senior Unsecured Notes due 2026—On August 19, 2016, NCM LLC completed a private placement of $250.0 million in aggregate principal amount of 5.750% Senior Unsecured Notes (the "Notes due 2026") for which the registered exchange offering was completed on November 8, 2016. The Notes due 2026 pay interest semi-annually in arrears on February 15 and August 15 of each year, which commenced on February 15, 2017. The Notes due 2026 were issued at 100% of the face amount thereof and are the senior unsecured obligations of NCM LLC. NCM LLC repurchased and canceled a total of $20.0 million of the Notes due 2026 during 2019 and 2018, reducing the principal amount to $230.0 million as of June 30, 2022.

Senior Secured Notes due 2028—On October 8, 2019, NCM LLC completed a private offering of $400.0 million aggregate principal amount of 5.875% Senior Secured Notes due 2028 (the "Notes due 2028") to eligible purchasers. The Notes due 2028 will mature on April 15, 2028. Interest on the Notes due 2028 accrues at a rate of 5.875% per annum and is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2020. The Notes due 2028 were issued at 100% of the face amount thereof and share in the same collateral that secures NCM LLC's obligations under the senior secured credit facility. In the quarter ended June 30, 2022, NCM Inc. purchased $25.8 million of the Notes due 2028 on the open market, reducing the principal amount owed by NCM LLC to third parties to $374.2 million as of June 30, 2022 and resulting in a $6.0 million gain on extinguishment of debt in the second quarter.

7. INCOME TAXES

Changes in the Company's Effective Tax Rate—The Company recorded income tax expense of $0.0 million for the six months ended June 30, 2022 and for the six months ended July 1, 2021 resulting in an effective tax rate of 0.0% for both periods. The Company recorded a full valuation allowance on its net deferred tax assets as of December 30, 2021 following the determination it was more-likely-than-not that the Company will not be able to realize the benefit of those assets. The Company maintained a full valuation allowance as of June 30, 2022, resulting in deferred tax expense of $0.0 million for the six months ended June 30, 2022 and the Company's effective tax rate of 0.0%.

8. COMMITMENTS AND CONTINGENCIES

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

Operating Commitments - Facilities—The Company has entered into operating lease agreements for its corporate headquarters and other regional offices. The Company has right-of-use ("ROU") assets of $17.8 million and short-term and long-term lease liabilities of $2.2 million and $19.3 million, respectively, on the balance sheet as of June 30, 2022 for all material leases with terms longer than twelve months. These balances are included within "Other assets", "Other current liabilities" and "Other liabilities", respectively, on the unaudited Condensed Consolidated Balance Sheets. As of June 30, 2022, the Company had a weighted average remaining lease term of 7.1 years on these leases. When measuring the ROU assets and lease liabilities recorded, the Company utilized its incremental borrowing rate in order to determine the present value of the lease payments as the leases do not provide an implicit rate. The Company used the rate of interest that it would have paid to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. As of June 30, 2022, the Company's weighted average annual discount rate used to establish the ROU assets and lease liabilities was 7.4%.

During the three months ended June 30, 2022 and July 1, 2021, the Company recognized the following components of total lease cost (in millions). These costs are presented within "Selling and marketing costs" and "Administrative and other costs" within the unaudited Condensed Consolidated Statements of Income depending upon the nature of the use of the facility.

	Three Months Ended		Six Months Ended	
	June 30, 2022	July 1, 2021	June 30, 2022	July 1, 2021
Operating lease cost	$ 0.9	$ 0.9	$ 1.7	$ 1.8
Variable lease cost	0.1	0.1	0.3	0.2
Total lease cost	$ 1.0	$ 1.0	$ 2.0	$ 2.0

The Company made total lease payments of $1.0 million, $1.1 million, $1.9 million and $2.0 million during the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, respectively. These payments are included within cash flows from operating activities within the unaudited Condensed Consolidated Statement of Cash Flows.

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

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

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

The network affiliates compensation is considered variable lease expense and varies by circuit depending upon the agreed upon terms of the network affiliate agreement. The majority of agreements are centered around a revenue share where an agreed upon percentage of the advertising revenue received from a theater’s attendance is paid to the circuit. As part of the network affiliate agreements entered into in the ordinary course of business under which the Company sells advertising for display in various network affiliate theater chains, the Company has agreed to certain minimum revenue guarantees on a per attendee basis. If a network affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. As of June 30, 2022, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is $113.2 million over the remaining terms of the network affiliate agreements. These minimum guarantees relate to various affiliate agreements ranging in term from three years to twenty years, prior to any renewal periods of which some are at the option of the Company. The Company accrued $0.5 million and $0.4 million related to affiliate agreements with guaranteed minimums in excess of the revenue share agreement as of June 30, 2022 and December 30, 2021, respectively. As the guaranteed minimums are based upon agreed upon minimum attendance or affiliate revenue levels, the Company will not incur minimum revenue share fees during a period of time the minimum theater attendance or revenue levels are not met by the affiliate.

9. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Other investments consisted of the following (in millions):

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

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

During the three months ended June 30, 2022 and July 1, 2021 and six months ended June 30, 2022 and July 1, 2021, the Company recorded impairment charges of $0.0 million, $0.0 million, $0.1 million and $0.0 million, respectively, on certain of its investments due to new information regarding the fair value of the investee, which brought the total remaining value of the respective impaired investments to $0.1 million as of June 30, 2022. As of June 30, 2022, no other observable price changes or impairments have been recorded as a result of the Company's qualitative assessment of identified events or changes in the circumstances of the remaining investments. The investment in AC JV, LLC was initially valued using comparative market multiples. The other investments were recorded based upon the fair value of the services provided in exchange for the investment. As the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, they have been classified as Level 3 in the fair value hierarchy.

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

	As of June 30, 2022		As of December 30, 2021	
	Carrying Value	Fair Value *(1)*	Carrying Value	Fair Value *(1)*
Term loans - first tranche	$ 259.2	$ 208.7	$ 261.2	$ 236.4
Term loans - second tranche	$ 49.4	$ 44.2	$ 49.8	$ 48.1
Notes due 2026	$ 230.0	$ 111.6	$ 230.0	$ 179.4
Notes due 2028	$ 374.2	$ 265.2	$ 400.0	$ 357.0

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

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

		Fair Value Measurements at Reporting Date Using		
	Fair Value as of June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents *(1)*	$ 13.1	$ 13.1	$ —	$ —
Short-term marketable securities *(2)*	0.3	—	0.3	—
Long-term marketable securities *(2)*	1.0	—	1.0	—
Total assets	$ 14.4	$ 13.1	$ 1.3	$ —

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

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

(2) *Short-Term and Long-Term Marketable Securities*—The carrying amount and fair value of the marketable securities are equivalent since the Company accounts for these instruments at fair value. The Company's government agency bonds, commercial paper and certificates of deposit are valued using third party broker quotes. The value of the Company's government agency bonds is derived from quoted market information. The inputs in the valuation are classified as Level 1 if there is an active market for these securities; however, if an active market does not exist, the inputs are recorded at a lower level in the fair value hierarchy. The value of commercial paper and certificates of deposit is derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. As of June 30, 2022 and December 30, 2021, there were $1.0 million and $1.0 million, respectively, of available-for-sale debt securities in unrealized loss positions without an allowance for credit losses. The Company has not recorded an allowance for credit losses for the marketable securities balance as of June 30, 2022 or December 30, 2021 given the immaterial difference between the amortized cost basis and the aggregate fair value of the Company's securities.

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

	As of June 30, 2022		
	Amortized Cost Basis (in millions)	**Aggregate Fair Value (in millions)**	**Maturities *(1)* (in years)**
MARKETABLE SECURITIES:			
Short-term certificates of deposit	$ 0.3	$ 0.3	0.4
Total short-term marketable securities	0.3	0.3	
Long-term certificates of deposit	$ 1.0	$ 1.0	1.5
Total long-term marketable securities	1.0	1.0	
Total marketable securities	$ 1.3	$ 1.3	

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

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

10. SUBSEQUENT EVENT

On August 8, 2022, the Company declared a cash dividend of $0.03 per share (approximately $2.4 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 August 22, 2022 to be paid on September 6, 2022.

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" and statements related to the impact of the current COVID-19 Pandemic on our business 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" below and in our annual report on Form 10-K for the Company's fiscal year ended December 30, 2021. Among other risks, we face significant risk and volatility related to the COVID-19 Pandemic as discussed in this report. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. The following discussion and analysis is a supplement to and should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein and the audited financial statements and other disclosure included in our annual report on Form 10-K for the Company's fiscal year ended December 30, 2021. In the following discussion and analysis, the term net income refers to net income attributable to NCM, Inc.

Overview

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

We present two different formats of our *Noovie* pre-show depending on the theater circuit in which it runs. In Regal and Cinemark and a portion of our network affiliates' theaters, the *Noovie* pre-show now includes Post-Showtime advertising inventory after the advertised showtime consisting of (1) the lights down segment that runs for five minutes after the advertised showtime with trailer lighting and (2) the 30- or 60-second Platinum Spot. As of June 30, 2022, theaters presenting the new *Noovie* pre-show format with Post-Showtime Inventory made up approximately 58% of our network. All other NCM network theater circuits, which make up the remaining 42% of our network, present the Classic *Noovie* pre-show, which ends approximately at the advertised movie showtime when the movie trailers begin. The movie trailers that run before the feature film are not part of our *Noovie* preshow.

We also sell advertising on our LEN, a series of strategically placed screens located in movie theater lobbies, as well as other forms of advertising and promotions in theater lobbies. In addition, we sell online and mobile advertising through our *Noovie* Audience Accelerator*,* across our suite of *Noovie* digital properties, including *Noovie* Trivia, *Noovie* Shuffle, *Name That Movie*® and *Noovie* ARcade*,* as well as a variety of complementary out of home venues, including restaurants and convenience stores, in order to reach entertainment audiences beyond the theater. As of June 30, 2022, over 7.1 million moviegoers have downloaded our mobile apps. These downloads and the acquisition of second- and third-party data have resulted in data sets of approximately 328.7 million as of June 30, 2022. We have long-term ESAs (approximately 17.2 weighted average years remaining) with the founding members and multi-year agreements with our network affiliates, which expire at various dates between August 2022 and December 2037. The weighted average remaining term of the ESAs and the network affiliate agreements is 15.0 years as of June 30, 2022. The ESAs and network affiliate agreements grant NCM LLC exclusive rights in their theaters to sell advertising, subject to limited exceptions. Our *Noovie* pre-show and LEN programming are distributed predominantly via satellite through our proprietary digital content network ("DCN").

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

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

Recent Developments

COVID-19 Impact and Outlook—The COVID-19 Pandemic has had and continues to have a significant impact on the world and our business.

All of the theaters within the Company's network have reopened and the release of major motion pictures has resumed since the third quarter of 2021 resulting in the highest attendance numbers within our network since the start of the COVID-19 Pandemic. Despite the increase in network attendance, in-theater advertising revenue for the year ended December 30, 2021 and the six months ended June 30, 2022 remained below historical levels due to the lag between the recovery of attendees and advertisers. The movie slate for 2022 improved, while experiencing impacts from post-production delays, and attendance levels are approaching historical levels. Variants of the COVID-19 virus continue to circulate throughout the United States and could impact consumer behavior.

