

**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 25, 2020

or

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

For the transition period from to .

Commission file number: 001-33296



NATIONAL CINEMEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5665602
(I.R.S. Employer
Identification No.)

6300 S. Syracuse Way, Suite 300
(Address of Principal Executive Offices)

Centennial Colorado

80111
(Zip Code)

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

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

Common Stock, par value \$0.01 per share
(Title of each class)

NCMI
(Trading symbol)

The Nasdaq Stock Market LLC
(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 July 31, 2020, 79,610,497 shares of the registrant's common stock (including unvested restricted shares), par value of \$0.01 per share, were outstanding.

TABLE OF CONTENTS

Page

PART I

Item 1.	<u>Unaudited Financial Statements</u>	1
	<u>Unaudited Condensed Consolidated Balance Sheets</u>	1
	<u>Unaudited Condensed Consolidated Statements of Income and Comprehensive Income</u>	2
	<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	3
	<u>Unaudited Condensed Consolidated Statements of Equity/(Deficit)</u>	5
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	38
Item 4.	<u>Controls and Procedures</u>	38

PART II

Item 1.	<u>Legal Proceedings</u>	39
Item 1A.	<u>Risk Factors</u>	39
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3.	<u>Defaults Upon Senior Securities</u>	41
Item 4.	<u>Mine Safety Disclosures</u>	41
Item 5.	<u>Other Information</u>	41
Item 6.	<u>Exhibits</u>	42
	<u>Signatures</u>	43

PART I

Item 1. Financial Statements

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

	June 25, 2020	December 26, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 245.4	\$ 55.9
Short-term marketable securities	1.5	17.5
Receivables, net of allowance of \$3.2 and \$6.2, respectively	26.7	170.8
Amounts due from founding members, net	—	6.6
Prepaid expenses and other current assets	4.1	3.5
Total current assets	277.7	254.3
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of \$75.6 and \$70.7, respectively	29.9	33.2
Intangible assets, net of accumulated amortization of \$211.0 and \$198.9, respectively	640.5	643.7
Deferred tax assets, net of valuation allowance of \$72.4 and \$81.6, respectively	166.9	162.1
Other investments	1.0	1.0
Long-term marketable securities	3.0	7.5
Debt issuance costs, net	3.9	3.9
Other assets	25.0	24.3
Total non-current assets	870.2	875.7
TOTAL ASSETS	\$ 1,147.9	\$ 1,130.0
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members, net	\$ —	\$ 36.8
Payable to founding members under tax receivable agreement (including payables to related parties of \$10.0 and \$10.3, respectively)	14.2	14.2
Accrued expenses	18.8	22.1
Accrued payroll and related expenses	5.8	13.8
Accounts payable	12.3	20.7
Deferred revenue	7.7	7.6
Short-term debt	2.7	2.7
Other current liabilities	1.7	1.6
Total current liabilities	63.2	119.5
NON-CURRENT LIABILITIES:		
Long-term debt, net of debt issuance costs of \$8.7 and \$9.0, respectively	1,050.9	923.9
Payable to founding members under tax receivable agreement (including payables to related parties of \$134.7 and \$133.5, respectively)	185.1	183.8
Other liabilities	23.7	24.0
Total non-current liabilities	1,259.7	1,131.7
Total liabilities	1,322.9	1,251.2
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; 175,000,000 shares authorized, 78,000,338 and 77,568,986 issued and outstanding, respectively	0.8	0.8
Additional paid in capital/(deficit)	(209.1)	(209.2)
Retained earnings (distributions in excess of earnings)	(207.4)	(171.1)
Total NCM, Inc. stockholders' equity/(deficit)	(415.7)	(379.5)
Noncontrolling interests	240.7	258.3
Total equity/(deficit)	(175.0)	(121.2)
TOTAL LIABILITIES AND EQUITY/(DEFICIT)	\$ 1,147.9	\$ 1,130.0

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 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
REVENUE (including revenue from related parties of \$0.0, \$6.5, \$4.3 and \$11.8, respectively)	\$ 4.0	\$ 110.2	\$ 68.7	\$ 187.1
OPERATING EXPENSES:				
Advertising operating costs	1.1	9.9	7.3	17.2
Network costs	1.6	3.4	4.5	6.9
Theater access fees and revenue share to founding members (including fees to related parties of \$0.0, \$14.5, \$12.5 and \$27.4, respectively)	—	21.6	17.7	40.7
Selling and marketing costs	6.7	16.2	20.6	31.4
Administrative and other costs	7.4	11.1	17.2	21.8
Impairment of long-lived assets	1.7	—	1.7	—
Depreciation expense	3.2	3.3	6.4	6.6
Amortization of intangibles recorded for network theater screen leases	6.1	7.0	12.2	13.9
Total	27.8	72.5	87.6	138.5
OPERATING (LOSS) INCOME	(23.8)	37.7	(18.9)	48.6
NON-OPERATING EXPENSES:				
Interest on borrowings	13.6	14.2	27.2	28.6
Interest income	(0.3)	(0.5)	(0.5)	(1.0)
Loss (gain) on modification and retirement of debt, net	0.3	—	0.3	(0.3)
Loss on re-measurement of the payable to founding members under the tax receivable agreement	0.1	0.8	0.3	1.5
Other non-operating expense (income)	0.1	(0.1)	—	(0.3)
Total	13.8	14.4	27.3	28.5
(LOSS) INCOME BEFORE INCOME TAXES	(37.6)	23.3	(46.2)	20.1
Income tax (benefit) expense	(4.2)	2.3	(4.6)	1.7
CONSOLIDATED NET (LOSS) INCOME	(33.4)	21.0	(41.6)	18.4
Less: Net (loss) income attributable to noncontrolling interests	(19.6)	12.1	(24.1)	10.6
NET (LOSS) INCOME ATTRIBUTABLE TO NCM, INC.	\$ (13.8)	\$ 8.9	\$ (17.5)	\$ 7.8
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO NCM, INC.	\$ (13.8)	\$ 8.9	\$ (17.5)	\$ 7.8
NET (LOSS) INCOME PER NCM, INC. COMMON SHARE:				
Basic	\$ (0.18)	\$ 0.11	\$ (0.22)	\$ 0.10
Diluted	\$ (0.18)	\$ 0.11	\$ (0.22)	\$ 0.10
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	77,995,951	77,343,093	77,879,959	77,261,435
Diluted	77,995,951	77,636,096	77,879,959	77,575,081

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 25, 2020	June 27, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net (loss) income	\$ (41.6)	\$ 18.4
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:		
Deferred income tax (benefit) expense	(4.5)	1.5
Depreciation expense	6.4	6.6
Amortization of intangibles recorded for network theater screen leases	12.2	13.9
Non-cash share-based compensation	0.3	2.8
Impairment of long-lived assets	1.7	—
Amortization of debt issuance costs	1.2	1.3
Loss (gain) on modification and retirement of debt, net	0.3	(0.3)
Non-cash loss on re-measurement of the payable to founding members under the tax receivable agreement	0.3	1.6
Other	—	(1.0)
Proceeds from disposition of intangible assets by network affiliates	—	0.5
Founding member integration and other encumbered theater payments (including payments from related parties of \$0.1 and \$0.6, respectively)	9.7	10.6
Payment to the founding members under tax receivable agreement (including payments to related parties of \$0.0 and \$9.8, respectively)	—	(13.9)
Other cash flows from operating activities	(0.2)	—
Changes in operating assets and liabilities:		
Receivables, net	147.3	25.0
Accounts payable and accrued expenses	(17.9)	(8.9)
Amounts due to/from founding members, net	(6.2)	0.7
Deferred revenue	0.1	3.4
Other, net	(1.7)	(2.9)
Net cash provided by operating activities	<u>107.4</u>	<u>59.3</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5.2)	(6.8)
Purchases of marketable securities	(8.2)	(5.4)
Proceeds from sale and maturities of marketable securities	28.9	21.4
Proceeds from notes receivable - founding members (including payments from related parties of \$0.0 and \$1.4, respectively)	—	1.4
Net cash provided by investing activities	<u>15.5</u>	<u>10.6</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(21.0)	(27.2)
Proceeds from revolving credit facility	210.0	71.0
Repayments of revolving credit facility	(82.0)	(71.0)
Repayment of term loan facility	(1.4)	(1.4)
Repayment of Senior Notes due 2026	—	(4.6)
Payment of debt issuance costs	(1.2)	—
Distributions to founding members	(36.8)	(34.0)
Repurchase of stock for restricted stock tax withholding	(1.0)	(1.3)
Net cash provided by (used in) financing activities	<u>66.6</u>	<u>(68.5)</u>
CHANGE IN CASH AND CASH EQUIVALENTS:	189.5	1.4
Cash and cash equivalents at beginning of period	<u>55.9</u>	<u>41.4</u>
Cash and cash equivalents at end of period	<u>\$ 245.4</u>	<u>\$ 42.8</u>

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 25, 2020	June 27, 2019
Supplemental disclosure of non-cash financing and investing activity:		
Purchase of an intangible asset with NCM LLC equity	\$ 10.5	\$ 7.6
Accrued distributions to founding members (including accrued distributions to related parties of \$0.0 and \$15.4, respectively)	\$ —	\$ 15.4
Accrued integration and other encumbered theater payments due from founding members (including accrued payments due from related parties of \$0.0 and \$0.2, respectively)	\$ —	\$ 5.3
(Decrease) increase in dividend equivalent accrual not requiring cash in the period	\$ (0.3)	\$ 0.4
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 27.0	\$ 27.3
Cash paid for income taxes, net of refunds	\$ 0.3	\$ 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.					
	Consolidated	Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
		Shares	Amount			
Balance—March 28, 2019	\$ (104.7)	77,318,971	\$ 0.8	\$ (213.6)	\$ (168.0)	\$ 276.1
Distributions to founding members	(15.4)	—	—	—	—	(15.4)
Income tax and other impacts of NCM LLC ownership changes	0.1	—	—	0.1	—	—
Comprehensive income, net of tax	21.0	—	—	—	8.9	12.1
Share-based compensation issued	(0.1)	30,657	—	(0.1)	—	—
Share-based compensation expensed/capitalized	2.1	—	—	1.7	—	0.4
Cash dividends declared \$0.17 per share	(13.5)	—	—	—	(13.5)	—
Balance—June 27, 2019	<u>\$ (110.5)</u>	<u>77,349,628</u>	<u>\$ 0.8</u>	<u>\$ (211.9)</u>	<u>\$ (172.6)</u>	<u>\$ 273.2</u>
Balance—March 26, 2020	\$ (136.3)	77,973,648	\$ 0.8	\$ (209.1)	\$ (188.3)	\$ 260.3
Income tax and other impacts of NCM LLC ownership changes	—	—	—	0.1	—	(0.1)
Comprehensive loss, net of tax	(33.4)	—	—	—	(13.8)	(19.6)
Share-based compensation issued	(0.1)	26,690	—	(0.1)	—	—
Share-based compensation expensed/capitalized	0.1	—	—	—	—	0.1
Cash dividends declared \$0.07 per share	(5.3)	—	—	—	(5.3)	—
Balance—June 25, 2020	<u>\$ (175.0)</u>	<u>78,000,338</u>	<u>\$ 0.8</u>	<u>\$ (209.1)</u>	<u>\$ (207.4)</u>	<u>\$ 240.7</u>