To ensure sufficient liquidity during the recovery from the impacts of the COVID-19 Pandemic, we managed our liquidity position through various cost control methods discussed further within the "Financial Condition and Liquidity" section below. Since the beginning of the COVID-19 Pandemic, the Company has significantly reduced payroll related costs through a combination of temporary measures as well as a headcount reduction of approximately 44% as of June 30, 2022, as compared to headcount levels prior to the COVID-19 Pandemic. Our theater access fees, network affiliate payments and Platinum Spot revenue share payments are driven by attendance, active screens and/or in-theater advertising revenue, and therefore, were not incurred for the duration of time that the theaters were closed and attendance-based fees will continue to be reduced for the period of time that attendance is lower than historical levels. We were still required to pay these screen-based fees when theaters were open, which were reduced for months where screens were in use for only part of the month.

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

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

Summary Historical and Operating Data

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

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

	Q2 2022	Q2 2021	YTD 2022	YTD 2021	% Change Q2 2021 to Q2 2022	% Change YTD 2021 to YTD 2022
Revenue	$ 67.1	$ 14.0	$ 103.0	$ 19.4	379.3 %	430.9 %
Operating expenses:						
Advertising	39.0	20.7	70.3	31.2	88.4 %	125.3 %
Network, administrative and unallocated costs	22.5	22.9	49.6	46.1	(1.7)%	7.6 %
Total operating expenses	61.5	43.6	119.9	77.3	41.1 %	55.1 %
Operating income (loss)	5.6	(29.6)	(16.9)	(57.9)	(118.9)%	(70.8)%
Non-operating expenses	14.2	17.3	37.7	31.0	(17.9)%	21.6 %
Income tax expense	—	—	—	—	— %	— %
Net loss attributable to noncontrolling interests	(7.9)	(24.2)	(28.7)	(46.8)	(67.4)%	(38.7)%
Net loss attributable to NCM, Inc.	$ (0.7)	$ (22.7)	$ (25.9)	$ (42.1)	(96.9)%	(38.5)%
Net loss per NCM, Inc. basic share	$ (0.01)	$ (0.28)	$ (0.32)	$ (0.53)	(96.4)%	(39.6)%
Net loss per NCM, Inc. diluted share	$ (0.01)	$ (0.28)	$ (0.32)	$ (0.53)	(96.4)%	(39.6)%
Adjusted OIBDA	$ 15.1	$ (18.7)	$ 8.2	$ (34.9)	(180.7)%	(123.5)%
Adjusted OIBDA margin	22.5 %	(133.6)%	8.0 %	(179.9)%	156.1 %	187.9 %
Total theater attendance (in millions) *(1)*	124.2	49.1	200.2	62.9	153.0 %	218.3 %

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

Non-GAAP Financial Measures

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

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

	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Operating income (loss)	$ 5.6	$ (29.6)	$ (16.9)	$ (57.9)
Depreciation expense	1.5	2.6	3.5	5.9
Amortization of intangibles recorded for network theater screen leases	6.3	6.2	12.4	12.3
Share-based compensation costs *(1)*	1.7	2.1	3.0	4.8
Impairment of long-lived assets *(2)*	—	—	5.8	—
Sales force reorganization costs *(3)*	—	—	0.4	—
Adjusted OIBDA	$ 15.1	$ (18.7)	$ 8.2	$ (34.9)
Total revenue	$ 67.1	$ 14.0	$ 103.0	$ 19.4
Adjusted OIBDA margin	22.5 %	(133.6)%	8.0 %	(179.9)%

(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) The impairment of long-lived assets primarily relates to the write down of certain internally developed software no longer in use.
(3) Sales force reorganization costs represents redundancy costs associated with changes to the Company's sales force implemented during the first quarter of 2022.

Our Network—The change in the number of screens in our network by the founding members and network affiliates during the six months ended June 30, 2022 was as follows.

	Number of screens		
	Founding Members	Network Affiliates	Total
Balance as of December 30, 2021	16,436	4,304	20,740
Closures, net of openings *(1)*	(20)	(86)	(106)
Balance as of June 30, 2022	16,416	4,218	20,634

(1) Represents the closure of 106 screens, net of new screens added, across our founding members and network affiliates.

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

Basis of Presentation

The results of operations data for the three months ended June 30, 2022 (second quarter of 2022) and July 1, 2021 (second quarter of 2021) and the six months ended June 30, 2022 and July 1, 2021 was derived from the unaudited Condensed Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the accompanying notes.

Results of Operations

Second Quarter of 2022 and Second Quarter of 2021

Revenue. Total revenue increased 379.3%, from $14.0 million for the second quarter of 2021 to $67.1 million for the second quarter of 2022. The following is a summary of revenue by category (in millions):

	Q2 2022	Q2 2021	$ Change Q2 2021 to Q2 2022	% Change Q2 2021 to Q2 2022
National advertising revenue	$ 50.7	$ 8.6	$ 42.1	489.5 %
Local and regional advertising revenue	10.5	3.3	7.2	218.2 %
Founding member advertising revenue from beverage concessionaire agreements	5.9	2.1	3.8	181.0 %
Total revenue	$ 67.1	$ 14.0	$ 53.1	379.3 %

The following table shows data on theater attendance and revenue per attendee for the three months ended June 30, 2022 and July 1, 2021:

	Q2 2022	Q2 2021	% Change Q2 2021 to Q2 2022
National advertising revenue per attendee	$ 0.408	$ 0.175	133.1 %
Local and regional advertising revenue per attendee	$ 0.085	$ 0.067	26.9 %
Total advertising revenue (excluding founding member beverage revenue) per attendee	$ 0.493	$ 0.242	103.7 %
Total revenue per attendee	$ 0.540	$ 0.285	89.5 %
Total theater attendance (in millions) *(1)*	124.2	49.1	153.0 %

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

National advertising revenue. National advertising revenue increased by $42.1 million, or 489.5%, from $8.6 million for the second quarter of 2021 to $50.7 million for the second quarter of 2022. The increase was due to a significant increase in impressions sold and a 48.1% increase in national advertising CPMs (excluding beverage) in the second quarter of 2022, compared to the second quarter of 2021. The increase in impressions sold was primarily due to an increase in network attendance and an increase in national advertising utilization due to the increased movie slate and return of advertisers to the network in the second quarter of 2022.

Local and regional advertising revenue. Local and regional advertising revenue increased by $7.2 million, or 218.2%, from $3.3 million for the second quarter of 2021. The increase in local and regional advertising revenue was driven by a significant increase in network attendance primarily due to an increase in movie slate in the second quarter of 2022, compared to the second quarter of 2021.

Founding member beverage revenue. National advertising revenue from the founding members' beverage concessionaire agreement increased $3.8 million, or 181.0%, from $2.1 million for the second quarter of 2021 to $5.9 million for the second quarter of 2022. The increase was due to a 160.2% increase in founding member attendance for the second quarter of 2022, compared to the second quarter of 2021 as the movie slate and box office remained dormant from COVID-19 related closures and restrictions. Additionally, increases in beverage revenue CPMs in 2022, compared to 2021, contributed to the increase as well.

Operating expenses. Total operating expenses increased $17.9 million, or 41.1%, from $43.6 million for the second quarter of 2021 to $61.5 million for the second quarter of 2022. The following table shows the changes in operating expense for the second quarter of 2022 (in millions):

	Q2 2022	Q2 2021	$ Change Q2 2021 to Q2 2022	% Change Q2 2021 to Q2 2022
Advertising operating costs	$ 8.3	$ 3.2	$ 5.1	159.4 %
Network costs	2.1	1.9	0.2	10.5 %
Theater access fees and revenue share—founding members	23.2	11.2	12.0	107.1 %
Selling and marketing costs	10.4	8.9	1.5	16.9 %
Administrative and other costs	9.7	9.6	0.1	1.0 %
Depreciation expense	1.5	2.6	(1.1)	(42.3)%
Amortization of intangibles recorded for network theater screen leases	6.3	6.2	0.1	1.6 %
Total operating expenses	$ 61.5	$ 43.6	$ 17.9	41.1 %

Advertising operating costs. Advertising operating costs increased $5.1 million, or 159.4%, from $3.2 million for the second quarter of 2021 to $8.3 million for the second quarter of 2022. The majority of the increase was due to $5.0 million of higher advertising affiliate expense, which was driven by improved revenue for the second quarter of 2022, as compared to the second quarter of 2021.

Network costs. Network costs increased $0.2 million, or 10.5%, from $1.9 million for the second quarter of 2021 to $2.1 million for the second quarter of 2022. This increase was primarily due to a $0.2 million increase in personnel related expenses from the reinstatement of full salaries to employees in the first quarter of 2022, compared to the second quarter of 2021 when temporary salary and wage reductions were in place.

Theater access fees and revenue share—founding members. Theater access fees and revenue share increased from $11.2 million for the second quarter of 2021 to $23.2 million for the second quarter of 2022. This increase was primarily due to the substantial increase in theater attendance for the second quarter of 2022 as compared to the second quarter of 2021, resulting in $8.1 million of additional expense. Additionally, $3.1 million of the increase was associated with the founding member digital screens which were partially not in use in the second quarter of 2021 and a $0.8 million increase in platinum revenue share in the second quarter of 2022, compared to the second quarter of 2021.

Selling and marketing costs. Selling and marketing costs increased $1.5 million, or 16.9%, from $8.9 million for the second quarter of 2021 to $10.4 million for the second quarter of 2022. This increase was primarily due to a $0.6 million increase in personnel related expenses from the reinstatement of full salaries to employees in the first quarter of 2022, compared to the second quarter of 2021 when temporary salary and wage reductions were in place, a $0.5 million expense increase related to increasing market activity and a $0.5 million increase in the allowance for doubtful accounts driven by the increase in revenue in the second quarter of 2022, compared to the second quarter of 2021. These increases were partially offset by a $0.2 million decrease in publisher expense for the second quarter of 2022, compared to the second quarter of 2021.

Administrative and other costs. Administrative and other costs remained stable with an increase of $0.1 million, or 1.0%, from $9.6 million for the second quarter of 2021 to $9.7 million for the second quarter of 2022.

Depreciation expense. Depreciation expense decreased $1.1 million, or 42.3%, from $2.6 million for the second quarter of 2021 to $1.5 million in the second quarter of 2022, primarily due to the write-off of internally developed software in the first quarter of 2022.

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

Non-operating expenses. Total non-operating expenses decreased $3.1 million, or 17.9%, from $17.3 million for the second quarter of 2021 to $14.2 million for the second quarter of 2022. The following table shows the changes in non-operating expense for the second quarter of 2022 and the second quarter of 2021 (in millions):

		Q2 2022		Q2 2021		$ Change Q2 2021 to Q2 2022	% Change Q2 2021 to Q2 2022
Interest on borrowings	$	20.4	$	16.9	$	3.5	20.7 %
Interest income		(0.1)		(0.1)		—	— %
(Gain) loss on modification and retirement of debt, net		(5.9)		0.4		(6.3)	(1575.0)%
(Gain) loss on the re-measurement of the payable to founding members under the tax receivable agreement		(0.1)		0.1		(0.2)	(200.0)%
Other non-operating (income) expense		(0.1)		—		(0.1)	(100.0)%
Total non-operating expenses	$	14.2	$	17.3	$	(3.1)	(17.9)%

The decrease in non-operating expense was primarily due to a $6.3 million increase in the gain on the modification and retirement of debt driven by NCM Inc.'s purchase of $25.8 million of the Notes due 2028 on the open market, reducing the principal amount owed by NCM LLC to third parties as of June 30, 2022. This was partially offset by a $0.2 million increase in the gain on the re-measurement of the payable to founding members under the TRA related to the increase in our payable to the founding members under the TRA resulting from an increase in projected taxable income before TRA deductions for the year ended December 29, 2022. The increase was also due to a $3.5 million increase in interest on borrowings primarily related to the issuance of the New Revolving Credit Agreement in January of 2022.