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

	NCM, Inc.					
	Consolidated	Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
		Shares	Amount			
Balance—December 27, 2018	\$ (89.2)	76,976,398	\$ 0.8	\$ (215.2)	\$ (153.6)	\$ 278.8
Distributions to founding members	(21.5)	—	—	—	—	(21.5)
NCM LLC equity issued for purchase of intangible asset	7.6	—	—	3.7	—	3.9
Income tax and other impacts of NCM LLC ownership changes	(0.6)	—	—	(1.3)	—	0.7
Comprehensive income, net of tax	18.4	—	—	—	7.8	10.6
Share-based compensation issued	(1.3)	373,230	—	(1.3)	—	—
Share-based compensation expensed/capitalized	2.9	—	—	2.2	—	0.7
Cash dividends declared \$0.34 per share	(26.8)	—	—	—	(26.8)	—
Balance—June 27, 2019	<u>\$ (110.5)</u>	<u>77,349,628</u>	<u>\$ 0.8</u>	<u>\$ (211.9)</u>	<u>\$ (172.6)</u>	<u>\$ 273.2</u>
Balance—December 26, 2019	\$ (121.2)	77,568,986	\$ 0.8	\$ (209.2)	\$ (171.1)	\$ 258.3
Cumulative-effect adjustment for adoption of ASU 2016-13, net of tax	2.9	—	—	—	1.2	1.7
Distributions to founding members	(4.4)	—	—	—	—	(4.4)
NCM LLC equity issued for purchase of intangible asset	10.5	—	—	5.0	—	5.5
Income tax and other impacts of NCM LLC ownership changes	(0.5)	—	—	(3.9)	—	3.4
Comprehensive loss, net of tax	(41.6)	—	—	—	(17.5)	(24.1)
Share-based compensation issued	(1.0)	431,352	—	(1.0)	—	—
Share-based compensation expensed/capitalized	0.3	—	—	—	—	0.3
Cash dividends declared \$0.26 per share	(20.0)	—	—	—	(20.0)	—
Balance—June 25, 2020	<u>\$ (175.0)</u>	<u>78,000,338</u>	<u>\$ 0.8</u>	<u>\$ (209.1)</u>	<u>\$ (207.4)</u>	<u>\$ 240.7</u>

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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

1. THE COMPANY

Description of Business

National CineMedia, Inc. (“NCM, Inc.”) was incorporated in Delaware as a holding company with the sole purpose of becoming a member and sole manager of National CineMedia, LLC (“NCM LLC”), a limited liability company. 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., allowing NCM LLC to sell advertising under long-term exhibitor services agreements (“ESAs”) with the founding members and certain third-party theater circuits, referred to in this document as “network affiliates” under long-term network affiliate agreements. Beginning in mid-March 2020, each of our founding members and all of our network affiliates announced that their theaters would be temporarily closed to address the COVID-19 Pandemic. As of June 25, 2020, almost all of the theaters within our network remained closed. The Company was unable to advertise in the theaters, and thus did not generate any in-theater revenue, during the three months ended June 25, 2020 and are not able to advertise in theaters for the duration of time that the theaters remain closed.

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 (based on attendance) of approximately 19.3 years as of June 25, 2020. The network affiliate agreements expire at various dates between September 2020 and July 2031. The weighted average remaining term (based on 2019 attendance) of the ESAs and the network affiliate agreements together is 16.8 years as of June 25, 2020.

As of June 25, 2020, NCM LLC had 162,531,666 common membership units outstanding, of which 78,000,338 (48.0%) were owned by NCM, Inc., 42,290,694 (26.0%) were owned by Regal, 40,850,068 (25.1%) were owned by Cinemark and 1,390,566 (0.9%) 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 26, 2019 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 26, 2019.

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. Given the temporary closure of the theaters within the Company’s network, management expects the Company’s 2020 quarterly results to vary from historical trends. 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.

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

Significant estimates include those related to the reserve for uncollectible accounts receivable, share-based compensation and income taxes. Actual results could differ from those estimates.

Significant Accounting Policies

The Company's annual financial statements included in its Form 10-K filed for the fiscal year ended December 26, 2019 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 on-screen and lobby network (LEN) advertising and lobby promotions and advertising on websites and mobile applications 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.

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 higher historical and expected credit loss patterns. The Company has smaller contracts with thousands of 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 increased the expected rate of default related to local and regional customers within the calculation of the allowance for doubtful accounts as of June 25, 2020 given the adverse impact of the COVID-19 Pandemic on certain businesses, in particular, categories of small businesses (i.e. restaurants, travel, etc.) which the Company expects could lead to an increased rate of default. 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.

As of June 25, 2020 and December 26, 2019, there were no advertising agency groups or individual customers through which the Company sources advertising revenue representing more than 10% of the Company's outstanding gross receivable balance. During the three months ended June 25, 2020, the Company had one customer that accounted for approximately 18% of the Company's revenue. During the six months ended June 25, 2020 and the three and six months ended June 27, 2019, the Company had no customers that accounted for more than 10% of revenue.

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 \$1.7 million, \$0.0 million, \$1.7 million and \$0.0 million related to the write-off of certain internally developed software during the three months ended June 25, 2020 and June 27, 2019 and the six months ended June 25, 2020 and June 27, 2019, respectively.

Share-Based Compensation—The Company has issued stock options and restricted stock to certain employees and restricted stock units to its independent directors. The restricted stock 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 that vests upon the achievement of Company performance measures is based on management's financial projections and the probability of achieving the projections, which require considerable judgment. A cumulative adjustment is recorded to share-based compensation expense in periods that management changes its estimate of the number of shares of restricted stock expected to vest. Ultimately, the Company adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. Dividends are accrued when declared on unvested restricted stock that is expected to vest and are only paid with respect to shares that actually vest. During the three months ended June 25, 2020 and June 27, 2019 and the six months ended June 25, 2020 and June 27, 2019, 33,378, 37,699, 557,681 and 549,695 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* ("ASC 810"). The following table presents the changes in NCM, Inc.'s equity resulting from net income attributable to NCM,

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

Inc. and transfers to or from noncontrolling interests (in millions):

	Three Months Ended		Six Months Ended	
	June 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
Net (loss) income attributable to NCM, Inc.	\$ (13.8)	\$ 8.9	\$ (17.5)	\$ 7.8
NCM LLC equity issued for purchase of intangible asset	—	—	5.0	3.7
Income tax and other impacts of subsidiary ownership changes	0.1	0.1	(3.9)	(1.3)
Change from net (loss) income attributable to NCM, Inc. and transfers from noncontrolling interests	<u>\$ (13.7)</u>	<u>\$ 9.0</u>	<u>\$ (16.4)</u>	<u>\$ 10.2</u>

Recently Adopted Accounting Pronouncements

During the first quarter of 2020, the Company adopted Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements* (“ASU 2016-13”), which requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Upon the adoption of ASU 2016-13 on December 27, 2019, the Company recorded a \$3.2 million cumulative-effect adjustment to retained earnings related to the change in methodology surrounding the historical losses utilized in the calculation of the allowance for credit losses related to trade and unbilled accounts receivable reducing the allowance to \$3.0 million as of the adoption date. The Company also recorded a corresponding \$0.4 million reduction to the corresponding deferred tax asset with the offset also recorded to retained earnings. The other impacts upon adoption were immaterial to the unaudited Condensed Consolidated Financial Statements. The Company has incorporated additional disclosures in Note 1—*The Company*, Note 2—*Revenue from Contracts with Customers and Accounts Receivable* and Note 9—*Fair Value Measurements* to its Condensed Consolidated Financial Statements to comply with ASU 2016-13. The Company has also designed and implemented changes to certain processes and internal controls related to its adoption of ASU 2016-13.

During the first quarter of 2020, the Company adopted Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements. The Company adoption of ASU 2018-13 did not have a material impact on the unaudited Condensed Consolidated Financial Statements or notes thereto.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued 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. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on the unaudited Condensed Consolidated Financial Statements or notes thereto.

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 is currently assessing the impact of the LIBOR transition and ASU 2020-04 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

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

The Company derives revenue principally from the sale of advertising to national, regional and local businesses in *Noovie*, 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 through *Cinema Accelerator* and NCM's digital gaming products including *Noovie ARcade*, *Name That Movie*, *Noovie Shuffle* and *Fantasy Movie League*, which can be played on the mobile apps or at *Noovie.com*. 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 theater attendance specified in the advertising contract. The make-good provision is recorded within accrued expenses in the unaudited Condensed Consolidated Balance Sheet. As of June 25, 2020 and December 26, 2019, the Company had a make-good provision of \$6.3 million and \$8.7 million, respectively.

The Company does not have any contracts with customers with terms in excess of one year that are noncancelable as of June 25, 2020. 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, other of the Company's contracts longer than one year that are cancelable are not included within this disclosure.

Disaggregation of Revenue

The Company disaggregates revenue based upon the type of customer: national, local, 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 ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019 (in millions):

	Three Months Ended		Six Months Ended	
	June 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
National and regional advertising revenue	\$ 1.7	\$ 84.3	\$ 51.5	\$ 141.7
Local advertising revenue	2.3	17.7	11.7	30.5
Founding member advertising revenue from beverage concessionaire agreements	—	8.2	5.5	14.9
Total revenue	\$ 4.0	\$ 110.2	\$ 68.7	\$ 187.1

Deferred Revenue and Unbilled Accounts Receivable

The changes in deferred revenue for the six months ended June 25, 2020 were as follows (in millions):

	Six Months Ended June 25, 2020
Balance at beginning of period	\$ (7.6)
Performance obligations satisfied	5.4
New contract liabilities	(5.5)
Balance at end of period	\$ (7.7)

As of June 25, 2020 and December 26, 2019, the Company had \$2.2 million and \$8.0 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 25, 2020 were as follows (in millions):

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

	Six Months Ended			
	June 25, 2020			
	Allowance for National Customer Receivables		Allowance for Local/ Regional Customer Receivables	
Balance at beginning of period	\$	1.1	\$	1.9
Provision for bad debt		(0.6)		1.3
Write-offs, net		(0.1)		(0.4)
Balance at end of period	\$	0.4	\$	2.8

3. (LOSS) EARNINGS 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 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
Net (loss) income attributable to NCM, Inc. (in millions)	\$ (13.8)	\$ 8.9	\$ (17.5)	\$ 7.8
Weighted average shares outstanding:				
Basic	77,995,951	77,343,093	77,879,959	77,261,435
Add: Dilutive effect of stock options, restricted stock and exchangeable membership units	—	293,003	—	313,646
Diluted	77,995,951	77,636,096	77,879,959	77,575,081
(Loss) earnings per NCM, Inc. share:				
Basic	\$ (0.18)	\$ 0.11	\$ (0.22)	\$ 0.10
Diluted	\$ (0.18)	\$ 0.11	\$ (0.22)	\$ 0.10

The effect of 84,531,328, 81,705,487, 83,252,384 and 81,263,513 weighted average exchangeable NCM LLC common units held by the founding members for the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, 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 3,777,240, 1,969,086, 3,777,240 and 2,125,728 stock options and non-vested (restricted) shares for the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, 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 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. The Company determined that recent adverse changes in macroeconomic trends, reduced cash flows as a consequence of the temporary closure of the theaters within the Company's network in response to the outbreak of 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 as of June 25, 2020 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 extension of or a later recurrence of the temporary theater closures due to the COVID-19 Pandemic and potential adverse impacts to NCM LLC's founding members' and affiliates' financial liquidity related to the COVID-19 Pandemic theater closures. The estimated future

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

cash flows from the affiliate agreements and ESAs calculated within the probability-weighted analyses were in excess of the net book value of these intangible assets and thus, no impairment charges were recorded for the three and six months ended June 25, 2020. 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 or dispositions during the previous year. 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 2020, NCM LLC issued 3,022,959 common membership units to its founding members for the rights to exclusive access to the theater screens and attendees added, net of dispositions by the founding members to NCM LLC's network during the 2019 fiscal year and NCM LLC recorded a net intangible asset of \$10.5 million during the first quarter of 2020 as a result of the Common Unit Adjustment.

During the first quarter of 2019, NCM LLC issued 1,044,665 common membership units to its founding members for the rights to exclusive access to the theater screens and attendees added, net of dispositions by the founding members to NCM LLC's network during the 2018 fiscal year and NCM LLC recorded a net intangible asset of \$7.6 million during the first quarter of 2019 as a result of the Common Unit Adjustment.