Net Loss. Net loss decreased $22.0 million from net loss of $22.7 million for the second quarter of 2021 to $0.7 million for the second quarter of 2022. The decrease in net loss was due to a $35.2 million increase in operating income and a $3.1 million decrease in non-operating expense, offset by a $16.3 million decrease in net loss attributable to noncontrolling interests.

Six months ended June 30, 2022 and July 1, 2021

Revenue. Total revenue increased 430.9%, from $19.4 million for the six months ended July 1, 2021 to $103.0 million for the six months ended June 30, 2022. The following is a summary of revenue by category (in millions):

	Six Months Ended				$ Change		% Change
		June 30, 2022		July 1, 2021		YTD 2021 to YTD 2022	YTD 2021 to YTD 2022
National advertising revenue	$	77.0	$	11.8	$	65.2	552.5 %
Local and regional advertising revenue		16.6		5.0		11.6	232.0 %
Founding member advertising revenue from beverage concessionaire agreements		9.4		2.6		6.8	261.5 %
Total revenue	$	103.0	$	19.4	$	83.6	430.9 %

The following table shows data on theater attendance and revenue per attendee for the six months ended June 30, 2022 and July 1, 2021:

	Six Months Ended				% Change
		June 30, 2022		July 1, 2021	YTD 2021 to YTD 2022
National advertising revenue per attendee	$	0.385	$	0.188	104.8 %
Local and regional advertising revenue per attendee	$	0.083	$	0.079	5.1 %
Total advertising revenue (excluding founding member beverage revenue) per attendee	$	0.468	$	0.267	75.3 %
Total revenue per attendee	$	0.514	$	0.308	66.9 %
Total theater attendance (in millions) *(1)*		200.2		62.9	218.3 %

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

National advertising revenue. National advertising revenue increased by $65.2 million, or 552.5%, from $11.8 million for the six months ended July 1, 2021 to $77.0 million for the six months ended June 30, 2022. The increase was due to a significant increase in impressions sold and a 41.4% increase in national advertising CPMs for the six months ended

June 30, 2022, compared to the six months ended July 1, 2021. The increase in impressions sold was primarily due to an increase in network attendance and an increase in national advertising utilization due to the increased movie slate and return of advertisers to the network in the second quarter of 2022.

Local and regional advertising revenue. Local and regional advertising revenue increased by $11.6 million, or 232.0%, from $5.0 million for the six months ended July 1, 2021 to $16.6 million for the six months ended June 30, 2022. The increase in local and regional advertising revenue was due primarily to our network being fully reopened for the six months ended June 30, 2022, considering that 40% of our network remained closed for three of the six months ended July 1, 2021. The increase was also driven by a significant increase in network attendance primarily due to an increase in movie slate in the six months ended June 30, 2022, compared the six months ended July 1, 2021.

Founding member beverage revenue. National advertising revenue from the founding members' beverage concessionaire agreement increased $6.8 million, or 261.5%, from $2.6 million for the six months ended July 1, 2021 to $9.4 million for the six months ended June 30, 2022. The increase was due to a 230.9% increase in founding member attendance for the six months ended June 30, 2022, compared to the six months ended July 1, 2021 and an increase in beverage revenue CPMs in 2022, compared to 2021.

Operating expenses. Total operating expenses increased $42.6 million, or 55.1%, from $77.3 million for the six months ended July 1, 2021 to $119.9 million for the six months ended June 30, 2022. The following table shows the changes in operating expense for the six months ended June 30, 2022 and July 1, 2021 (in millions):

	Six Months Ended		$ Change	% Change
	June 30, 2022	July 1, 2021	YTD 2021 to YTD 2022	YTD 2021 to YTD 2022
Advertising operating costs	$ 13.0	$ 4.7	$ 8.3	176.6 %
Network costs	4.1	3.7	0.4	10.8 %
Theater access fees and revenue share—founding members	41.1	14.3	26.8	187.4 %
Selling and marketing costs	20.6	16.6	4.0	24.1 %
Administrative and other costs	19.4	19.8	(0.4)	(2.0)%
Impairment of long-lived assets	5.8	—	5.8	(100.0)%
Depreciation expense	3.5	5.9	(2.4)	(40.7)%
Amortization of intangibles recorded for network theater screen leases	12.4	12.3	0.1	0.8 %
Total operating expenses	$ 119.9	$ 77.3	$ 42.6	55.1 %

Advertising operating costs. Advertising operating costs increased $8.3 million, or 176.6%, from $4.7 million for the six months ended July 1, 2021 to $13.0 million for the six months ended June 30, 2022. The majority of the increase was due to $8.1 million of higher advertising affiliate expense, which was driven by improved revenue for the six months ended June 30, 2022, compared to the six months ended July 1, 2021.

Network costs. Network costs increased $0.4 million, or 10.8%, from $3.7 million for the six months ended July 1, 2021 to $4.1 million for the six months ended June 30, 2022. The increase was primarily related to a $0.3 million increase in personnel related costs due to the reinstatement of full salaries to all employees in the first quarter of 2022 impacting the six months ended June 30, 2022, compared to the six months ended July 1, 2021 when temporary salary and wage reductions were in place.

Theater access fees and revenue share—founding members. Theater access fees and revenue share increased from $14.3 million for the six months ended July 1, 2021 to $41.1 million for the six months ended June 30, 2022. This increase was primarily due to $14.5 million caused by the substantial increase in theater attendance for the six months ended June 30, 2022, as compared to the six months ended July 1, 2021. Additionally, $11.2 million of the increase in the expense was associated with the founding member digital screens which were partially not in use in the six months ended July 1, 2021 and a $1.1 million increase in platinum revenue share in the six months ended June 30, 2022, compared to the six months ended July 1, 2021.

Selling and marketing costs. Selling and marketing costs increased $4.0 million, or 24.1%, from $16.6 million for the six months ended July 1, 2021 to $20.6 million for the six months ended June 30, 2022. This increase was primarily due to a $1.7 million expense increase related to increasing market activity, a $1.5 million increase in personnel related expenses from the reinstatement of full salaries to employees in the first quarter of 2022 impacting the six months ended June 30, 2022, compared to the six months ended July 1, 2021 when temporary salary and wage reductions were in place and a $1.0 million increase in bad debt expense driven by the increase in revenue in the second quarter of 2022, compared to the second quarter of 2021. These increases were partially offset by a $0.7 million decrease in non-cash barter expense for the six months ended June 30, 2022, compared to the six months ended July 1, 2021.

Administrative and other costs. Administrative and other costs decreased $0.4 million, or 2.0%, from $19.8 million for the six months ended July 1, 2021 to $19.4 million for the six months ended June 30, 2022. This decrease was primarily due to a $1.6 million decrease in personnel related expenses driven by a $1.4 million decrease in share-based compensation expense in the six months ended June 30, 2022, compared to the six months ended July 1, 2021, partially offset by a $0.4 million decrease in capitalized personnel costs. The decrease was also partially offset by a $0.4 million increase in cloud computing expense incurred following the implementation of our new cinema advertising management system in the first quarter of 2021, $0.2 million related to an increase in insurance expense and a $0.1 million increase in legal and professional fees.

Impairment of long-lived assets. Impairment of long-lived assets increased $5.8 million, or 100%, from $0.0 million for the six months ended July 1, 2021 to $5.8 million for the six months ended June 30, 2022. This increase in impairment expense consisted of the write-off of certain long-lived assets during the first quarter of 2022.

Depreciation expense. Depreciation expense decreased $2.4 million, or 40.7%, from $5.9 million for the six months ended July 1, 2021 to $3.5 million for the six months ended June 30, 2022, primarily due to the write-off of internally developed software in the first quarter of 2022.

Amortization of intangibles recorded for network theater screen leases. Amortization of intangibles recorded for network theater screen increased $0.1 million, or 0.8%, from $12.3 million for the six months ended July 1, 2021 to $12.4 million for the six months ended June 30, 2022.

Non-operating expenses. Total non-operating expenses increased $6.7 million, or 21.6%, from $31.0 million for the six months ended July 1, 2021 to $37.7 for the six months ended June 30, 2022. The following table shows the changes in non-operating expense for the six months ended June 30, 2022 and July 1, 2021 (in millions):

	Six Months Ended		$ Change	% Change
	June 30, 2022	July 1, 2021	YTD 2021 to YTD 2022	YTD 2021 to YTD 2022
Interest on borrowings	$ 37.6	$ 31.6	$ 6.0	19.0 %
Interest income	(0.1)	(0.1)	$ —	— %
(Gain) loss on modification and retirement of debt, net	(5.9)	0.8	$ (6.7)	(837.5)%
Loss (gain) on the re-measurement of the payable to founding members under the tax receivable agreement	6.3	(1.4)	$ 7.7	(550.0)%
Other non-operating (income) expense	(0.2)	0.1	$ (0.3)	(300.0)%
Total non-operating expenses	$ 37.7	$ 31.0	$ 6.7	21.6 %

The increase in non-operating expense was primarily due to a $7.7 million increase in the loss on the re-measurement of the payable to founding members under the TRA related to the increase in our payable to the founding members under the TRA resulting from an increase in projected taxable income before TRA deductions for the year ended December 29, 2022 and a $6.0 million increase in interest on borrowings primarily related to the issuance of the New Revolving Credit Agreement in January of 2022. These increases were partially offset by a $6.7 million increase in the gain on the modification and retirement of debt driven by NCM Inc.'s purchase of $25.8 million of the Notes due 2028 on the open market, reducing the principal amount owed by NCM LLC to third parties as of June 30, 2022.

Net Loss. Net loss decreased $16.2 million from net loss of $42.1 million for the six months ended July 1, 2021 to $25.9 million for the six months ended June 30, 2022. The decrease in net loss was due to a $41.0 million decrease in operating loss, partially offset by a $18.1 million decrease in net loss attributable to noncontrolling interests and a $6.7 million decrease in non-operating expense.

Known Trends and Uncertainties

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

Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 Pandemic, we are currently unable to fully determine the extent of the COVID-19 Pandemic's impact on our business in future periods. However, we are monitoring the rapidly evolving situation and its potential impacts on our financial position, results of operations, liquidity and cash flows.

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

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

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

Financial Condition and Liquidity

Liquidity and Capital Resources

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

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

- Offered the option for the Board to receive the cash retainers beginning with the first quarter of 2021 in equivalent value of the Company's common stock in lieu of cash;
- Curtailed certain non-essential operating expenditures, including marketing, research, and consulting services;
- Temporarily suspended the 401K employee match program;
- Terminated or deferred certain non-essential capital expenditures;
- Strategically worked with our vendors, and other business partners to manage, defer, and/or abate certain costs during the disruptions caused by the COVID-19 Pandemic;
- Decreased our quarterly dividend beginning in the second quarter of 2020, which results in cash savings of $13.0 million in the second quarter of 2022 and cash savings of $84.3 million for NCM, Inc. since the beginning of the pandemic; and
- Introduced an active cash management process, which, among other things, requires CEO or CFO approval of all outgoing payments.