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 will make 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. In 2019, AMC and Cinemark also made integration payments to NCM LLC related to their respective acquisitions of theaters from Rave Cinemas. The advertising agreements with an alternative provider for these theaters ended during 2019 and the theaters were transferred to our network. Integration payments are no longer due related to these theaters. 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 asset. During the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, the Company recorded a reduction to net intangible assets of \$0.0 million, \$5.7 million, \$1.4 million and \$8.1 million, respectively, related to integration and other encumbered theater payments. Because the encumbered theaters were temporarily closed during the three months ended June 25, 2020, no advertising cash flows could have been generated from the encumbered theaters during the period if the theaters were within NCM LLC's network and thus no integration payments were earned during the three months ended June 25, 2020. During the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, AMC and Cinemark paid a total of \$1.2 million, \$2.5 million, \$9.7 million and \$10.6 million respectively, in integration and other encumbered theater payments (as payments are made one quarter and one month in arrears, respectively). The payments received during the three and six months ended June 25, 2020 primarily relate to AMC's acquisition of theaters from Carmike. The payments received during the three and six months ended June 27, 2019 relate to AMC's acquisitions of theaters from Carmike and Rave Cinemas and from Cinemark related primarily to its acquisition of theaters from Rave Cinemas. 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

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

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. As AMC owns less than 5% of NCM LLC as of June 25, 2020, AMC 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.

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, 30 seconds to 60 seconds of advertising included in the *Noovie* pre-show is sold to NCM LLC’s founding members 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 founding members (in millions):

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

<i>Included in the unaudited Condensed Consolidated Statements of Income:</i>	Three Months Ended		Six Months Ended	
	June 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
<u>Revenue:</u>				
Beverage concessionaire revenue (included in advertising revenue) (1)	\$ —	\$ 6.5	\$ 4.3	\$ 11.8
<u>Operating expenses:</u>				
Theater access fee and revenue share to founding members (2)	\$ —	\$ 14.5	\$ 12.5	\$ 27.4
Purchase of movie tickets and concession products and rental of theater space (included in selling and marketing costs) (3)	\$ —	\$ 0.1	\$ 0.1	\$ 0.2
<u>Non-operating expenses:</u>				
Interest income from notes receivable (included in interest income) (4)	\$ —	\$ —	\$ —	\$ 0.1

- (1) For the three and six months ended June 25, 2020 and June 27, 2019, 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. There was no beverage revenue for the three months ended June 25, 2020 due to the temporary closure of all the founding member theaters within NCM LLC's network in response to the COVID-19 Pandemic and thus there not being any attendees upon which beverage revenue is based.
- (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 in September of 2019 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"). There was no theater access fee or revenue share expense for the three months ended June 25, 2020 due to the temporary closure of all the founding member theaters within NCM LLC's network.
- (3) Used primarily for marketing to NCM LLC's advertising clients.
- (4) On December 26, 2013, NCM LLC sold its Fathom Events business to a newly formed limited liability company (AC JV, LLC) owned 32% by each of the founding members and 4% by NCM LLC. In consideration for the sale, NCM LLC received a total of \$25.0 million in promissory notes from its founding members (one-third or approximately \$8.3 million from each founding member). The notes bear interest at a fixed rate of 5.0% per annum, compounded annually. Interest and principal payments were due annually in six equal installments commencing on the first anniversary of the closing and ended on December 26, 2019.

<i>Included in the unaudited Condensed Consolidated Balance Sheets:</i>	As of	
	June 25, 2020	December 26, 2019
Common unit adjustments and ESA extension costs, net of amortization and integration payments (included in intangible assets) (1)	\$ 619.0	\$ 620.5
Current payable to founding members under tax receivable agreement (2)	\$ 10.0	\$ 10.3
Long-term payable to founding members under tax receivable agreement (2)	\$ 134.7	\$ 133.5

- (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 \$3.7 million and \$6.7 million, respectively, in payments pursuant to the TRA during 2019 which was for the 2018 tax year. On March 21, 2020, a Treasury Department Notice postponed the original due date for the Company's U.S. federal income tax return to July 15, 2020 from April 15, 2020. The Company made the TRA payments to Cinemark and Regal on July 15, 2020 of \$3.2 million and \$5.8 million, respectively.

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

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

the NCM LLC Operating Agreement, on a quarterly basis in arrears. Mandatory distributions of available cash for the three and six months ended June 25, 2020 and June 27, 2019 were as follows (in millions):

	Three Months Ended		Six Months Ended	
	June 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
Cinemark	\$ —	\$ 7.5	\$ 2.1	\$ 10.5
Regal	—	7.9	2.2	11.0
Total distributions to related parties	—	15.4	4.3	21.5
NCM, Inc.	—	14.6	4.1	20.4
Total	\$ —	\$ 30.0	\$ 8.4	\$ 41.9

Due to the temporary closure of the theaters within NCM LLC's network during the three months ended June 25, 2020, the mandatory distributions of available cash by NCM LLC to its related party founding members and NCM, Inc. for the three months ended June 25, 2020 were calculated as negative \$29.8 million (including \$7.6 million for Cinemark, \$7.8 million for Regal and \$14.4 million for NCM, Inc.). Therefore, there will be no payment made for the second quarter of 2020. Under the terms of the NCM LLC Operating Agreement, this negative amount will be netted against the available cash distributions for the second quarter of 2021, which will be paid in the third quarter of 2021, contingent upon the Company's compliance with the covenants outlined within the Credit Agreement Amendment defined within Note 6—*Borrowings* and the Company's generation of future positive available cash to which the above negative amounts above can be applied.

Amounts due to related party founding members, net as of December 26, 2019 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	\$ 2.0	\$ 2.5	\$ 4.5
Distributions payable to founding members	15.8	16.6	32.4
Integration payments due from founding members	(0.1)	—	(0.1)
Total amounts due to founding members, net	\$ 17.7	\$ 19.1	\$ 36.8

Network Affiliate Transactions—NCM LLC paid a network affiliate owned by a family member of a director on the Company's Board of Directors \$0.1 million, \$0.1 million, \$0.3 million and \$0.2 million, in circuit share payments during the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, respectively.

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 \$0.9 million and \$0.9 million as of June 25, 2020 and December 26, 2019, respectively. Equity in (losses) earnings from AC JV, LLC of \$(0.1) million, \$0.1 million, \$0.0 million and \$0.3 million for the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, 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 25, 2020 and December 26, 2019 and the significant terms of its borrowing arrangements (in millions):

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

Borrowings	Outstanding Balance as of		Maturity Date	Interest Rate
	June 25, 2020	December 26, 2019		
Revolving credit facility	\$ 167.0	\$ 39.0	June 20, 2023	(1)
Term loans	265.3	266.6	June 20, 2025	(1)
Senior unsecured notes due 2026	230.0	230.0	August 15, 2026	5.750%
Senior secured notes due 2028	400.0	400.0	April 15, 2028	5.875%
Total borrowings	1,062.3	935.6		
Less: debt issuance costs related to term loans and senior notes	(8.7)	(9.0)		
Total borrowings, net	1,053.6	926.6		
Less: current portion of debt	(2.7)	(2.7)		
Carrying value of long-term debt	\$ 1,050.9	\$ 923.9		

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

Senior Secured Credit Facility—On June 20, 2018, NCM LLC entered into a credit agreement (the “Credit Agreement”) to replace NCM LLC’s senior secured credit facility, dated as of February 13, 2007, as amended (the “previous facility”). Consistent with the structure of the previous facility, the Credit Agreement consists of a term loan facility and a revolving credit facility. As of June 25, 2020, NCM LLC’s senior secured credit facility consisted of a \$175.0 million revolving credit facility and a \$265.3 million term loan. The obligations under the senior secured credit facility are secured by a lien on substantially all of the assets of NCM LLC.

On April 30, 2020, NCM LLC amended the Credit Agreement (the “Credit Agreement Amendment”) to allow for the automatic waiver of any non-compliance with its Consolidated Net Senior Secured Leverage Ratio and Consolidated Total Leverage Ratio financial covenants occurring from the quarter ending June 25, 2020 until and including the quarter ending July 1, 2021 (the “Covenant Holiday Period”). The Credit Agreement Amendment requires that, until the fiscal quarter ending July 1, 2021, NCM LLC must not permit the sum of unrestricted cash on hand at NCM LLC and availability under its Revolving Credit Facility to be less than \$55.0 million. Further, NCM LLC can make available cash distributions to its members (AMC, Cinemark, Regal and NCM, Inc.) during the Covenant Holiday Period only if trailing 12-month Consolidated EBITDA (as defined in the Credit Agreement) equals or exceeds \$277.0 million and outstanding loans under the Revolving Credit Facility are equal to or less than \$39.0 million. NCM LLC can make available cash distributions to its members outside of the Covenant Holiday Period so long as NCM LLC’s Consolidated Net Senior Secured Leverage Ratio is equal to or less than 5.00 to 1.00 and no default or event of default under the Credit Agreement has occurred and is continuing.

Revolving Credit Facility—The revolving credit facility portion of NCM LLC’s total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. 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 to address the COVID-19 Pandemic. As of June 25, 2020, NCM LLC’s total availability under the \$175.0 million revolving credit facility was \$4.4 million, net of \$167.0 million outstanding and \$3.6 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 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 revolving credit facility will mature on June 20, 2023. The weighted-average interest rate on the revolving credit facility as of June 25, 2020 was 3.00%.

Term Loans—The interest rate on the term loans is a rate chosen at NCM LLC’s option of either the LIBOR index plus 3.00% or the base rate plus 2.00%. The interest rate on the term loans as of June 25, 2020 was 4.00%. The term loans amortize at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of June 25, 2020, NCM LLC has paid principal of \$4.7 million, reducing the outstanding balance to \$265.3 million. The term loans will mature on June 20, 2025.

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

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. In addition, NCM LLC is permitted to make quarterly dividend payments and other restricted payments with its available cash as long as NCM LLC's consolidated net senior secured leverage ratio (after giving effect to any such payment) is below 5.50 times and no default or event of default has occurred and continues to occur under the senior secured credit facility. As of June 25, 2020, NCM LLC's consolidated net senior secured leverage ratio was 4.58 times (versus the dividend payment restriction of 5.50 times and the covenant of 4.50 times) and NCM LLC's consolidated net total leverage ratio was 6.01 times (versus the covenant of 6.25 times). As of June 25, 2020, NCM LLC was in compliance with the requirements of the Credit Agreement Amendment described above and thus the noncompliance with the financial covenants was automatically waived.

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 \$5.0 million and \$15.0 million of the Notes due 2026 during 2019 and 2018, respectively, reducing the principal amount to \$230.0 million as of June 25, 2020. These repurchases were treated as partial debt extinguishments and resulted in the realization of a non-operating gain, net of written off debt issuance costs, of \$0.0 million, \$0.0 million, \$0.0 million and \$0.3 million during the three months and six months ended June 25, 2020 and June 27, 2019, respectively.

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.

7. INCOME TAXES

Changes in the Company's Effective Tax Rate—The Company recorded an income tax benefit of \$4.6 million for the six months ended June 25, 2020 compared to income tax expense of \$1.7 million for the six months ended June 27, 2019 resulting in an effective tax rate of 20.8% for the six months ended June 25, 2020 as compared to 17.9% for the six months ended June 27, 2019. The increase in the effective tax rate was primarily due to the relative impact of the tax benefit recorded on pretax book losses attributable to NCM Inc. of \$22.0 million for the six months ended June 25, 2020 compared to tax expense recorded on pretax book income of \$9.4 million for the six months ended June 27, 2019. This increase in income tax benefit was partially offset by the 2019 impact of deferred state tax recorded during the six months ended June 27, 2019 that did not recur during the same period in 2020. The tax provision through June 25, 2020 was computed using the annual effective tax rate. The Company's current blended state and federal rate (net of federal benefit) was 24.4% as of June 25, 2020 and 24.5% as of June 27, 2019.

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 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 \$21.4 million and short-term and long-term lease liabilities of \$1.7 million and \$23.7 million, respectively, on the balance sheet as of June 25, 2020 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 25, 2020, the Company had a weighted average remaining lease term of 9.6 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

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

environment. As of June 25, 2020, the Company's weighted average annual discount rate used to establish the ROU assets and lease liabilities was 7.33%.