In March 2020, we drew down an additional $110.0 million on our revolving credit facility, in March 2021, we received $43.0 million in proceeds under incremental term loans that mature on December 20, 2024, and in January 2022 we received $43.3 million in proceeds under an incremental revolving credit facility that matures on June 20, 2023. The $57.7 million of cash at NCM LLC as of June 30, 2022 will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. is held for future payment of dividends to NCM, Inc. stockholders, income tax payments, income tax receivable payments to NCM LLC's founding members and other obligations.

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

Also on January 5, 2022, NCM LLC also entered into the New Revolving Credit Agreement among NCM LLC, the lenders party thereto and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent. The New Revolving Credit Agreement provides for revolving loan commitments of $50.0 million of secured revolving loans, the entire amount of which was funded on January 5, 2022. The New Revolving Credit Agreement provides for (i) a cash interest rate of term SOFR plus 8.00%, with a 1.00% floor, (ii) a maturity date of June 20, 2023 and (iii) a termination premium if NCM LLC terminates the commitments under the New Revolving Credit Agreement at any time before maturity. The New Revolving Credit Agreement also contains covenants, representations and warranties and events of default that are substantially similar to the Credit Agreement. In accordance with the New Revolving Credit Agreement and the Credit Agreement Third Amendment, for the period beginning in the second quarter of 2020 through the date that NCM LLC delivers a compliance certificate for the fourth quarter of 2023, NCM LLC must maintain a minimum liquidity balance of $55.0 million consisting of a combination of unrestricted cash on hand and availability under NCM LLC's revolving credit facility. As of June 30, 2022, NCM LLC was in compliance with the requirements of the Credit Agreement, as amended, and the New Revolving Credit Agreement.

The Company has borrowings under two Revolving Credit Facilities with $217.0 million outstanding as of June 30, 2022, that mature on June 20, 2023 (see Note 6). The Company does not have available liquidity to repay the full outstanding balance on the date of maturity. Under the Credit Agreement, failure to repay borrowings under the Revolving Credit Facilities at maturity would result in an event of default for the term loans, which would allow a majority of the lenders under the Credit Agreement to accelerate the maturity of the principal amounts of outstanding term loans to become due and payable. It would also result in an event of default for the senior notes, which would allow the indenture trustee or senior note holders of each tranche of senior notes to accelerate the maturity to become due and payable. The Company does not have available liquidity to repay any accelerated principal of term loans or tranches of the outstanding senior notes upon an event of default within one year after the date that the financial statements are issued. Additionally, the Company does not expect to meet its financial covenants within one year following the date that these financial statements are issued. If these financial covenants are not met a majority of the lenders of the Senior Secured Credit Facility are permitted under the Credit Agreement to accelerate the debt which would also result in an event of default for the senior notes. In this event, the Company would not be able to repay the Company's total outstanding debt balance. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, management's plans include amending NCM LLC's Revolving Credit Facilities to extend the maturity dates, amending its Senior Secured Credit Facility to extend a waiver of these financial covenants, or obtaining additional debt financing through a loan from third parties, and/or NCM, Inc. Management expects to conclude one of these alternatives; however, there can be no assurance that the Company will be successful in completing any of these options. As a result, management's plan cannot be considered probable and thus does not alleviate the substantial doubt about the Company's ability to continue as a going concern. Based on the Company's current financial position and liquidity sources, including current cash balances, and forecasted future cash flows, management believes the Company can meet its operating obligations as they become due.

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

	As of			$ Change	$ Change
	June 30, 2022	December 30, 2021	July 1, 2021	YE 2021 to Q2 2022	Q2 2021 to Q2 2022
Cash, cash equivalents and marketable securities *(1)*	$ 74.4	$ 102.5	$ 149	$ (28.1)	$ (74.6)
NCM LLC revolving credit facility availability *(2)*	6.8	6.8	5.6	—	1.2
Total liquidity	$ 81.2	$ 109.3	$ 154.6	$ (28.1)	$ (73.4)

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(1) Included in cash, cash equivalents and marketable securities as of June 30, 2022, December 30, 2021 and July 1, 2021, was $57.7 million, $58.6 million and $98.2 million, respectively, of cash held by NCM LLC that is not available to satisfy dividends declared by NCM, Inc., income tax, tax receivable payments to NCM LLC's founding members and other obligations.

(2) The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. NCM LLC's total capacity under the revolving credit facility pursuant to the Credit Agreement was $175.0 million as of June 30, 2022, December 30, 2021 and July 1, 2021. As of June 30, 2022, December 30, 2021 and July 1, 2021, the amount available under the NCM LLC revolving credit facility pursuant to the Credit Agreement in the table above was net of the amount outstanding under the revolving credit facility of $167.0 million, $167.0 million and $167.0 million, respectively, and net letters of credit of $1.2 million, $1.2 million and $2.4 million, respectively.

As of June 30, 2022, the weighted average remaining maturity of our debt was 3.7 years. As of June 30, 2022, approximately 53% of our total borrowings bear interest at fixed rates. The remaining 47% of our borrowings bear interest at variable rates and our net income and earnings per share could fluctuate with market interest rate fluctuations that could increase or decrease the interest paid on our borrowings.

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

	Six Months Ended	
	June 30, 2022	July 1, 2021
Operating cash flow	$ (40.4)	$ (61.6)
Investing cash flow	$ (1.5)	$ (2.9)
Financing cash flow	$ 13.8	$ 31.6

- ***Operating Activities.*** The $21.2 million decrease in cash used in operating activities for the six months ended June 30, 2022, as compared to the six months ended July 1, 2021, was primarily due to a $34.3 million decrease in consolidated net loss, $7.7 million decrease in the noncash loss on the remeasurement of the payable to founding members under the TRA, a $5.8 million increase in the impairment of long-lived assets related to the write down in the first quarter of 2022 of certain internally developed software no longer in use and a $4.8 million decrease in cash used in other changes in operating assets and liabilities, partially offset by a $15.0 million decrease in the receivable balance driven by higher revenue in the six months ended June 30, 2022, compared to the six months ended July 1, 2021, a $7.7 million increase in deferred revenue related to higher revenue and a $6.7 million increase in the gain on the early retirement of debt.

- ***Investing Activities.*** The $1.4 million decrease in cash used in investing activities for the six months ended June 30, 2022, as compared to the six months ended July 1, 2021, was due to a $1.4 million decrease in purchases of property and equipment in the six months ended June 30, 2022, as compared to the six months ended July 1, 2021.
- ***Financing Activities.*** The $17.8 million decrease in cash provided by financing activities for the six months ended June 30, 2022, as compared to the six months ended July 1, 2021 was primarily due to the $50.0 million issuance of the second tranche of term loans that occurred in the first quarter of 2021 and $19.8 million increase in the purchase of Notes due 2028, partially offset by the $50.0 million increase from the issuance of the New Revolving Credit Facility in the first quarter of 2022, and a $1.8 million decrease in dividends paid related to the decrease in the dividend amounts declared from $0.10 per share during the six months ended July 1, 2021 to $0.08 per share during the six months ended June 30, 2022.

Sources of Capital and Capital Requirements

NCM, Inc.'s primary source of liquidity and capital resources is the quarterly available cash distributions from NCM LLC as well as its existing cash balances and marketable securities, which as of June 30, 2022 were $74.4 million (including $57.7 million of cash held by NCM LLC). NCM LLC's primary sources of liquidity and capital resources are its cash provided by operating activities, availability under its revolving credit facility and cash on hand. NCM LLC drew down an additional $110.0 million of its revolving credit facility in March 2020 in order to supplement the decrease in cash provided by operating activities during the period our network theaters were closed. On January 5, 2022, NCM LLC entered in the New Revolving Credit Agreement and drew down upon the new revolving credit facility of $50.0 million. The $57.7 million of cash at NCM LLC will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. is used to fund income taxes, payments associated with the TRA with the founding members and for future payment of dividends to NCM, Inc. stockholders.

Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members have been affected by the impact of the COVID-19 Pandemic on our operations and may be deferred through the quarter ending December 28, 2023 or longer due to the limitations instituted by the Credit Agreement First Amendment, Credit Agreement Second Amendment and Credit Agreement Third Amendment. NCM LLC is required pursuant to the terms of the NCM LLC operating agreement to distribute its available cash, as defined in the operating agreement, unless prohibited by NCM LLC's Credit Agreement, quarterly to its members (Regal, Cinemark, AMC and NCM, Inc.). The available cash distribution to NCM LLC's members for the six months ended June 30, 2022 was calculated as approximately negative $33.4 million, of which NCM, Inc.'s share is approximately negative $15.8 million. Further there was $93.7 million and $85.2 million of negative available cash generated during the years ended December, 30, 2021 and December 31, 2020, respectively. Pursuant to the NCM LLC operating agreement and the Credit Agreement amendments, there will be no available cash distributions made for the first or second quarter of 2022. Negative available cash distributions for the years of 2021 and 2020 are expected to be netted in accordance with the NCM LLC operating agreement against future positive available cash distributions after the extended covenant waiver holiday, contingent upon the Company's compliance with the covenants outlined within the Credit Agreement Third Amendment defined within Note 6—*Borrowings* and in accordance with the NCM LLC operating agreement.

NCM, Inc. expects to use its cash balances and cash received from future available cash distributions (as allowed for under the Credit Agreement) to fund payments associated with the TRA with the founding members and current and future dividends as declared by the Board of Directors, including a dividend declared on August 8, 2022 of $0.03 per share (approximately $2.4 million) on each share of the Company's common stock (not including outstanding restricted stock) to stockholders of record on August 22, 2022 to be paid on September 6, 2022. The Company does not expect to make a TRA payment in 2022 for the 2021 tax year. The Company will also consider opportunistically using cash received for partial repayments of NCM LLC's outstanding debt balance. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund payments associated with the TRA with the founding members, income taxes and its regular dividend for the foreseeable future at the discretion of the Board of Directors. The Company intends to pay a regular quarterly dividend for the foreseeable future at the discretion of the Board of Directors consistent with the Company's intention to distribute substantially all its free cash flow to stockholders through its quarterly dividend. The declaration, payment, timing and amount of any future dividends payable will be at the sole discretion of the Board of Directors who will take into account general economic and advertising market business conditions, the Company's financial condition, available cash, current and anticipated cash needs and any other factors that the Board of Directors considers relevant, which includes short-term and long-term impacts to the Company related to the COVID-19 Pandemic and restrictions under the NCM LLC Credit Agreement.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and understanding of our results of operations, and that affect the more significant judgments and estimates used in the preparation of our unaudited

Condensed Consolidated Financial Statements, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” contained in our annual report on Form 10-K filed for the fiscal year ended December 30, 2021 and incorporated by reference herein. As of June 30, 2022, there were no significant changes in those critical accounting policies.