During the three and six months ended June 25, 2020 and June 27, 2019, 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 25, 2020	June 27, 2019	June 25, 2020	June 27, 2019
Operating lease cost	\$ 0.9	\$ 0.8	\$ 1.8	\$ 1.6
Short-term lease cost	—	—	—	0.1
Variable lease cost	0.2	0.2	0.3	0.3
Total lease cost	\$ 1.1	\$ 1.0	\$ 2.1	\$ 2.0

The Company made total lease payments of \$0.9 million, \$0.8 million, \$1.8 million and \$1.6 million during the three months ended June 25, 2020 and June 27, 2019 and six months ended June 25, 2020 and June 27, 2019, 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, with this next increase occurring in fiscal year 2022, 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 25, 2020 and December 26, 2019, 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 beginning at \$0.025 per patron on November 1, 2019, (ii) \$0.0375 per patron beginning on November 1, 2020, (iii) \$0.05 per patron beginning on November 1, 2021, (iv) \$0.052 per patron beginning on November 1, 2022 and (v) 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 25% 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

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

will be required to satisfy a minimum average CPM for that period of time. The Company does not owe the founding members any theater access fees or any Platinum Spot revenue share when the theaters are not displaying the Company's pre-show or when the Company does not have access to the theaters. As such, the Company did not owe these fees for the three months ended June 25, 2020 and will not owe these fees while the founding members' theaters are closed in connection with the COVID-19 Pandemic. The digital screen fee is calculated based upon average screens in use during each month. No digital screen fees were incurred for the three months ended June 25, 2020 and no fees will be incurred for months where no screens are in use and fees will be reduced for months where screens are in use for only part of the 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 25, 2020, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is \$71.2 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 \$0.4 million and \$0.5 million related to affiliate agreements with guaranteed minimums in excess of the revenue share agreement as of June 25, 2020 and December 26, 2019, respectively. As the guaranteed minimums are based upon agreed upon minimum attendance or affiliate revenue levels, the Company did not incur minimum revenue share fees during the three months ended June 25, 2020 and will not for the remaining duration an affiliate's theaters are closed or during a period where theater attendance or affiliate revenue levels are low as the minimum levels must first be 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.

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

Other investments consisted of the following (in millions):

	As of	
	June 25, 2020	December 26, 2019
Investment in AC JV, LLC (1)	\$ 0.9	\$ 0.9
Other investments	0.1	0.1
Total	\$ 1.0	\$ 1.0

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

As of June 25, 2020, no 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 facility is considered a reasonable estimate of fair value due to its floating-rate terms. The estimated fair values of the Company's financial instruments where carrying values do not approximate fair value were as follows (in millions):

	As of June 25, 2020		As of December 26, 2019	
	Carrying Value	Fair Value (1)	Carrying Value	Fair Value (1)
Term loans	\$ 265.3	\$ 220.2	\$ 266.6	\$ 266.9
Notes due 2026	230.0	162.3	230.0	226.2
Notes due 2028	400.0	329.4	400.0	426.7

(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 as of June 25, 2020	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents (1)	\$ 49.8	\$ 49.8	\$ —	\$ —
Short-term marketable securities (2)	1.5	—	1.5	—
Long-term marketable securities (2)	3.0	—	3.0	—
Total assets	\$ 54.3	\$ 49.8	\$ 4.5	\$ —

	Fair Value as of December 26, 2019	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents (1)	\$ 28.8	\$ 16.8	\$ 12.0	\$ —
Short-term marketable securities (2)	17.5	—	17.5	—
Long-term marketable securities (2)	7.5	—	7.5	—
Total assets	\$ 53.8	\$ 16.8	\$ 37.0	\$ —

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

- (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 25, 2020, there was \$2.0 million 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 25, 2020 given the immaterial difference between the amortized cost basis and the aggregate fair value of the Company’s securities. For the three and six months ended June 25, 2020 and June 27, 2019, there was an inconsequential amount of net realized gains (losses) recognized in interest income and an inconsequential amount of net unrealized holding gains (losses) included in interest income. Original cost of short-term marketable securities is based on the specific identification method. As of June 25, 2020 and December 26, 2019, there was \$0.0 million and an inconsequential amount, respectively, of gross unrealized losses related to individual securities of \$0.0 million and \$6.5 million, respectively, that had been in a continuous loss position for 12 months or longer. The Company has not recorded an impairment because it has the intention and ability to hold these securities to maturity.

The amortized cost basis, aggregate fair value and maturities of the marketable securities the Company held as of June 25, 2020 and December 26, 2019 were as follows:

	As of June 25, 2020		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities (1) (in years)
MARKETABLE SECURITIES:			
Short-term municipal bonds	\$ 0.3	\$ 0.3	0.1
Short-term certificates of deposit	1.2	1.2	0.4
Total short-term marketable securities	1.5	1.5	
Long-term U.S. government agency bonds	1.0	1.0	3.7
Long-term certificates of deposit	2.0	2.0	3.3
Total long-term marketable securities	3.0	3.0	
Total marketable securities	\$ 4.5	\$ 4.5	

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

	As of December 26, 2019		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities (1) (in years)
MARKETABLE SECURITIES:			
Short-term U.S. government agency bonds	\$ 3.5	\$ 3.5	0.4
Short-term certificates of deposit	0.9	0.9	0.8
Short-term municipal bonds	1.2	1.2	0.5
Short-term commercial paper:			
Financial	8.0	7.9	0.3
Industrial	4.0	4.0	0.2
Total short-term marketable securities	17.6	17.5	
Long-term U.S. government agency bonds	4.5	4.5	2.2
Long-term certificates of deposit	3.0	3.0	3.6
Total long-term marketable securities	7.5	7.5	
Total marketable securities	\$ 25.1	\$ 25.0	

(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 3, 2020, the Company declared a cash dividend of \$0.07 per share (approximately \$5.5 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 17, 2020 to be paid on August 31, 2020.

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, 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 26, 2019 and as updated within our Form 10-Q filed with the SEC on May 5, 2020 the three months ended March 26, 2020. 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 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 26, 2019. 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 the power of movies and engage movie fans anytime and anywhere. We currently derive revenue principally from the sale of advertising to national, regional and local businesses in Noovie, our cinema advertising and entertainment pre-show seen on movie screens across the U.S. Beginning in mid-March 2020, each of our founding members and all of our network affiliates announced that their theaters would be temporarily closed to address the COVID-19 Pandemic. As of June 25, 2020 almost all of the theaters within our network remained closed. We were unable to advertise in the theaters, and thus did not generate any in theater revenue, for the three months ended June 25, 2020 and will not for the duration of time that the theaters remain closed. Refer to the "Recent Developments" section below for further information regarding the impact of and the Company's response to the COVID-19 Pandemic.

Beginning in November 2019 following the completion of the 2019 ESA Amendments, we now present two different formats of our Noovie pre-show depending on the theater circuit in which it runs. In Regal and Cinemark and 14 of our network affiliates' theaters, Noovie now includes 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 (together, the "Post-Showtime Inventory"). As of June 25, 2020, theaters presenting the new Noovie format with Post-Showtime Inventory made up approximately 58% of our network based upon 2019 attendance. 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 Noovie.

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 *Cinema Accelerator* and across our suite of Noovie digital properties, including *Noovie.com*, *Noovie Shuffle*, *Name That Movie*, *Noovie Arcade* and *Fantasy Movie League* in order to reach entertainment audiences beyond the theater. As of June 25, 2020, approximately 4.2 million moviegoers have downloaded our mobile apps. These downloads and the acquisition of second party data have resulted in first- and second-party data sets of over 146 million as of June 25, 2020. We have long-term ESAs (approximately 19.3 weighted average years remaining based on 2019 attendance) with the founding members and multi-year agreements with our network affiliates, which expire at various dates between September 2020 and July 2031. The weighted average remaining term (based on 2019 attendance) of the ESAs and the network affiliate agreements is 16.8 years as of June 25, 2020. 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 DCN. Approximately 99% of the aggregate founding member and network affiliate theater attendance is generated by theaters connected to our DCN (the remaining screens receive advertisements on USB drives) and 100% of the Noovie pre-show is projected on digital projectors (96% digital cinema projectors and 4% LCD projectors) as of June 25, 2020.

Management focuses on several measurements that we believe provide us with the necessary ratios and key performance indicators to manage our business, determine how we are performing versus our internal goals and targets, and against the performance of our competitors and other benchmarks in the marketplace in which we operate. Senior executives hold meetings at least once per quarter with members of management to discuss and analyze operating results and address significant variances to budget and prior year in an effort to identify trends and changes in our business. We focus on 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 screen per week, national and local and 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 Form 10-K filed with the SEC on February 20, 2020 for our fiscal year ended December 26, 2019 and as updated within our Form 10-Q filed with the SEC on May 5, 2020 the three months ended March 26, 2020.

Recent Developments

COVID-19— Following the World Health Organization’s declaration of the COVID-19 virus as a pandemic, the United States’ government and other state and local governments issued precautionary restrictions on travel, public gatherings and other events and issued social distancing guidelines. Beginning in mid-March 2020, each of our founding members and all of our network affiliates announced that their theaters would be temporarily closed to address this pandemic. As of June 25, 2020, almost all of the theaters within our network remained closed. Major motion picture releases expected to occur during the temporary closure period were delayed until later in 2020 or 2021 or have been released directly to alternative delivery methods bypassing the theater entirely. The results of the three and six months ended June 25, 2020 were significantly impacted by these temporary closures as theater attendance was less than expected beginning in March, as the public was told to practice social distancing, and then when theaters were closed following stay at home orders. As of the date of this filing, the COVID-19 virus continues to spread in certain areas of the United States, and there can be no assurance when theaters within our network return to normal operations. These developments will be referred to as the “COVID-19 Pandemic.”

We are unable to advertise in the theaters, and thus we have not and will not generate any in theater revenue, for the duration of time that the theaters are closed. 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 and will not be incurred for the duration that the theaters are closed. We have been working to preserve cash and ensure sufficient liquidity to endure the impacts of the COVID-19 Pandemic, even if prolonged. Among other measures, we have:

- Temporarily furloughed approximately 30% of our staff and temporarily reduced the pay of the remaining employees by up to 50%, which in aggregate reduced our compensation expense by 50% (“Temporary Salary and Wage Reductions”);
- Temporarily reduced cash compensation of the Company’s Board of Directors by 20%;
- Suspended non-essential operating expenditures, including marketing, research, employee travel and consulting services;
- Implemented a hiring freeze;
- Temporarily suspended the 401K employee match program;
- Terminated or deferred certain non-essential capital expenditures;
- Strategically worked with our landlords, 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 to \$0.07 per share beginning in the second quarter of 2020 from \$0.19 per share in the fourth quarter of 2019. When compared to the fourth quarter of 2019 this results in quarterly cash savings of \$9.3 million for NCM, Inc.; and
- Introduced an active cash management process, which, among other things, requires CEO approval of all outgoing payments.

As of the date of this filing, almost all of the theaters in our network remain closed. Given the capacity restrictions we expect to be in place for most of the theaters within our network upon reopening, the Company expects its network attendance to increase gradually, and thus, expects to remove the temporary cash preservation measures outlined above as the Company’s operations normalize and in consideration of the Company’s liquidity needs. The Company’s ability to resume advertising is dependent upon the reopening of the theaters, the release of major motion pictures to the theaters, and the attendance of theater

patrons. However, there can be no assurance that theater patrons will return to movie theaters or the overall attendance will return to levels comparable to those prior to the COVID-19 Pandemic.

In March 2020, we drew down an additional \$110.0 million on our revolving credit facility increasing our cash and marketable securities balance to \$215.3 million as of March 26, 2020 (\$132.2 million at NCM LLC). Further, as of March 26, 2020, we had approximately \$112.3 million of trade accounts receivable outstanding from customers, of which we have collected approximately \$89.7 million as of June 25, 2020, increasing our cash and marketable securities balance to \$249.9 million as of June 25, 2020 (\$168.1 million at NCM LLC) and decreasing our trade accounts receivable outstanding to \$25.3 million. The \$168.1 million of cash at NCM LLC will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. cannot be used to fund operations at NCM LLC and is held for future payment of dividends to NCM, Inc. shareholders, income tax payments, income tax receivable payments to NCM LLC's founding members and other obligations.

On April 30, 2020, NCM LLC amended its Credit Agreement, dated as of June 20, 2018 ("Credit Agreement Amendment") to allow for the automatic waiver of any non-compliance with its Consolidated Net Senior Secured Leverage Ratio and Consolidated Total Leverage Ratio financial covenants occurring from the quarter ending June 25, 2020 until and including the quarter ending July 1, 2021 (the "Covenant Holiday Period"). The Credit Agreement Amendment requires that, until the fiscal quarter ending July 1, 2021, NCM LLC must not permit the sum of unrestricted cash on hand at NCM LLC and availability under its Revolving Credit Facility to be less than \$55.0 million. Further, NCM LLC can make available cash distributions to its members (AMC, Cinemark, Regal and NCM, Inc.) during the Covenant Holiday Period only if trailing 12-month Consolidated EBITDA (as defined in the Credit Agreement) equals or exceeds \$277.0 million and outstanding loans under the Revolving Credit Facility are equal to or less than \$39.0 million. NCM LLC can make available cash distributions to its members outside of the Covenant Holiday Period so long as NCM LLC's Consolidated Net Senior Secured Leverage Ratio is equal to or less than 5.00 to 1.00 and no default or event of default under the Credit Agreement has occurred and is continuing. NCM LLC may continue to reimburse NCM, Inc. for its services provided under the management services agreement during the period of the automatic waiver.

On March 21, 2020, a Treasury Department Notice postponed the original due date for the Company's U.S. federal income tax return to July 15, 2020 from April 15, 2020. The Company made the TRA payments to the founding members on July 15, 2020 totaling \$12.8 million and expect to pay \$1.4 million in the fourth quarter of 2020.

On March 27, 2020, the U.S. Government enacted various relief and stimulus measures in response to the unprecedented adverse economic impacts of the COVID-19 Pandemic commonly referred to as the CARES Act. We currently have recognized or expect to recognize the following benefits under the CARES Act:

- Deferral of the payment of the 6.2% FICA portion of Company's payroll taxes beginning on the enactment date through December 31, 2020 until the end of 2021 for one-half of the tax and the remaining half to the end of 2022. The Company deferred \$0.4 million in qualifying payments in the second quarter of 2020; and
- A refundable Employee Retention Payroll Tax Credit for the Company's portion of the 6.2% FICA payroll tax for certain qualifying employees from March 13, 2020 through December 31, 2020.

The Company will continue to monitor the provisions of the CARES Act and associated regulations and any other government action and intends to seek available potential benefits that would positively impact the Company.

We believe that the exhibition industry has historically fared well during recessions, and we remain optimistic, though cannot guarantee, that our founding members and network affiliates will rebound and attendance figures will benefit from pent-up social demand as state and local restrictions or other social distancing orders subside and people seek togetherness with a return to normalcy. However, the ultimate significance of the COVID-19 Pandemic, including the extent of the adverse impact on our financial and operational results, will be dictated by the currently unknowable duration and the effect on the overall economy and the advertising market and of responsive governmental regulations, including state and local restrictions or other social distancing orders and resulting business closures which are recurring in certain areas and could recur on multiple occasions after the initial reopening causing subsequent closure periods. Our business also could be significantly affected should the disruptions caused by the COVID-19 Pandemic lead to changes in consumer behavior (such as what the movie audience's willingness to return to the movie theaters and the impacts of social distancing, facemask requirements and other measures on the movie going experience), which we believe will be temporary, or further reductions or impacts to the customary theatrical release window. The COVID-19 Pandemic also makes it more challenging for management to estimate the future performance of our business, particularly over the near to medium term. We are monitoring the rapidly evolving situation and its potential impacts on our financial position, results of operations, liquidity and cash flows.

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 2020	Q2 2019	YTD 2020	YTD 2019	% Change	
					Q2 2020 to Q2 2019	YTD 2020 to YTD 2019
Revenue	\$ 4.0	\$ 110.2	\$ 68.7	\$ 187.1	(96.4)%	(63.3)%
Operating expenses:						
Advertising	5.6	47.3	42.4	86.5	(88.2)%	(51.0)%
Network, administrative and unallocated costs	22.2	25.2	45.2	52.0	(11.9)%	(13.1)%
Total operating expenses	27.8	72.5	87.6	138.5	(61.7)%	(36.8)%
Operating (loss) income	(23.8)	37.7	(18.9)	48.6	(163.1)%	(138.9)%
Non-operating expenses	13.8	14.4	27.3	28.5	(4.2)%	(4.2)%
Income tax (benefit) expense	(4.2)	2.3	(4.6)	1.7	(282.6)%	(370.6)%
Net (loss) income attributable to noncontrolling interests	(19.6)	12.1	(24.1)	10.6	(262.0)%	(327.4)%
Net (loss) income attributable to NCM, Inc.	\$ (13.8)	\$ 8.9	\$ (17.5)	\$ 7.8	(255.1)%	(324.4)%
Net (loss) income per NCM, Inc. basic share	\$ (0.18)	\$ 0.11	\$ (0.22)	\$ 0.10	(263.6)%	(320.0)%
Net (loss) income per NCM, Inc. diluted share	\$ (0.18)	\$ 0.11	\$ (0.22)	\$ 0.10	(263.6)%	(320.0)%
Adjusted OIBDA	\$ (12.7)	\$ 50.2	\$ 1.7	\$ 72.3	(125.3)%	(97.6)%
Adjusted OIBDA margin	(317.5)%	45.6%	2.5%	38.6%	NM	(36.1)%
Total theater attendance (in millions) (1)	0.2	185.3	120.6	334.0	(99.9)%	(63.9)%

NM = Not Meaningful

- (1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike, AMC Rave and Cinemark Rave theaters that were part of another cinema advertising network for certain periods presented. Refer to Note 4 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document. The attendance for the second quarter of 2020 relates to a small number of affiliate theaters that reopened throughout May and June of 2020. Given the minimal amount of attendance, the Company did not advertise in these theaters during the second quarter of 2020.

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 Chief Executive Officer transition costs. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. Our management uses these non-GAAP financial measures to evaluate operating performance, to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on 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, impairments of long-lived assets, CEO turnover, 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, impairments of long-lived assets or costs associated with the resignation of the Company's former Chief Executive Officer. Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as an indicator of operating performance, nor should it be considered in isolation of, or as a substitute for, financial measures prepared in accordance with GAAP. The Company believes that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA. Because not all companies use identical calculations, these non-GAAP presentations may not be comparable to other similarly titled measures of other companies, or calculations in the Company's debt agreement.

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

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Operating (loss) income	\$ (23.8)	\$ 37.7	\$ (18.9)	\$ 48.6
Depreciation expense	3.2	3.3	6.4	6.6
Amortization of intangibles recorded for network theater screen leases	6.1	7.0	12.2	13.9
Share-based compensation costs (1)	0.1	2.1	0.3	2.9
Impairment of long-lived assets (2)	1.7	—	1.7	—
CEO transition costs (3)	—	0.1	—	0.3
Adjusted OIBDA	\$ (12.7)	\$ 50.2	\$ 1.7	\$ 72.3
Total revenue	\$ 4.0	\$ 110.2	\$ 68.7	\$ 187.1
Adjusted OIBDA margin	(317.5)%	45.6%	2.5%	38.6%

(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 impairments of long-lived assets primarily relate to the write off of certain internally developed software.

(3) Chief Executive Officer transition costs represents costs associated with the search for a new Company CEO during the first six months of 2019.

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 25, 2020 was as follows.

	Number of screens		
	Founding Members	Network Affiliates	Total
Balance as of December 26, 2019	16,880	4,328	21,208
Lost affiliates, net of new affiliates (1)	—	(175)	(175)
Openings, net of closures (2)	73	(98)	(25)
Balance as of June 25, 2020	16,953	4,055	21,008

(1) Represents the loss of two of our affiliates that did not renew their contracts as of the end of the first quarter of 2020 resulting in a reduction of 185 affiliate screens to our network, offset by the addition of two new affiliates which added 10 new screens to our network during the six months ended June 25, 2020.

(2) Excludes the temporary theater closures in response to the COVID-19 Pandemic.

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 25, 2020 (second quarter of 2020) and June 27, 2019 (second quarter of 2019) and the six months ended June 25, 2020 and June 27, 2019 was derived from the unaudited Condensed Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the notes thereto.

Results of Operations

Second Quarter of 2020 and Second Quarter of 2019

Revenue. Total revenue decreased 96.4%, from \$110.2 million for the second quarter of 2019 to \$4.0 million for the second quarter of 2020. The following is a summary of revenue by category (in millions):

	Q2 2020	Q2 2019	\$ Change	% Change
			Q2 2020 to Q2 2019	Q2 2020 to Q2 2019
National and regional advertising revenue	\$ 1.7	\$ 84.3	\$ (82.6)	(98.0)%
Local advertising revenue	2.3	17.7	(15.4)	(87.0)%
Founding member advertising revenue from beverage concessionaire agreements	—	8.2	(8.2)	(100.0)%
Total revenue	\$ 4.0	\$ 110.2	\$ (106.2)	(96.4)%

The Company did not include revenue per attendee data for the second quarter of 2020 given the minimal amount of attendance and revenue as the metrics were not meaningful.

National and regional advertising revenue. The \$82.6 million, or 98.0%, decrease in national and regional advertising revenue (excluding beverage revenue from founding members) was due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic and thus the Company's inability to perform in theater advertising during the second quarter of 2020. The national and regional advertising revenue recognized in the second quarter of 2020 was primarily related to revenue associated with our digital service offerings.

Local advertising revenue. The \$15.4 million, or 87.0%, decrease in local advertising revenue was due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic and thus the Company's inability to perform in theater advertising during the second quarter of 2020. The local advertising revenue recognized in the second quarter of 2020 was primarily related to revenue associated with our digital service offerings.

Founding member beverage revenue. The \$8.2 million, or 100.0%, decrease in national advertising revenue from the founding members' beverage concessionaire agreements was due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic and thus there not being any attendees upon which beverage revenue is based.

Operating expenses. Total operating expenses decreased \$44.7 million, or 61.7%, from \$72.5 million for the second quarter of 2019 to \$27.8 million for the second quarter of 2020. The following table shows the changes in operating expense for the second quarter of 2020 (in millions):

	Q2 2020	Q2 2019	\$ Change	% Change
			Q2 2020 to Q2 2019	Q2 2020 to Q2 2019
Advertising operating costs	\$ 1.1	\$ 9.9	\$ (8.8)	(88.9)%
Network costs	1.6	3.4	(1.8)	(52.9)%
Theater access fees and revenue share—founding members	—	21.6	(21.6)	(100.0)%
Selling and marketing costs	6.7	16.2	(9.5)	(58.6)%
Administrative and other costs	7.4	11.1	(3.7)	(33.3)%
Impairment of long-lived assets	1.7	—	1.7	100.0 %
Depreciation expense	3.2	3.3	(0.1)	(3.0)%
Amortization of intangibles recorded for network theater screen leases	6.1	7.0	(0.9)	(12.9)%
Total operating expenses	\$ 27.8	\$ 72.5	\$ (44.7)	(61.7)%

Advertising operating costs. Advertising operating costs decreased \$8.8 million, or 88.9%, from \$9.9 million for the second quarter of 2019 to \$1.1 million for the second quarter of 2020. The decrease was due to an \$8.3 million decrease in advertising affiliate payments due to the temporary closure of almost all the affiliate theaters within our network in response to the COVID-19 Pandemic and a \$0.4 million decrease in personnel related expenses related to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic.

Network costs. Network costs decreased \$1.8 million, or 52.9%, from \$3.4 million for the second quarter of 2019 to \$1.6 million for the second quarter of 2020. The decrease was primarily related to a \$1.3 million decrease in personnel

related expenses related to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic and a \$0.3 million decrease in maintenance expenses related to our Digital Content Network due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic.