Recent Accounting Pronouncements

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk to which we are exposed is interest rate risk. The Notes due 2026 and the Notes due 2028 are at fixed rates, and therefore are not subject to market risk. As of June 30, 2022, the only interest rate risk that we are exposed to is related to our $225.0 million revolving credit facilities and our term loans. A 100-basis point fluctuation in market interest rates underlying our term loans and revolving credit facilities would have the effect of increasing or decreasing our cash interest expense by approximately $5.3 million for an annual period on the $217.0 million in revolving credit balances, $49.4 million term loan and $259.2 million incremental term loan outstanding as of June 30, 2022.

In response to the COVID-19 Pandemic, the government lowered the Federal Reserve interest rate leading to historically low interest rates as of June 30, 2022 that has had the effect of reducing the Company's interest rate risk. If interest rates increase, this will increase the Company’s interest rate risk.

Item 4. Controls and Procedures

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

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company’s disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of June 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company’s management concluded that the Company’s disclosure controls and procedures as of June 30, 2022 were effective.

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

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

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

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

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

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
April 1, 2022 through April 28, 2022	343	$ 2.17	—	N/A
April 29, 2022 through May 26, 2022	478	$ 2.21	—	N/A
May 27, 2022 through June 30, 2022	—	$ —	—	N/A

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	Reference	Description
10.1	*(1)*	First Amendment to the National CineMedia, Inc. 2020 Omnibus Incentive Plan effective as of May 4, 2022.
10.2	*(2)*	Standard General L.P. Registration Letter to National CineMedia, Inc., dated as of June 2, 2022.
10.3	*	Employment Agreement dated August 1, 2022 between National CineMedia, Inc. and Thomas F. Lesinski.
10.4	*	Second Amendment to Amended and Restated Exhibitor Services Agreement dated as of July 29, 2022, by and between National CineMedia, LLC and Cinemark USA, Inc.
10.5	*	Third Amendment to the Amended and Restated Exhibitor Services Agreement dated as of July 29, 2022, by and between National CineMedia, LLC and Regal Cinemas, Inc.
31.2	*	Rule 13a-14(a) Certification of Chief Financial Officer.
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.1	**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Filed herewith.
** Furnished herewith.
(1) Incorporated by reference to Exhibit 10.1 from the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on May 9, 2022.
(2) Incorporated by reference to Exhibit 10.1 from the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on June 2, 2022.

SIGNATURES

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

NATIONAL CINEMEDIA, INC.
(Registrant)

Date: August 8, 2022

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

Date: August 8, 2022

/s/ Ronnie Y. Ng
Ronnie Y. Ng
Chief Financial Officer
(Principal Financial and Accounting Officer)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") by and between National CineMedia, Inc. (the "Company or Employer"), and Thomas F. Lesinski ("Executive", and together with the Company or Employer, the "Parties"), is entered into as of July 20, 2022 (the "Execution Date") and shall take effect as of August 1, 2022 (the "Effective Date"). Until the Effective Date, Executive's Employment Agreement with the Company, dated August 1, 2019, (the "Initial Agreement"), will remain in force and effect and continue to govern Executive's employment with the Company. In consideration of the covenants and agreements contained herein, the Parties agree as follows:

1. Employment. Provided that Executive remains employed by the Company as of the Effective Date, the Employer agrees to employ Executive and Executive agrees to be employed by the Employer under the terms set forth in this Agreement effective as of the Effective Date and Executive's employment under this Agreement shall terminate on the earlier of (i) the December 31, 2025, or (ii) the termination of Executive's employment under this Agreement. The period from the Effective Date until the termination of Executive's employment under this Agreement is referred to as the "Employment Period." Employer will provide notice to Executive at least ninety (90) days prior to December 31, 2025 (unless the Agreement is terminated earlier) of its intent to either extend the term of this Agreement, enter into a new employment agreement or allow the Agreement to expire; provided that this provision shall not operate to increase the amount of severance benefits payable under this Agreement or otherwise limit the Company's ability to terminate the Executive without "Cause" without notice. To the extent Executive remains employed by the Company after the expiration of the Employment Period, such employment will be subject to the terms and conditions to which the Company and Executive at that time will agree.

2. Positions and Authority. Executive shall serve in the position of Chief Executive Officer of the Employer, reporting to the Board of Directors of the Company (the "Board"), or in such other positions as the Parties may agree. Executive's primary place of business will be a location as mutually agreed by the Parties.

Executive agrees to serve in the position referred to in this Section 2 and to perform diligently and to the best of his abilities the duties and services as are normally associated with the office of Chief Executive Officer, and shall have other duties, responsibilities, power and authority as reasonably may be designated from time to time by the Board and that are consistent with Executive's position as Chief Executive Officer of the Employer.

During the Employment Period, Executive shall devote his full business time and efforts to the business and affairs of the Company and its subsidiaries, provided that Executive shall be entitled to manage Executive's personal and family finances and investments, serve as a member of the board of directors of a reasonable number of other companies, to serve on civic, charitable, educational, religious, public interest or public service boards, in each case, to the extent such activities do not materially interfere with the performance of Executive's duties and responsibilities hereunder and do not conflict with Executive's obligations under Section 6. Executive shall not become a director of any entity without first obtaining the approval of the Board, which shall not be unreasonably withheld.

3. Compensation and Benefits.

(a) 2022 Equity Grant. In consideration of Executive's employment hereunder, Executive shall receive (i) a time-based restricted share award granted effective as of the Effective Date with a grant date fair value of $375,000, with vesting to occur in three equal installments on each of the first three anniversaries of the grant date, subject to Executive's continued employment through each applicable vesting date, (ii) a performance-based restricted share award granted effective as of the Effective Date with a grant fair value of $375,000, with vesting to be subject to the satisfaction of pre-established performance criteria, (iii) a time-based stock option award granted as of the Effective Date with a grant date fair value of $250,000 with an exercise price equal to the Fair Market Value (as defined in the Current Plan) as of the grant date, with vesting to occur in three equal installments on each of the first through third anniversaries of the grant date, subject to Executive's continued employment through each applicable vesting date, and (iv) a time-based stock option award of 250,000 options granted as of the Effective Date and an exercise price equal to $3.50, with vesting to occur in three equal installments on each of the first through third anniversaries of the grant date, subject to Executive's continued employment through each applicable vesting date (each of (i), (ii), (iii) and (iv), the "2022 Equity Grant"). The 2022 Equity Grant shall (i) be issued under the Company's current Incentive Compensation Plan (the "Current Plan") and (ii) be subject to the Company's standard form of time-based and performance-based restricted share and option award agreements.

(b) Base Salary. As compensation for Executive's performance of Executive's duties hereunder, Company shall pay to Executive a Base Salary of $925,000 per year, payable in accordance with the normal payroll practices of the Company (but not less frequently than monthly), less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. The Base Salary shall not be subject to an increase or decrease during the Employment Period.

(c) Annual Incentive Compensation. During the Employment Period, Executive shall be eligible to participate in an annual cash bonus program maintained for senior executive officers of the Company (the "Annual Incentive Program" or the "Plan"), with a target annual bonus equal to 100% of Base Salary (the "Target Bonus"); provided, however, that any bonus related to fiscal year 2022 shall be prorated and paid pursuant to the Initial Agreement until the Effective Date and paid pursuant to this Agreement upon the Effective Date for the remainder of fiscal year 2022. In addition to the Target Bonus, Executive shall be eligible to receive an additional bonus ("Stretch Bonus" and collectively with the Target Bonus, the "**Annual Bonus**") that has been pre-established by the Compensation Committee for the named executive officers of the Company, if any. The actual amount of the Annual Bonus earned by and payable to Executive for any year or portion of a year, as applicable, shall be determined upon the satisfaction of goals and objectives established by the Compensation Committee pursuant to the Plan, and shall be subject to such other terms and conditions of the Annual Incentive Program as in effect from time to time. Subject to Section 4(b), Executive must be employed by the Company on the day that the Annual Bonus is scheduled to be paid in order to earn and receive the Annual Bonus. Each Annual Bonus paid under the Annual Incentive Program shall be paid no later than March 15th of the calendar year following the bonus fiscal year.

(d) <u>Long-Term Incentive Grants</u>. The Company shall provide to Executive, on an annual basis during the Employment Period, the opportunity to receive a long-term incentive award with grant date fair value of at least $1,000,0000 per annum, in such amount and pursuant to such terms as may be determined in the sole discretion of the Board, provided that a minimum of 75% of such amount shall be granted in the form of restricted share awards or restricted share unit awards and no more than 25% of such amount shall be granted in the form of stock options and any such stock options will be granted with an exercise price that is equal to the Fair Market Value as of the date of grant. Additionally, Executive will receive an annual time-based stock option award of 250,000 options and an exercise price equal to the greater of (i) $3.50, or (ii) 120% of Fair Market Value of a share of the Company's common stock on the date of grant.

(e) <u>Other Benefits.</u>

(i) <u>Savings and Retirement Plans</u>. Except as otherwise limited by applicable law, Executive shall be entitled to participate in all qualified and non-qualified savings and retirement plans applicable generally to other senior executive officers of the Company, in accordance with the terms of the plans, as may be amended from time to time.

(ii) <u>Welfare Benefit Plans</u>. Except as otherwise limited by applicable law, Executive and/or his eligible dependents shall be eligible to participate in and shall receive all benefits under the Company's welfare benefit plans and programs applicable generally to other senior executive officers of the Company in accordance with the terms of the plans, as may be amended from time to time. For the period commencing on the Effective Date until such time as Executive becomes eligible to participate in the Company's applicable welfare benefit programs, the Company shall reimburse Executive for the monthly cost of Executive's (and his spouse and eligible dependents) medical, dental and vision benefit coverage under COBRA provided by Executive's prior employer, plus an additional amount, payable at least monthly, to make Executive whole with respect to any tax liabilities related to such COBRA reimbursement payments.

(iii) <u>Business Expenses</u>. Subject to <u>Section 15</u>, Executive shall be reimbursed for reasonable travel and other expenses incurred in the performance of Executive's duties on behalf of the Company in a manner consistent with the Company's policies regarding such reimbursements, as may be in effect from time to time.

(iv) Relocation and Other Expenses. Subject to Section 15, Executive shall be reimbursed for reasonable, documented temporary living and moving expenses, and automobile expenses incurred for a relocation during the Employment Period as follows: (1) up to $50,000 for calendar year 2022, (2) up to $50,000 for calendar year 2023, (3) up to $50,000 for calendar year 2024, provided that the gross amounts paid to Executive shall be in such an amount that, after taxation, the payments equal the amounts set forth in this section. Executive is also entitled to reimbursement of up to $20,000 annually for other expenses. Such other expenses shall be reduced by standard withholding and other authorized deductions.

(v) <u>Advisor Fees</u>. Subject to <u>Section 15</u>, Executive shall be reimbursed for all documented attorneys' and tax advisors' fees associated with the Executive's review and negotiation of the terms of this Agreement, in an amount not to exceed $25,000 in the aggregate.

(vi) Other Benefits. Executive shall receive such other benefits as are then customarily provided generally to the other senior officers of the Company and of its subsidiaries, as determined from time to time by the Board, including, without limitation, 4 weeks paid vacation in accordance with, and subject to increase under, the Company's practices as in effect from time to time.