Theater access fees and revenue share—founding members. Theater access fees and revenue share decreased \$21.6 million, or 100.0%, from \$21.6 million in the second quarter of 2019 to \$0.0 million in the second quarter of 2020. The decrease was due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic. The Company did not owe the founding members any theater access fees as the theaters were not displaying the Company's pre-show and the Company did not have access to the theaters.

Selling and marketing costs. Selling and marketing costs decreased \$9.5 million, or 58.6%, from \$16.2 million for the second quarter of 2019 to \$6.7 million for the second quarter of 2020. This decrease was primarily related to a \$6.1 million decrease in personnel related expenses related to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic, as well as, a decrease in commission and bonus expense due to the revenue declines in the second quarter of 2020, as compared to the second quarter of 2019. Selling and marketing costs also decreased \$1.7 million related to non-essential operating expenditures including marketing, research and employee travel that were suspended as part of the measures taken to reduce expenses and preserve cash during the COVID-19 Pandemic, \$1.1 million due to a decrease in barter expense and \$0.7 million due to a decrease bad debt expense related to the revenue declines in the second quarter of 2020, as compared to the second quarter of 2019. These decreases were partially offset by a \$0.6 million increase in expense associated with our Cinema Accelerator service offering for the second quarter of 2020, compared to the second quarter of 2019.

Administrative and other costs. Administrative and other costs decreased \$3.7 million, or 33.3%, from \$11.1 million in the second quarter of 2019 to \$7.4 million in the second quarter of 2020. This decrease was primarily due to a \$3.5 million decrease in personnel related expenses due to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic and a decrease in performance-based compensation expense accrued following lower projected performance against internal bonus and performance based restricted stock targets as of the second quarter of 2020, compared to the second quarter of 2019. Administrative and other costs also decreased \$0.5 million due to a decrease in consulting services and \$0.2 million lower CEO transition costs. These decreases were partially offset by a \$0.7 million increase in legal and professional expenses primarily related to legal services obtained related to the various implications of the COVID-19 Pandemic.

Impairment of long-lived assets. Impairment of long-lived assets increased \$1.7 million, or 100.0%, from \$0.0 million in the second quarter of 2019 to \$1.7 million in the second quarter of 2020. This increase in impairment expense was primarily related to the write-off of certain long-lived assets during the second quarter of 2020.

Depreciation expense. Depreciation expense decreased \$0.1 million, or 3.0%, from \$3.3 million for the second quarter of 2019 to \$3.2 million for the second quarter of 2020.

Amortization of intangibles recorded for network theater screen leases. Amortization of intangibles recorded for network theater screen leases decreased \$0.9 million, or 12.9%, from \$7.0 million for the second quarter of 2019, to \$6.1 million for the second quarter of 2020, primarily due to the four year extension of the contractual life of the intangible assets for Cinemark and Regal following the 2019 ESA Amendments during the third quarter of 2019.

Non-operating expenses. Total non-operating expenses decreased \$0.6 million, or 4.2%, from \$14.4 million for the second quarter of 2019 to \$13.8 million for the second quarter of 2020. The following table shows the changes in non-operating expense for the second quarter of 2020 and the second quarter of 2019 (in millions):

	Q2 2020	Q2 2019	\$ Change		% Change	
			Q2 2020 to Q2 2019	Q2 2020 to Q2 2019	Q2 2020 to Q2 2019	Q2 2020 to Q2 2019
Interest on borrowings	\$ 13.6	\$ 14.2	\$ (0.6)		(4.2)%	
Interest income	(0.3)	(0.5)	0.2		(40.0)%	
Loss on modification and retirement of debt, net	0.3	—	0.3		(100.0)%	
Loss on the re-measurement of the payable to founding members under the tax receivable agreement	0.1	0.8	(0.7)		(87.5)%	
Other non-operating expense (income)	0.1	(0.1)	0.2		(200.0)%	
Total non-operating expenses	\$ 13.8	\$ 14.4	\$ (0.6)		(4.2)%	

The decrease in non-operating expense was primarily due to a \$0.7 million decrease in the loss on the re-measurement of the payable to founding members under the TRA due to a smaller increase in the deferred state tax rate in the second quarter of 2020, as compared to the second quarter of 2019, and a \$0.6 million decrease in interest on borrowings due to a 0.83% decrease in the weighted average interest rate, partially offset by an increase in the weighted average balance of debt outstanding for the second quarter of 2020, as compared to the second quarter of 2019. These decreases were partially offset by a \$0.3 million increase in the loss on modification and retirement of debt, net due to the Credit Agreement Amendment that occurred in the second quarter of 2020 and a \$0.2 million decrease in interest income on the Company's marketable securities due to a decrease in the rate of return and the outstanding balance of securities in the second quarter of 2020 as compared to the second quarter of 2019.

Income Tax Benefit. Income Tax Benefit increased from income tax expense of \$2.3 million for the second quarter of 2019 to income tax benefit of \$4.2 million for the second quarter of 2020. The increase in income tax benefit was primarily due to the decrease in pretax book income attributable to NCM Inc. from income of \$11.1 million for the second quarter of 2019 to loss of \$18.0 million for the second quarter of 2020. This increase in income tax benefit was partially offset by an increase in income tax expense due to a much smaller increase in the deferred state tax rate during the second quarter of 2020, as compared to the second quarter of 2019.

Net Loss. Net loss increased \$22.7 million from net income of \$8.9 million for the second quarter of 2019 to net loss of \$13.8 million for the second quarter of 2020. The increase in net loss was due to a \$61.5 million increase in operating loss, partially offset by a \$31.7 million increase in net loss attributable to noncontrolling interests, a \$6.5 million increase in income tax benefit and a \$0.6 million decrease in non-operating expenses.

Six months ended June 25, 2020 and June 27, 2019

Revenue. Total revenue decreased 63.3%, from \$187.1 million for the six months ended June 27, 2019 to \$68.7 million for the six months ended June 25, 2020. The following is a summary of revenue by category (in millions):

	Six Months Ended		\$ Change		% Change	
	June 25, 2020	June 27, 2019	YTD 2020 to YTD 2019	YTD 2020 to YTD 2019	YTD 2020 to YTD 2019	YTD 2020 to YTD 2019
National and regional advertising revenue	\$ 51.5	\$ 141.7	\$ (90.2)		(63.7)%	
Local advertising revenue	11.7	30.5	(18.8)		(61.6)%	
Founding member advertising revenue from beverage concessionaire agreements	5.5	14.9	(9.4)		(63.1)%	
Total revenue	\$ 68.7	\$ 187.1	\$ (118.4)		(63.3)%	

The following table shows data on theater attendance and revenue per attendee for the six months ended June 25, 2020 and June 27, 2019:

	Six Months Ended		% Change	
	June 25, 2020	June 27, 2019	YTD 2020 to YTD 2019	
National and regional advertising revenue per attendee	\$ 0.427	\$ 0.424	0.7 %	
Local advertising revenue per attendee	\$ 0.097	\$ 0.091	6.6 %	
Total advertising revenue (excluding founding member beverage revenue) per attendee	\$ 0.524	\$ 0.516	1.6 %	
Total advertising revenue per attendee	\$ 0.570	\$ 0.560	1.8 %	
Total theater attendance (in millions) (1)	120.6	334.0	(63.9)%	

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

National and regional advertising revenue. The \$90.2 million, or 63.7%, decrease in national and regional advertising revenue (excluding beverage revenue from founding members) was primarily due to a 60.8% decrease in impressions sold due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic and thus the Company's inability to perform in theater advertising beginning in mid-March 2020 through the end of the second quarter of 2020. National advertising CPMs for the impressions delivered prior to the temporary theater closures also decreased 8.7% driven by a decrease in upfront and scatter market CPMs due to the churn of certain higher CPM deals that shifted to later in 2020 or did not return from 2019, that were replaced by lower CPM deals, as well as, a change in the mix of clients with a higher proportion of upfront clients and fewer higher CPM scatter market and content partner clients in the six months ended June 25, 2020, as compared to the six months ended June 27, 2019. The scatter market represents inventory not included within an upfront or content partner commitment sold closer to the advertisement air date for typically higher CPMs.

Local advertising revenue. The \$18.8 million, or 61.6%, decrease in local advertising revenue was primarily due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic and thus the Company's inability to perform in theater advertising beginning in mid-March 2020 through the end of the second quarter of 2020. The decrease is also due to a decrease in the volume of contracts and the average contract value for the portion of the six months ended June 25, 2020 that the theaters were open, compared to the same time period during the six months ended June 27, 2019.

Founding member beverage revenue. The \$9.4 million, or 63.1%, decrease in national advertising revenue from the founding members' beverage concessionaire agreements was primarily due to a 64.0% decrease in founding member attendance for the six months ended June 25, 2020, as compared to six months ended June 27, 2019, due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic.

Operating expenses. Total operating expenses decreased \$50.9 million, or 36.8%, from \$138.5 million for the six months ended June 27, 2019 to \$87.6 million for the six months ended June 25, 2020. The following table shows the changes in operating expense for the six months ended June 25, 2020 and June 27, 2019 (in millions):

	Six Months Ended		% Change	
	June 25, 2020	June 27, 2019	YTD 2020 to YTD 2019	YTD 2020 to YTD 2019
Advertising operating costs	\$ 7.3	\$ 17.2	\$ (9.9)	(57.6)%
Network costs	4.5	6.9	(2.4)	(34.8)%
Theater access fees and revenue share—founding members	17.7	40.7	(23.0)	(56.5)%
Selling and marketing costs	20.6	31.4	(10.8)	(34.4)%
Administrative and other costs	17.2	21.8	(4.6)	(21.1)%
Impairment of long-lived assets	1.7	—	1.7	100.0 %
Depreciation expense	6.4	6.6	(0.2)	(3.0)%
Amortization of intangibles recorded for network theater screen leases	12.2	13.9	(1.7)	(12.2)%
Total operating expenses	\$ 87.6	\$ 138.5	\$ (50.9)	(36.8)%

Advertising operating costs. Advertising operating costs decreased \$9.9 million, or 57.6%, from \$17.2 million for the six months ended June 27, 2019 to \$7.3 million for the six months ended June 25, 2020. The decrease was due to a \$9.6 million decrease in advertising affiliate payments due to the temporary closure of almost all the affiliate theaters within our network in response to the COVID-19 Pandemic from mid-March through the end of the second quarter of 2020 and a \$0.3 million decrease in personnel related expenses related to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic.

Network costs. Network costs decreased \$2.4 million, or 34.8%, from \$6.9 million for the six months ended June 27, 2019 to \$4.5 million for the six months ended June 25, 2020. The decrease was primarily related to a \$1.8 million decrease in personnel related expenses related to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic and a decrease in performance-based compensation expense accrued following an update to the Company's projected performance against internal bonus and performance based restricted stock targets during the six months ended June 25, 2020 primarily caused by the adverse impact of the COVID-19 Pandemic and a \$0.4 million decrease in maintenance expense primarily related to our Digital Content Network due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic.

Theater access fees and revenue share—founding members. Theater access fees and revenue share decreased \$23.0 million, or 56.5%, from \$40.7 million for the six months ended June 27, 2019 to \$17.7 million for the six months ended June 25, 2020. The decrease was primarily due to a 64.0% decrease in founding member attendance for the six months ended June 25, 2020, as compared to six months ended June 27, 2019, due to the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic. The Company did not owe the founding members any theater access fees for the period the theaters were not displaying the Company's pre-show and the Company did not have access to the theaters. These decreases were partially offset by \$1.6 million of payments in the six months ended June 25, 2020 to Cinemark and Regal as compensation for post-showtime advertising in accordance with the 2019 ESA Amendments and \$0.5 million increase in the expense associated with the founding member digital screens that are connected to the DCN (nearly 100% of our screens as of June 25, 2020), including higher quality digital cinema projectors and related equipment, due to the annual 5% rate increase specified in the ESAs.