4. Termination of Employment.

(a) The Executive's employment and this Agreement may be terminated as set forth in this Section 4. Any reference to the date of the Executive's Disability or death, as applicable, or the date of delivery of a notice of termination or resignation by either the Company or the Executive in this Section 4, shall constitute the "Date of Termination" unless otherwise set forth herein. Upon the termination of Executive's employment with the Company for any reason, Executive shall be deemed to have resigned from the Board if a member at such time and all other positions with the Employer or any of its Affiliates (defined below) held by Executive as of the date immediately preceding his termination of employment.

(b) If Executive's employment ends for any reason, except as otherwise contemplated in this Section 4, Executive shall cease to have any rights to salary, bonus (if any) or other benefits, other than (i) the earned but unpaid portion of Executive's Base Salary through the date of termination or resignation, (ii) any annual, long-term, or other incentive award that relates to a completed fiscal year or performance period, as applicable, and is payable (but not yet paid) on or before the date of termination or resignation, which shall be paid in accordance with the terms of such award, (iii) a lump-sum payment in respect of accrued but unused vacation days at Executive's per-business-day Base Salary rate, (iv) any unpaid expense or other reimbursements due to Executive, and (v) any other amounts or benefits required to be paid or provided by law or under any plan, program, policy or practice of the Company, provided that Executive shall not be entitled to any payment or benefit under any Company severance plan, or any replacement or successor plan (subsections 4(b)(i)-(v), the "Accrued Benefits"). The Accrued Benefits shall be paid as soon as administratively practicable following the Date of Termination, in accordance with Employer's policy and applicable law, subject to all required payroll deductions and withholdings.

(c) Termination by Death. In the event that Executive's employment is terminated by death, then in addition to the Accrued Benefits and subject to Section 15:

(i) Executive's beneficiaries shall be entitled to: (x) Executive's Base Salary, at the rate in effect on the date of Executive's death, through the end of the month in which his death occurs (excluding any amounts payable as part of the Accrued Benefits), payable within thirty (30) days after the date of Executive's death, and (y) other benefits (other than the payment of severance) to which Executive would be entitled, that are made available to employees of the Company in general upon termination of employment under similar circumstances in accordance with applicable plans and programs of the Company; and

(ii) if Executive's spouse and eligible dependents, as applicable, were covered under the Employer's medical plan or plans immediately prior to the termination of Executive's employment, and timely elect continued coverage under such medical plan or plans pursuant to COBRA, Employer will pay Executive's spouse monthly an amount equal to 100% of the monthly premium paid by the Executive for COBRA coverage for Executive's spouse and dependents under the Company's group health and dental plans until the first anniversary of the date of Executive's death.

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 Executive's death by giving the Company written notice thereof. In the event of Executive's death or of a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed to refer to his beneficiary, and if Executive shall not have designated a beneficiary, his estate or legal representative (as the case may be).

(d) Termination due to Disability. In the event that Executive's employment is terminated by the Employer or Executive due to Executive's Disability, such termination to be effective 30 days after delivery of written notice thereof, then in addition to the Accrued Benefits and subject to Section 15 and Executive's continuing compliance with Section 6 of this Agreement:

(i) if, and only if, Executive is not eligible to receive benefits following the Date of Termination under the Company's long-term disability plan and any supplement thereto the Company shall pay Executive an amount equal to 50% of Base Salary, payable in a lump sum on the first payroll date that occurs after the 55th day following the effective date of his termination; and

(ii) Until the Executive receives equivalent coverage in benefits, for a period up to twelve months, the Company (or its successor-in-interest) shall pay Executive monthly an amount equal to 100% of the monthly premium paid by the Executive for COBRA coverage elected by Executive (as may be applicable to Executive, Executive's spouse and dependents) under the Company's group health and dental plans.

(e) Termination by the Company for Cause. In the event that Executive's employment is terminated by the Employer for Cause, Executive will be entitled to the Accrued Benefits.

(f) Involuntary Termination. If Executive's employment hereunder shall be terminated in a manner constituting an Involuntary Termination, then in addition to the Accrued Benefits and subject to Section 15 and Executive's continuing compliance with Section 6 of this Agreement:

(i) the Company shall pay Executive the Severance Amount (defined below); and

(ii) Until the Executive receives equivalent coverage in benefits, for a period up to twelve (12) months, the Company (or its successor-in-interest) shall pay Executive monthly an amount such that, after taxation, the payment is sufficient to cover COBRA premiums for COBRA coverage elected by Executive (as may be applicable to Executive, Executive's spouse and dependents) under the Company's group health and dental plans.

(g) Voluntary Resignation by Executive. 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 Executive shall include, without limitation, Executive's decision not to renew this Agreement upon expiration of the Employment Period 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 Executive voluntarily terminates his employment, Executive's salary shall cease on the termination date and Executive will not be entitled to severance pay, pay in lieu of notice, or any other compensation other than payment of the Accrued Benefits.

(h) No Excise Tax Gross-Up; Possible Reduction in Payments. Executive is not entitled to any gross-up or other payment for golden parachute excise taxes Executive may owe pursuant to Section 4999 of the Code. In the event that any amounts payable pursuant to this Agreement or other payments or benefits otherwise payable to Executive (a) constitute "parachute payments" within the meaning of Section 280G of the Code, and (b) but for this Section 4 would be subject to the excise tax imposed by Section 4999 of the Code, then such amounts payable under this Agreement and under such other plans, programs and agreements shall be either (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999 of the Code (and any equivalent state or local excise taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Any reduction in payments and/or benefits required by this Section 4 shall occur in the following order: (1) reduction of amounts payable under Section 4(b) or other cash payments, beginning with payments scheduled to occur soonest; (2) reduction of vesting acceleration of equity awards (in reverse order of the date of the grant); and (3) reduction of other benefits paid or provided to Executive.

(i) No Mitigation; No Offset. In the event of any termination of employment under this Section 4, Executive shall be under no obligation to seek other employment, and except as provided in Section 4(d)(ii) or Section 4(f)(ii), 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 Executive violates any provision of Section 6, any obligation of Employer to make payments to Executive under Section 4 of this Agreement (other than the Accrued Benefits) shall immediately cease.

(j) Release. Executive's execution of a complete and general release of any and all of his potential claims (other than for benefits and payments described in this Agreement or any other vested benefits from the Employer and/or their Affiliates) against the Employer, any of its affiliated companies, and their respective successors and any officers, employees, agents, directors, attorneys, insurers, underwriters, and assigns of the Employer or its affiliates and/or successors, in a form provided by Employer (which form shall be generally consistent with the form of severance agreement and general release then used by Employer for senior executives), and any legally required revocation period applicable to such release having expired without Executive revoking such release, is an express condition of Executive's right to receive termination payments, severance, vesting, and other benefits pursuant to Section 4 of this Agreement. Executive shall be required to execute within 45 days after

Executive's termination of employment a general waiver and release agreement which documents the release required under this Section 4(j).

5. Definitions.

(a) "Cause" shall mean the occurrence of any one of the following, as determined by an express resolution of the independent members of the Board:

(i) gross negligence or willful misconduct in the performance of the material duties and services required for Executive's position with the Company, which neglect or misconduct, if remediable, remains unremedied for thirty (30) days following written notice of such by the Company to Executive;

(ii) Executive's conviction or plea of nolo contendere for any crime involving moral turpitude or a felony;

(iii) Executive's commission of an act of deceit or fraud intended to result in personal and unauthorized enrichment of Executive at the expense of the Company or any of its affiliates; or

(iv) Executive's willful and material violation of the written policies of the Company or any of its affiliates as in effect from time to time, Executive's willful breach of a material obligation of Executive to the Company pursuant to Executive's duties and obligations under the Company's Bylaws, or Executive's willful and material breach of a material obligation of Executive to the Company or any of its affiliates pursuant to this Agreement or any written award or other written agreement between Executive and the Company or any of its affiliates.

With respect to Section 5(a)(iv), no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Employer; and provided further that no act or omission by the Executive shall constitute Cause hereunder unless the Employer has given written notice thereof to the Executive, and the Executive has failed to remedy such act or omission for thirty (30) days following written notice. By way of clarification, but not limitation, for purposes of this definition of the term Cause, materiality shall be determined relative to this Agreement and Executive's employment, rather than the financial status of the Company as a whole.

(b) "Change in Control" shall be deemed to have occurred upon the occurrence of:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A) or (B) of paragraph (iv) below, or (E) any acquisition by a Founding Member (as defined in the National CineMedia, LLC Third Amended and Restated Limited Liability Operating Agreement, dated as of February 13, 2007); or

(ii) The acquisition by any Person, other than a Founding Member, of the right to (A) elect or (B) nominate for election or (C) designate for nomination pursuant to a Director Designation Agreement dated February 13, 2007 among the Company and the Founding Members, a majority of the members of the Company's Board;

(iii) The acquisition by any Person, other than the Company or a Founding Member, of beneficial ownership of more than 50% of the Units of NCM LLC; or

(iv) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) (x) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; and (y) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board"); provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board or was designated pursuant to a Director Designation Agreement dated February 13, 2007 among the Company and the Founding Members shall be considered as though such individual were a member of the Incumbent Board, at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination or (B) the Founding Members beneficially own, more than 50% of, respectively, the outstanding shares of common stock or voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination; or

(v) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company; or

(vi) Approval by the members of NCM LLC of a complete liquidation or dissolution of NCM LLC.

(c) "Covered Period" shall mean the period beginning on the date of a Change in Control and ending twelve (12) months after the Change in Control.

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

(e) "Good Reason" shall mean the Executive's voluntary resignation of employment for one or more of the following reasons occurring without Executive's consent:

(i) a material adverse change in the nature, scope or status of the Executive's position, authorities or duties (specifically including, but not limited to, not being the Chief Executive Officer of the Company);

(ii) a material reduction in the Executive's annual salary or Target Bonus;

(iii) relocation of the Executive's primary place of employment, as agreed under Section 2, of more than thirty-five (35) miles from the Executive's primary place of employment immediately following the Effective Date;

(iv) failure by an acquirer to assume this Agreement at the time of the Change of Control; or

(v) a material breach by the Company, or its successor, of this Agreement.

Notwithstanding the foregoing, prior to the Executive's voluntary resignation for Good Reason, the Executive must give the Company written notice of the existence of any condition set forth in clause (i) – (v) above within 30 days of such initial existence and the Company shall have 30 days from the date of such notice in which to cure the condition giving rise to Good Reason, if curable. If, during such 30-day period, the Company cures the condition giving rise to Good Reason, no benefits shall be due under Section 4 of this Agreement with respect to such occurrence. If, during such 30-day period, the Company fails or refuses to cure the condition giving rise to Good Reason and it is determined such Good Reason does exist, the Executive shall be entitled to benefits under Section 4 of this Agreement upon such Termination; provided such Termination occurs within one hundred eighty (180) days of such initial existence of the applicable condition, but not later than the end of the Employment Period.

(f) "Involuntary Termination" shall mean a termination during the Employment Period either:

(i) By the Company, its Affiliates or successors, other than a termination for Cause;

(ii) By Executive for Good Reason; or

(iii) 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 Employment Period.