Selling and marketing costs. Selling and marketing costs decreased \$10.8 million, or 34.4%, from \$31.4 million for the six months ended June 27, 2019 to \$20.6 million for the six months ended June 25, 2020. This decrease was primarily related to a \$7.5 million decrease in personnel related expenses primarily due to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic, as well as, a decrease in commission and bonus expense due to the revenue declines in the six months ended June 25, 2020, as compared to the six months ended June 27, 2019. Selling and marketing costs also decreased \$2.0 million related to non-essential operating expenditures, including marketing, research, consulting and employee travel that were suspended as part of the measures taken to reduce expenses and preserve cash during the COVID-19 Pandemic and a \$1.4 million due to a decrease in barter expense for the six months ended June 25, 2020, compared to the six months ended June 27, 2019. These decreases were partially offset by a \$0.8 million increase in expense associated with our Cinema Accelerator service offering for the six months ended June 25, 2020, compared to the six months ended June 27, 2019.

Administrative and other costs. Administrative and other costs decreased \$4.6 million, or 21.1%, from \$21.8 million for the six months ended June 27, 2019 to \$17.2 million for the six months ended June 25, 2020. Administrative and other costs decreased primarily due to a \$3.5 million decrease in personnel related expenses due to the Temporary Salary and Wage Reductions implemented in response to the COVID-19 Pandemic and a decrease in performance-based compensation expense accrued following lower projected performance against performance based restricted stock targets as of June 25, 2020, compared to June 27, 2019. Administrative and other costs also decreased \$0.7 million due to a decrease in consulting services and \$0.3 million due to lower CEO transition costs.

Impairment of long-lived assets. Impairment of long-lived assets increased \$1.7 million, or 100.0%, from \$0.0 million in the six months ended June 27, 2019 to \$1.7 million in the six months ended June 25, 2020. This increase in impairment expense was primarily related to the write-off of certain long-lived assets during the second quarter of 2020.

Depreciation expense. Depreciation expense decreased \$0.2 million, or 3.0%, from \$6.6 million for the six months ended June 27, 2019 to \$6.4 million for the six months ended June 25, 2020.

Amortization of intangibles recorded for network theater screen leases. Amortization of intangibles recorded for network theater screen leases decreased \$1.7 million, or 12.2%, from \$13.9 million for the six months ended June 27, 2019, to \$12.2 million for the six months ended June 25, 2020, primarily due to the four year extension of the

contractual life of the intangible assets for Cinemark and Regal following the 2019 ESA Amendments during the third quarter of 2019.

Non-operating expenses. Total non-operating expenses decreased \$1.2 million, or 4.2%, from \$28.5 million for the six months ended June 27, 2019 to \$27.3 million for the six months ended June 25, 2020. The following table shows the changes in non-operating expense for the six months ended June 25, 2020 and June 27, 2019 (in millions):

	Six Months Ended		\$ Change	% Change
	June 25, 2020	June 27, 2019	YTD 2020 to YTD 2019	YTD 2020 to YTD 2019
Interest on borrowings	\$ 27.2	\$ 28.6	\$ (1.4)	(4.9)%
Interest income	(0.5)	(1.0)	0.5	(50.0)%
Loss (gain) on modification and retirement of debt, net	0.3	(0.3)	0.6	(200.0)%
Loss on the re-measurement of the payable to founding members under the tax receivable agreement	0.3	1.5	(1.2)	(80.0)%
Other non-operating income	—	(0.3)	0.3	(100.0)%
Total non-operating expenses	\$ 27.3	\$ 28.5	\$ (1.2)	(4.2)%

The decrease in non-operating expense was primarily due to a decrease of \$1.4 million in interest on borrowings due to a 0.66% decrease in the weighted average interest rate, partially offset by an increase in the weighted average balance of debt outstanding for the six months ended June 25, 2020, as compared to the six months ended June 27, 2019 and a decrease of \$1.2 million in the loss on the re-measurement of the payable to founding members under the TRA due to a smaller increase in the deferred state tax rate in the six months ended June 25, 2020 as compared to the six months ended June 27, 2019. These decreases were partially offset by a 1) \$0.6 increase in the loss (gain) on modification and retirement of debt, net primarily related to the Credit Agreement Amendment that occurred in the second quarter of 2020 and the absence of a gain realized on the repurchase of a portion of the Notes due 2026 in the first quarter of 2019 and 2) a \$0.5 million decrease in interest income on the Company's marketable securities due to a decrease in the rate of return and the outstanding balance of securities in the second quarter of 2020 as compared to the second quarter of 2019.

Income Tax Benefit. Income Tax Benefit increased from income tax expense of \$1.7 million for the six months ended June 27, 2019 to income tax benefit of \$4.6 million for the six months ended June 25, 2020. The increase in income tax benefit was primarily due to the decrease in pretax book income attributable to NCM Inc. from income of \$9.4 million for the six months ended June 27, 2019 to loss of \$22.0 million for the six months ended June 25, 2020. This increase in income tax benefit was partially offset by an increase in income tax expense due to a much smaller increase in the deferred state tax rate for the six months ended June 25, 2020 as compared to the six months ended June 27, 2019.

Net Loss. Net loss increased \$25.3 million from net income of \$7.8 million for the six months ended June 27, 2019 to net loss of \$17.5 million for the six months ended June 25, 2020. The increase in net loss was due to a \$67.5 million increase in operating loss, partially offset by a \$34.7 million increase in net loss attributable to noncontrolling interests, a \$6.3 million increase in income tax benefit and \$1.2 million decrease in non-operating expenses.

Known Trends and Uncertainties

COVID-19—As discussed within the 'Recent Developments' section, due to the COVID-19 Pandemic, the Company was unable to advertise in the theaters, and thus generate the majority of its revenue, for the three months ended June 25, 2020 and for the remaining duration of time that the theaters are generally closed. The Company's theater access fees, network affiliate payments and Platinum Spot revenue share payments are driven by attendance, active screens and revenue and were not incurred for three months ended June 25, 2020 and will not be incurred for the duration the theaters are closed.

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 COVID-19'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.

CARES Act—On March 27, 2020, the U.S. Government enacted various relief and stimulus measures in response to the unprecedented adverse economic impacts of the COVID-19 Pandemic commonly referred to as the CARES Act. The CARES Act made changes to the U.S. tax code that affect our fiscal year ending December 31, 2020, including, but not limited to, (1) reducing the limitation on deductible interest expense, (2) changing uses and limitations of net operating losses generated in tax years 2018, 2019, and 2020, (3) deferring the payment of the 6.2% FICA portion of Company's payroll taxes beginning on the

enactment date through December 31, 2020 until the end of 2021 for one-half of the tax and the remaining half to the end of 2022 and (4) creating the Employee Retention Payroll Tax Credit for the Company's portion of the 6.2% FICA payroll tax for certain qualifying employees from March 13, 2020 through December 31, 2020. The impact of these relief measures that are estimable as of June 25, 2020 have been incorporated within the Company's financial statements.

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 2020 and 2019, 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. Should the amount of time required as part of these beverage concessionaire agreements decline, this premium time will be available for sale to other clients. The time sold to the beverage supplier for AMC is priced equal to the advertising CPM for the previous year charged by NCM LLC to unaffiliated third parties during segment one (closest to showtime) of the *Noovie* pre-show, limited to the highest advertising CPM being then-charged by NCM LLC, which in 2019 decreased 0.3%. Thus, the CPM on our beverage concessionaire revenue related to AMC in 2020 will decrease by 0.3% compared to 2019. Beginning in 2020 and in accordance with the 2019 ESA Amendments, the price for the time sold to Cinemark and Regal's beverage suppliers instead increased at a fixed rate of 2.0%. The Company will not recognize any beverage revenue for the period of time that our founding members' theaters are closed due to the COVID-19 Pandemic. Further, attendance may be lower than historical levels following the re-opening of theaters which could reduce the Company's beverage revenue.

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 the next increase occurring in fiscal year 2022. 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 beginning at \$0.025 per patron on November 1, 2019, (ii) \$0.0375 per patron beginning on November 1, 2020, (iii) \$0.05 per patron beginning on November 1, 2021, (iv) \$0.052 per patron beginning on November 1, 2022 and (v) increasing 8% every five years beginning November 1, 2027. The Company does not owe the founding members any theater access fees when the theaters are not displaying the Company's pre-show or when the Company does not have access to the theaters. As such, the Company did not owe these fees for the three months ended June 25, 2020 and will not owe these fees during the duration a founding member's theaters are closed in connection with the COVID-19 Pandemic. The digital screen fee is calculated based upon average screens in use during each month. No digital screen fees were incurred for the three months ended June 25, 2020 and no fees will be incurred for the months where no screens are in use and fees will be reduced for months where screens are in use for only part of the month. Further, attendance may be lower than historical levels following the re-opening of theaters which could reduce the Company's theater access fees.

Platinum Spot—In consideration for the utilization of the theaters post-showtime for Platinum Spots, Cinemark and Regal receive 25% 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 NCM LLC's founding members, interest or principal payments on our term loan and the Notes due 2026 and Notes due 2028, income tax payments, TRA payments to NCM LLC's founding members and amount of quarterly dividends to NCM, Inc.'s common stockholders.

As a result of the COVID-19 Pandemic discussed within the 'Recent Developments' section above, we cannot generate revenue, other than revenue associated with our digital service offerings, while the theaters within our network are temporarily closed. With the exception of collecting accounts receivable balances outstanding as of March 26, 2020, the Company has limited cash receipts until after the theaters reopen. Further, once theaters re-open, there will be a lag between when revenue is generated at those theaters and when the Company ultimately collects the associated accounts receivable balance. The Company also had reduced cash payments during the period the theaters are closed as expenses related to theater attendance are

not incurred (i.e. theater access fees, Platinum Spot revenue share and network affiliate revenue share payments). The Company also implemented a number of cost-saving measures in order to preserve cash as further outlined within the 'Recent Developments' section above. In March 2020, we drew down an additional \$110.0 million on our revolving credit facility. Further, as of March 26, 2020, we had approximately \$112.3 million of trade accounts receivable outstanding from customers, of which we have collected approximately \$89.7 million as of June 25, 2020, increasing our cash and marketable securities balance to \$249.9 million as of June 25, 2020 (\$168.1 million at NCM LLC) and reducing trade accounts receivable to \$25.3 million. The \$168.1 million of cash at NCM LLC will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. cannot be used to fund operations at NCM LLC and is held for future payment of dividends to NCM, Inc. shareholders, income tax payments, income tax receivable payments to NCM LLC's founding members and other obligations. Further, from the approximate \$25.3 million of trade accounts receivable outstanding from customers as of June 25, 2020, we have collected approximately \$12.0 million as of July 31, 2020.

In accordance with the Credit Agreement Amendment entered into in order to obtain a waiver of the financial covenants for the period beginning in the second quarter of 2020 through the second quarter of 2021, NCM LLC must maintain a total balance of \$55.0 million of a combination of unrestricted cash on hand and availability under NCM LLC's revolving credit facility. Management believes that cash on hand following the additional draw down on the revolving credit facility and collection of the accounts receivable balance, as well as future funds generated from NCM LLC's operations once theaters re-open should be sufficient to fund working capital requirements, NCM LLC's debt service requirements and capital expenditures through at least the next twelve months.

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

	As of			\$ Change	\$ Change
	June 25, 2020	December 26, 2019	June 27, 2019	Q2 2020 to YE 2019	Q2 2020 to Q2 2019
Cash, cash equivalents and marketable securities (1)	\$ 249.9	\$ 80.9	\$ 61.7	\$ 169.0	\$ 188.2
NCM LLC revolver availability (2)	4.4	132.4	143.2	(128.0)	(138.8)
Total liquidity	\$ 254.3	\$ 213.3	\$ 204.9	\$ 41.0	\$ 49.4

- (1) Included in cash, cash equivalents and marketable securities as of June 25, 2020, December 26, 2019 and June 27, 2019, was \$168.1 million, \$11.4 million and \$4.6 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 was \$175.0 million as of June 25, 2020, December 26, 2019 and June 27, 2019. As of June 25, 2020, December 26, 2019 and June 27, 2019, the amount available under the NCM LLC revolving credit facility in the table above, was net of the amount outstanding under the revolving credit facility of \$167.0 million, \$39.0 million and \$27.0 million, respectively, and net letters of credit of \$3.6 million, \$3.6 million and \$4.8 million, respectively.