(g) "Severance Amount" shall mean:

(i) for an Involuntary Termination occurring during the Employment Period and not during a Covered Period, an amount equal to 100% of Base Salary, plus 100% of Target Bonus, payable in equal installments within a 12-month period starting on the date of Involuntary Termination, commencing on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination; or

(ii) for an Involuntary Termination occurring during a Covered Period, an amount equal to 200% of Base Salary, plus 200% of Target Bonus, payable in equal installments within a 12-month period starting on the date of Involuntary Termination, commencing on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination, provided, however, that if the Covered Period is as a result of a Change in Control that is also a "Change in Control Event" as defined in Section 409A of the Code and the regulations thereunder, payment shall be made in a lump sum on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination.

6. Restrictive Covenants. Executive acknowledges that the Company is engaged in a highly competitive business and that the preservation of its Proprietary or Confidential Information (as defined in Section 6(a) below) to which Executive has been exposed or acquired, and will continue to be exposed to and acquire, is critical to the Company's continued business success. Executive also acknowledges that the Company's relationships with its business partners hereinafter "Business Partners" which means NCM LLC, AMC, Cinemark and Regal and all their respective Affiliates together with any chain, circuit or group (of any nature of description) of movie theaters or like venues which now or hereafter enter into business relations with the Company), are extremely valuable and that, by virtue of Executive's employment with the Company, he may have contact with such Business Partners on behalf of and for the benefit of the Company. As a result, Executive's engaging in or working for or with any business which is directly or indirectly competitive with the Company's business, given Executive's knowledge of the Company's Proprietary or Confidential Information, would cause the Company great and irreparable harm if not done in strict compliance with the provisions of this Section 6. Therefore, Executive acknowledges and agrees that in consideration of all of the above and in exchange for access to the Company's Proprietary or Confidential Information Executive will be bound by, and comply in all respects with, the provisions of this Section 6. For purposes of this Section 6, any references to the time period of Executive's employment with the Company shall date back to Executive's original hire date with the Company.

(a) Confidentiality. Executive shall at all times hold in strict confidence any Proprietary or Confidential Information related to the Company or any of its affiliates (which shall mean any entity that, directly or indirectly, is controlled by, controls or is under common control with the Company and/or any entity in which the Company has a significant equity interest, in either case as determined by the Board, hereinafter "Affiliates") (including without limitation AMC, Cinemark, Regal and NCM, LLC), except that Executive may disclose such information as required by law, court order, regulation, or similar order provided Executive shall first have notified the Company of the pendency of such proceeding and afforded the Company an opportunity to intervene and defend against disclosure. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all non-public information relating to the Company or any of its Affiliates (including but not limited to all marketing, alliance, social media, advertising, and sales plans and strategies; pricing information; financial, advertising, and product development plans and strategies; compensation and incentive programs for employees; alliance agreements, plans, and processes; plans, strategies, and agreements related to the sale of assets; third party provider agreements, relationships, and strategies; business methods and processes used by the Company and its employees; all personally identifiable information regarding Company employees, contractors, and applicants; lists of actual or potential Business Partners; and all other business plans, trade secrets, or financial information of strategic importance to the Company or its Affiliates) that is not generally known in the Company's industry, that was learned, discovered, developed, conceived, originated, or prepared during Executive's employment with the Company, and the competitive use or disclosure of which would be harmful to the business prospects, financial status, or reputation of the Company or its Affiliates at the time of any disclosure by Executive.

The relationship between Executive and the Company and its Affiliates is and shall continue to be one in which the Company and its Affiliates repose special trust and confidence in Executive, and one in which Executive has and shall have a fiduciary relationship to the Company and its Affiliates. As a result, the Company and its Affiliates shall, in the course of Executive's duties to the Company, entrust Executive with, and disclose to Executive, Proprietary or Confidential Information. Executive recognizes that Proprietary or Confidential Information has been developed or acquired, or will be developed or acquired, by the Company and its Affiliates at great expense, is proprietary to the Company and its Affiliates, and is and shall remain the property of the Company and its Affiliates. Executive acknowledges the confidentiality of Proprietary or Confidential Information and further acknowledges that Executive could not competently perform Executive's duties and responsibilities in Executive's position with the Company and/or its Affiliates without access to such information. Executive acknowledges that any use of Proprietary or Confidential Information by persons not in the employ of the Company and its Affiliates would provide such persons with an unfair competitive advantage which they would not have without the knowledge and/or use of the Proprietary or Confidential Information and that this would cause the Company and its Affiliates irreparable harm. Executive further acknowledges that because of this unfair competitive advantage, and the

Company's and its Affiliates' legitimate business interests, which include their need to protect their goodwill and the Proprietary or Confidential Information, Executive has agreed to the post-employment restrictions set forth in this Section 6. Nothing in this Section 6(a) is intended, or shall be construed, (i) to limit the protection of any applicable law or policy of the Company or its Affiliates that relates to the protection of trade secrets or confidential or proprietary information or (ii) to limit Executive's ability to initiate communications directly with, or to respond to any inquiry from, or provide testimony before, the SEC, FINRA, any other self-regulatory organization or any other state or federal regulatory authority.

(b) Non-Solicitation of Employees. During Executive's employment and for the one-year period following termination of Executive's employment for any reason (the "Coverage Period"), Executive hereby agrees not to, directly or indirectly, solicit, hire, seek to hire, or assist any other person or entity (on his own behalf or on behalf of such other person or entity) in soliciting or hiring any person who is at that time an employee, consultant, independent contractor, representative, or other agent of the Company or any of its Affiliates to perform services for any entity (other than the Company or its Affiliates), or attempt to induce or encourage any such employee to leave the employ of the Company or its Affiliates.

(c) Non-Competition.

(i) In return for, among other things, all of the above and the Company's promise to provide the Proprietary or Confidential Information described herein, Executive agrees that during Executive's employment and the Coverage Period, Executive shall not compete with the Company by providing work, services or any other form of assistance (whether or not for compensation) in any capacity, whether as an employee, consultant, partner, or otherwise, to any Competitor that (1) is the same or similar to the services Executive provided to the Company or (2) creates the reasonable risk that Executive will (willfully, inadvertently or inevitably) use or disclose the Company's Proprietary or Confidential Information. "Competitor" includes any business that operates or does business similar in nature to that of the Company during the Employment Period in any State, territory, or protectorate of the United States in which the Company or an Affiliate does business and/or in any foreign country in which the Company or an Affiliate has or maintains any place of business, venue, facility, or otherwise conducts business, as of the date of Executive's termination of employment with the Company. Executive further acknowledges and agrees that the restrictions imposed in this subparagraph (i) will not prevent Executive from earning a livelihood and that they are reasonable.

(ii) Notwithstanding the foregoing, should Executive consider working for or with any actually, arguably, or potentially competing business following the termination of Executive's employment with the Company or any of its Affiliates and during the Coverage Period, then Executive agrees to provide the Company with two (2) weeks advance written notice of Executive's intent to do so, and also to provide the Company with accurate information concerning the nature of Executive's anticipated job responsibilities in sufficient detail to allow the Company to meaningfully exercise its rights under this Section 6. After receipt of such notice, the Company may then agree, in its sole, absolute, and unreviewable discretion, to waive, modify, or condition its rights under this Section 6. In particular, the Company may agree to modify Section 6(c)(i) if the Company concludes that the work Executive will be performing for a Competitor is different from the work Executive was performing during Executive's employment with the Company or any of its Affiliates and/or (2) there is no reasonable risk that Executive will (willfully, inadvertently or inevitably) use or disclose the Company's Proprietary or Confidential Information.

(d) Non-Solicitation of Business Partners. Executive acknowledges that, by virtue of his employment by the Company or its Affiliates, Executive has gained or will gain knowledge of the identity, characteristics, and preferences of the Company's Business Partners, among other Proprietary or Confidential Information, and that Executive would inevitably have to draw on such information if he were to solicit or service the Company's Business Partners on behalf of a Competitor. Accordingly, during the Employment Period and the Coverage Period, Executive agrees not to, directly or indirectly, solicit the business of or perform any services of the type he performed or sell any products of the type he sold during his employment with the Company for or to actual or prospective Business Partners of the Company (i) as to which Executive performed services, sold products or as to which employees or persons under Executive's supervision or authority performed such services, or had direct contact, or (ii) as to which Executive had accessed Proprietary or Confidential Information during the course of Executive's employment by the Company, or in any manner encourage or induce any such actual or prospective Business Partner to cease doing business with or in any way interfere with the relationship between the Company and its Affiliates and such actual or prospective Business Partner. Executive further agrees that during the Employment Period and the Coverage Period, Executive will not encourage or assist any Competitor to solicit or service any actual or prospective Business Partners or otherwise seek to encourage or induce any Business Partners to cease doing business with, or reduce the extent of its business dealings with the Company.

(e) Non-Interference. During Executive's Employment Period and the Coverage Period, Executive agrees that Executive shall not, directly or indirectly, induce or encourage any Business Partner or other third party, including any provider of goods or services to the Company, to terminate or diminish its business relationship with the Company; nor will Executive take any other action that could, directly or indirectly, be detrimental to the Company's relationships with its Business Partners and providers of goods or services or other business affiliates or that could otherwise interfere with the Company's business.

(f) Non-Disparagement. The Executive agrees during and following the Employment Period, and the Company agrees, during and following the Employment Period to direct its executive officers and members of the Board, not to make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written, directly or indirectly) that (i) accuses or implies that the other Party or its Affiliates, as may be applicable, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business, management, or operations of the Company or its Affiliates, as may be applicable, or otherwise, or (ii) disparages, impugns, or in any way reflects adversely upon the business or reputation of the other Party or its subsidiaries or affiliates, as may be applicable. Nothing herein, however, will be deemed to preclude either Party from providing truthful testimony or information pursuant to subpoena, court order, or similar legal process, instituting and pursuing legal action, or engaging in other legally protected speech or activities or to prevent either Party from making any disclosure required by the Exchange Act or other applicable law (including without limitation Company disclosure deemed advisable under the federal securities laws or the rules of any stock exchange).

(g) Breach. Executive acknowledges that the restrictions contained in this Agreement are fair, reasonable, and necessary for the protection of the legitimate business interests of the Company, that the Company will suffer irreparable harm in the event of any actual or threatened breach by Executive, and that it is difficult to measure in money the damages which will accrue to the Company by reason of a failure by Executive to perform any of Executive's obligations under this Section 6. Accordingly, if the Company or any of its subsidiaries or Affiliates institutes any action or proceeding to enforce their rights under this Section 6, to the extent permitted by applicable law, Executive hereby waives the claim or defense that the Company or its Affiliates has an adequate remedy at law, Executive shall not claim that any such remedy at law exists, and Executive consents to the entry of a restraining order, preliminary injunction, or other preliminary, provisional, or permanent court order to enforce this Agreement, and expressly waives any security that might otherwise be required in connection with such relief. Executive also agrees that any request for such relief by the Company shall be in addition and without prejudice to any claim for monetary damages and/or other relief which the Company might elect to assert. In the event Executive violates any provision of this Section 6, and the Company is the completely prevailing party in such action, the Company shall be entitled to recover all costs and expenses of enforcement, including reasonable attorneys' fees, and the time periods set forth above shall be extended for the period of time Executive remains in violation of the provisions. Conversely, in the event that Executive is the completely prevailing party in any action brought by the Company with respect to this Section 6, then Executive shall be entitled to recover all costs and expenses of defense, including reasonable attorneys' fees and shall thereafter be relieved of all restrictions contained in this Section 6. The Parties further agree that, in the event that any provision of Section 6 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The length of time for which the covenants in Section 6 shall be in force shall be extended by an amount of time equal to the period of time during which a violation of such covenant is deemed by a court of competent jurisdiction to have occurred (including any period required for litigation during which the Company seeks to enforce such covenant). If, notwithstanding such provision, a court in any judicial proceeding refuses to enforce any of the separate covenants included herein, the unenforceable covenant will be considered eliminated from these provisions for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants to be enforced.

(h) Notice. U.S. federal law (18 U.S.C. § 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (Y) files any document containing the trade secret under seal; and (Z) does not disclose the trade secret, except pursuant to court order. For the avoidance of doubt, nothing in this Agreement is intended to, nor shall be construed to, conflict with 18 U.S.C. § 1833(b). Executive understands that nothing in this Agreement or any other agreement that Executive may have with the Company or any of its Subsidiaries restricts or prohibits Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, reporting possible violations of law or regulation to, filing a claim with or assisting with an investigation by a self-regulatory authority or a government agency or entity, including but not limited to the U.S. Securities and Exchange Commission and the federal Occupational Safety and Health Administration (collectively, "Government Agencies"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, and the Executive does not need the Company's prior authorization to engage in such conduct.

7. Survival. Sections 6, 7, 9, 10, 12, 15, 16 and 18, and such other provisions hereof as may so indicate shall survive and continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Employment Period.

8. Notices. Any notice provided for in this Agreement shall be in writing and shall be delivered (i) personally, (ii) by certified mail, postage prepaid, (iii) by UPS, Federal Express or other reputable courier service regularly providing evidence of delivery (with charges paid by the party sending the notice), or (iv) by facsimile or a PDF or similar attachment to an email, provided that such telecopy or email attachment shall be followed within one (1) business day by delivery of such notice pursuant to clause (i), (ii) or (iii) above. Any such notice to a party shall be addressed at the address set forth below (subject to the right of a party to designate a different address for itself by notice similarly given):

If to the Company:
Executive Vice President, General Counsel and Secretary
National CineMedia, Inc.
6300 S. Syracuse Way
Suite 300
Centennial, Colorado 80111

If to Executive:

To the most recent address on file with the Company

9. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the Parties, written or oral, which may have related in any manner to the subject matter hereof.

10. No Conflict. Executive represents and warrants that Executive is not bound by any employment contract, restrictive covenant, or other restriction preventing Executive from carrying out Executive's responsibilities for the Employer, or which is in any way inconsistent with the terms of this Agreement. Executive further represents and warrants that Executive shall not disclose to the Employer or induce the Employer to use any confidential or proprietary information or material belonging to any previous employer or others.

11. Successors and Assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and his heirs, executors and personal representatives, and the Company and its successors and assigns. Any successor or assignee of the Company shall assume the liabilities of the Company hereunder, and for the avoidance of doubt, no such assignment shall be treated as a termination of Executive's employment with the assignor for purposes of this Agreement.

12. Governing Law; Alternative Dispute Resolution. This Agreement shall be governed by the internal laws (as opposed to the conflicts of law provisions) of the State of Colorado. The Parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement or Executive's employment, other than with respect to disputes arising out of Section 6 herein, shall be submitted to arbitration in accordance with and under the auspices and the Employment Arbitration Rules of JAMS, (Denver Colorado office) or its successor. The arbitration shall take place in Denver, Colorado, unless the parties mutually agree to conduct the arbitration in a different location. The arbitrator shall be selected by the mutual agreement of the Parties. The arbitrator shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to any claim that all or any part of this Agreement is void or voidable. The arbitrator shall apply the applicable statute of limitations to any claim. The arbitrator shall issue a written opinion and award, which shall be signed and dated. The arbitrator shall be permitted to award those remedies that are available under applicable law. The arbitrator's decision regarding the claims shall be final and binding upon the Parties. The arbitrator's award shall be enforceable in any court having jurisdiction thereof.

13. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

14. Withholding. All payments and benefits under this Agreement are subject to being reported as taxable income, if so required, and the withholding of all applicable taxes.

15. Code Section 409A. This Agreement is intended to be exempt from, or comply with, the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). For purposes of Section 409A of the Code, Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible. To the extent required to avoid the imposition of additional taxes and penalties under Section 409A of the Code, any amounts under this Agreement are payable by reference to Executive's "termination of employment" such term and similar terms shall be deemed to refer to Executive's "separation from service," within the meaning of Section 409A of the Code; provided, however, that a "separation from service" means a separation from service with the Company and all other persons or entities with whom the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, applying the 80% threshold used in such Code sections and the Treasury Regulations thereunder, all within the meaning of Section 409A of the Code. Executive hereby agrees to be bound by the Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code. Notwithstanding any other provision in this Agreement, to the extent any payments made or contemplated hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A of the Code, then (i) each such payment which is conditioned upon Executive's execution of a release and which is to be paid or provided during a designated period that begins in one taxable year and ends in a second taxable year, shall be paid or provided in the later of the two taxable years and (ii) if Executive is a specified employee (within the meaning of Section 409A of the Code) as of the date of Executive's separation from service, each such payment that constitutes deferred compensation under Section 409A of the Code and is payable upon Executive's separation from service and would have been paid prior to the six-month anniversary of Executive's separation from service, shall be delayed until the earlier to occur of (A) the first day of the seventh month following Executive's separation from service or (B) the date of Executive's death. Any reimbursement payable to Executive pursuant to this Agreement shall be conditioned on the submission by Executive of all expense reports reasonably required by Employer under any applicable expense reimbursement policy, and shall be paid to Executive within 30 days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit. In no event will Employer be liable for any additional tax, interest or penalties that may be imposed on Executive under Section 409A of the Code or for any damages for failing to comply with Section 409A of the Code

16. Clawbacks. The payments to Executive pursuant to this Agreement are subject to forfeiture or recovery by the Company or other action pursuant to any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy or provision that the Company has included in any of its existing compensation programs or plans or that it may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

17. Company Policies. Executive shall be subject to additional Company policies as they may exist from time-to-time, including policies with regard to stock ownership by senior executives and policies regarding trading of securities.

18. Indemnification. The Company agrees to indemnify Executive to the fullest extent permitted by applicable law consistent with the Certificate of Incorporation and By-Laws of the Company as in effect on the effective date of

this Agreement, or as the Certificate of Incorporation and By-Laws may be amended from time to time to provide greater indemnification, 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.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the Execution Date.

NATIONAL CINEMEDIA, INC.

By: ______________________
Name:
Title:

THOMAS F. LESINKSI

____

SECOND AMENDMENT
TO
AMENDED AND RESTATED EXHIBITOR SERVICES AGREEMENT

This Second Amendment to Amended and Restated Exhibitor Services Agreement (this "**Amendment**"), dated July 29, 2022 (the "**Amendment Effective Date**"), is by and between National CineMedia, LLC ("**LLC**") and Cinemark USA, Inc. ("**Cinemark**"). Capitalized terms used but not defined herein shall have the respective meanings given to them in the Amended and Restated Exhibitor Services Agreement between LLC and Cinemark, dated as of February 13, 2007 and amended and restated as of December 26, 2013 (the "**ESA**").

WHEREAS, NCM and Cinemark desire to amend the ESA as provided in this Amendment; and

WHEREAS, the Board of Directors of National CineMedia, Inc. ("**NCM Parent**") and a special committee of members of the Board of Directors of NCM Parent have deemed this Amendment to be in the best interest of NCM Parent and its shareholders.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. ***Termination Date of Post-Showtime Inventory and Post-Showtime Theatre Access Fees.*** The references to "August 1, 2022" and "November 1, 2022" in Section 9.02A of the ESA are deleted and replaced with "January 1, 2023" and "April 1, 2023," respectively.

2. ***Remaining Terms; Conflicts.*** Except as modified by this Amendment, all terms and conditions of the ESA shall remain in full force and effect. To the extent there is a conflict between the terms of the ESA and this Amendment, the terms of this Amendment shall control.

Remainder of page intentionally left blank; signature page follows.

IN WITNESS WHEREOF, the Parties have, by their respective duly authorized representatives, executed this Amendment as of the Amendment Effective Date.

National CineMedia, LLC **By National CineMedia, Inc.,** its manager	**Cinemark USA, Inc.**
/s/ Thomas Lesinski	/s/ Michael Cavalier
Signature	Signature
Thomas F. Lesinski	Michael Cavalier
Printed Name	Printed Name
Chief Executive Officer	Executive Vice President – General Counsel
Title	Title

THIRD AMENDMENT
TO
AMENDED AND RESTATED EXHIBITOR SERVICES AGREEMENT

This Third Amendment to Amended and Restated Exhibitor Services Agreement (this "**Amendment**"), dated July 29, 2022 (the "**Amendment Effective Date**"), is by and between National CineMedia, LLC ("**LLC**") and Regal Cinemas, Inc. ("**Regal**"). Capitalized terms used but not defined herein shall have the respective meanings given to them in the Amended and Restated Exhibitor Services Agreement between LLC and Regal, dated as of February 13, 2007 and amended and restated as of December 26, 2013 (the "**ESA**").

WHEREAS, NCM and Regal desire to amend the ESA as provided in this Amendment; and

WHEREAS, the Board of Directors of National CineMedia, Inc. ("**NCM Parent**") and a special committee of members of the Board of Directors of NCM Parent have deemed this Amendment to be in the best interest of NCM Parent and its shareholders.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. ***Termination Date of Post-Showtime Inventory and Post-Showtime Theatre Access Fees.*** The references to "August 1, 2022" and "November 1, 2022" in Section 9.02A of the ESA are deleted and replaced with "January 1, 2023" and "April 1, 2023," respectively.

2. ***Remaining Terms; Conflicts.*** Except as modified by this Amendment, all terms and conditions of the ESA shall remain in full force and effect. To the extent there is a conflict between the terms of the ESA and this Amendment, the terms of this Amendment shall control.

Remainder of page intentionally left blank; signature page follows.

IN WITNESS WHEREOF, the Parties have, by their respective duly authorized representatives, executed this Amendment as of the Amendment Effective Date.

National CineMedia, LLC **By National CineMedia, Inc.,** its manager	**Regal Cinemas, Inc.**
/s/ Thomas Lesinski	/s/ Renana Teperberg
Signature	Signature
Thomas F. Lesinski	Renana Teperberg
Printed Name	Printed Name
Chief Executive Officer	COO
Title	Title

Exhibit 31.1

CERTIFICATIONS

I, Thomas F. Lesinski, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2022

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

Exhibit 31.2

CERTIFICATIONS

I, Ronnie Y. Ng, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2022

/s/ Ronnie Y. Ng
Ronnie Y. Ng
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the period ending June 30, 2022 (the “Report”) of National CineMedia, Inc. (the “Registrant”) as filed with the Securities and Exchange Commission on the date hereof, I, Thomas F. Lesinski, the Chief Executive Officer and Director of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: August 8, 2022	/s/ Thomas F. Lesinski
	Thomas F. Lesinski
	Chief Executive Officer and Director
	(Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the period ending June 30, 2022 (the “Report”) of National CineMedia, Inc. (the “Registrant”) as filed with the Securities and Exchange Commission on the date hereof, I, Ronnie Y. Ng, the Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: August 8, 2022	/s/ Ronnie Y. Ng
	Ronnie Y. Ng
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

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