As of June 25, 2020, the weighted average remaining maturity of our debt was 6.0 years. As of June 25, 2020, approximately 59% of our total borrowings bear interest at fixed rates. The remaining 41% of our borrowings bear interest at variable rates and as such, 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 generated and used cash as follows (in millions):

	Six Months Ended	
	June 25, 2020	June 27, 2019
Operating cash flow	\$ 107.4	\$ 59.3
Investing cash flow	\$ 15.5	\$ 10.6
Financing cash flow	\$ 66.6	\$ (68.5)

- **Operating Activities.** The \$48.1 million increase in cash provided by operating activities for the six months ended June 25, 2020, compared to the six months ended June 27, 2019 was primarily due to a \$122.3 million larger decrease in the accounts receivable balance during the six months ended June 25, 2020, as compared to the six months ended June 27, 2019, related to the collection of the accounts receivable balance and a decrease in

revenue described above and a \$13.9 million decrease in the payment to founding members under the TRA due to the postponement of the original due date for the Company's U.S. federal income tax return to July 15, 2020 from April 15, 2020. These increases in cash provided by operating activities were partially offset by 1) a \$60.0 million decrease in consolidated net income due the temporary closure of almost all the theaters within our network in response to the COVID-19 Pandemic, 2) a \$9.0 million larger decrease in accounts payable and accrued expenses during the six months ended June 25, 2020 as compared to the six months ended June 27, 2019, related to the decrease in operating expenses for the corresponding periods as described above, 3) a \$7.3 million decrease in deferred income tax expense and the loss on re-measurement of the payable to founding members under the TRA primarily due to the Company recognizing an income tax benefit in the six months ended June 25, 2020 driven by the Company's consolidated net loss for the period, 4) a \$6.9 million decrease in the amounts due to founding members, 5) a \$3.3 million decrease in deferred revenue and 6) a \$2.5 million decrease in non-cash share-based compensation expense primarily related to a decrease in performance-based compensation expense accrued following lower projected performance against performance based restricted stock targets as of June 25, 2020, compared to June 27, 2019.

- **Investing Activities.** The \$4.9 million increase in cash provided by investing activities for the six months ended June 25, 2020, compared to the six months ended June 27, 2019 was primarily due to a \$4.7 million increase in proceeds from the sale of marketable securities, net of purchases and a \$1.6 million decrease in purchases of property and equipment for the six months ended June 25, 2020, compared to the six months ended June 27, 2019 driven by the Company's measures to preserve cash in response to the COVID-19 Pandemic, partially offset by a \$1.4 million decrease in proceeds from the founding member notes receivable.
- **Financing Activities.** The \$135.1 million increase in cash provided by financing activities for the six months ended June 25, 2020, compared to the six months ended June 27, 2019 was primarily due to a \$128.0 million increase in proceeds from our revolving credit facility, net of repayments made early in 2020, in order to fund operations during the period of expected reduced cash flows due to the temporary closure of the theaters within NCM LLC's network to address the COVID-19 Pandemic. The increase was also due to a \$6.2 million decrease in dividends paid related to the a decrease in the dividend amount declared from \$0.17 in the second quarter of 2019 to \$0.07 in the second quarter of 2020, and the absence of a \$4.6 million repurchase of the retired Notes due 2026 that occurred in the first quarter of 2019. These increases were partially offset by a \$2.8 million increase in distributions to founding members in the six months ended June 25, 2020, compared to the six months ended June 27, 2019.

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 25, 2020 were \$81.8 million (excluding NCM LLC). NCM LLC's primary sources of liquidity and capital resources are its cash provided by operating activities, availability under its revolving credit facility and cash on hand. 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 are closed. The \$168.1 million of cash at NCM LLC will be used to fund operations during the period of expected reduced cash flows. Cash at NCM, Inc. cannot be used to fund operations of NCM LLC and is used to fund income taxes, payments associated with the TRA with the founding members and for future payment of dividends to NCM, Inc. shareholders. Further, as of June 25, 2020, we had approximately \$25.3 million of trade accounts receivable from customers, of which we have collected approximately \$12.0 million as of July 31, 2020. Management believes that cash on hand following the additional draw down on the revolving credit facility, collection of the \$25.3 million trade accounts receivable balance at June 25, 2020, as well as future funds generated from NCM LLC's operations once theaters re-open should be sufficient to fund working capital requirements, NCM LLC's debt service requirements and capital expenditures through at least the next twelve months.

On April 30, 2020, NCM LLC entered into the Credit Agreement Amendment to allow for the automatic waiver of any non-compliance with its Consolidated Net Senior Secured Leverage Ratio and Consolidated Total Leverage Ratio financial covenants occurring from the quarter ending June 25, 2020 until and including the quarter ending July 1, 2021. The Credit Agreement Amendment requires that, until the fiscal quarter ending July 1, 2021, NCM LLC must not permit the sum of unrestricted cash on hand at NCM LLC and availability under its Revolving Credit Facility to be less than \$55.0 million. Further, NCM LLC can make available cash distributions to its members (AMC, Cinemark, Regal and NCM, Inc.) during the Covenant Holiday Period only if trailing 12-month Consolidated EBITDA (as defined in the Credit Agreement) equals or exceeds \$277.0 million and outstanding loans under the Revolving Credit Facility are equal to or less than \$39.0 million. NCM LLC can make available cash distributions to its members outside of the Covenant Holiday Period so long as NCM LLC's Consolidated Net Senior Secured Leverage Ratio is equal to or less than 5.00 to 1.00 and no default or event of default under

the Credit Agreement has occurred and is continuing. As of June 25, 2020, NCM LLC was in compliance with the requirements of the Credit Agreement Amendment.

Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members will be impacted by the temporary closure of our network theaters and may even be deferred for the quarter ending June 25, 2020 through the quarter ending July 1, 2021 until at least August 2021 due to the limitations instituted by the Credit Agreement 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 and unless prohibited by NCM LLC's Credit Agreement, quarterly to its members (Regal, Cinemark, AMC and NCM, Inc.). The available cash distribution to the members of NCM LLC for the three months ended June 25, 2020 was calculated as approximately negative \$30.0 million, of which approximately \$14.4 million was with NCM, Inc. Pursuant to the NCM LLC Operating Agreement and the Credit Agreement Amendment, there will be no available cash distributions made for the second quarter of 2020. These second quarter of 2020 negative available cash distributions are expected to be netted against any positive available cash distribution related to the second quarter of 2021, to be paid in the third quarter of 2021, if the Company is in compliance with the Credit Agreement Amendment requirements noted above and sufficient positive available cash is generated.

NCM, Inc. expects to use its cash balances and cash received from future available cash distributions (as allowed for under the Amended Credit Agreement) to fund income taxes, payments associated with the TRA with the founding members, including the TRA payment of \$12.8 million made on July 15, 2020, and current and future dividends as declared by the Board of Directors, including a dividend declared on August 3, 2020 of \$0.07 per share (approximately \$5.5 million) on each share of the Company's common stock (not including outstanding restricted stock) to stockholders of record on August 17, 2020 to be paid on August 31, 2020. These items should be sufficient to fund payments associated with the TRA with the founding members, income taxes and its quarterly 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 consider 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 temporary theater closures for 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 26, 2019 and incorporated by reference herein. As of June 25, 2020, there were no significant changes in those critical accounting policies except for the change in allowance for doubtful accounts upon the adoption of ASC 326 in the first quarter of 2020 and discussed further within Note 1—*The Company*, to the unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

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.

Related Party Transactions

For a discussion of related party transactions, see the information provided under Note 5—*Related Party Transactions* to the unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Off-Balance Sheet Arrangements

We do not believe the Company has any off-balance sheet arrangements that are material to our current or future financial condition, results of operations, liquidity, capital resources or capital expenditures.

Contractual and Other Obligations

See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual and Other Obligations” contained in our annual report on Form 10-K for the fiscal year ended December 26, 2019 and incorporated by reference herein. There were no material changes to our contractual obligations during the six months ended June 25, 2020.

Seasonality

Our revenue and operating results are seasonal in nature, coinciding with the timing of marketing expenditures by our advertising clients and to a lesser extent the attendance patterns within the film exhibition industry. Historically, both advertising expenditures and theater attendance have tended to be higher during the second, third, and fourth fiscal quarters. Advertising revenue is primarily correlated with advertising clients' new product releases, advertising client marketing priorities and economic cycles and to a lesser extent theater attendance levels. Seasonal demand during the summer is driven by the absence of alternative attractive advertising mediums and during the winter holiday season due to high client demand across all advertising mediums. The actual quarterly results for each quarter could differ materially depending on these factors or other risks and uncertainties. Based on our historical experience, our first quarter typically has less revenue than the other quarters of a given year due primarily to lower advertising client demand and increased inventory availability in competitive advertising mediums. Given the temporary closure of our theaters, we expect our 2020 quarterly results to vary from the historical trend. Accordingly, there can be no assurances that seasonal variations will not materially affect our results of operations in the future.

The following table reflects the quarterly percentage of total revenue for the fiscal years ended 2017, 2018 and 2019.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 2017	16.9%	22.8%	27.3%	33.0%
FY 2018	18.2%	25.8%	24.9%	31.1%
FY 2019	17.3%	24.8%	24.8%	33.1%

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 25, 2020, the only interest rate risk that we are exposed to is related to our \$175.0 million revolving credit facility and our term loan. A 100-basis point fluctuation in market interest rates underlying our term loan and revolving credit facility would have the effect of increasing or decreasing our cash interest expense by approximately \$4.3 million for an annual period on the \$167.0 million revolving credit balance and \$265.3 million term loan outstanding as of June 25, 2020.

In response to the COVID-19 Pandemic, the government lowered the Federal Reserve interest rate leading to historically low interest rates as of June 25, 2020 that has had the effect of reducing 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 and financial officer), as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive 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 25, 2020, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer concluded that the Company's disclosure controls and procedures as of June 25, 2020 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 25, 2020 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 factors 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 February 20, 2020 for the fiscal year ended December 26, 2019 and updated in our quarterly report on Form 10-Q filed with the SEC on May 5, 2020 for the quarter ended March 26, 2020.

Pandemics, epidemics or disease outbreaks, such as the novel coronavirus (COVID-19 virus), have disrupted and are continuing to disrupt our business and the business of our founding members and network affiliates, which has and could continue to materially affect our operations and results of operations.

Pandemics or disease outbreaks such as the novel coronavirus (COVID-19 virus) have and are continuing to disrupt our business and the business of our founding member and network affiliates' theaters. Following the World Health Organization's declaration of the COVID-19 virus as a pandemic, the United States' government and other state and local governments issued precautionary restrictions on travel, public gatherings and other events. In response to these restrictions, each of our founding members announced that their theaters would be temporarily closed to address this pandemic and by the beginning of April all of our network affiliate's theaters had also temporarily closed. As of June 25, 2020, almost all of the theaters within our network remained close and we were unable to advertise in the theaters that opened. Certain of our founding members have announced that they do not expect to open the majority of their theaters until later in 2020, and some of our other affiliates have indicated that they have opened and will either continue, or begin, to open theaters as legal restrictions ease. However, we cannot predict when all of our theaters will reopen, what type of restrictions may be in place once theaters reopen, when large audiences will feel comfortable returning to movie theaters or if theaters will eventually need to close again in connection with further social distancing guidelines.

Several major motion picture releases were delayed until later in 2020 or 2021 and a few studios shortened the "release window" between the release of motion pictures in theaters and an alternative delivery method or released motion pictures directly to alternative delivery methods bypassing the theater entirely. The COVID-19 Pandemic has also adversely affected film production and may adversely affect the pipeline of feature films available in the short or long term.

In response to the COVID-19 Pandemic, we implemented a number of cost-saving measures, including furloughing approximately 30% of our staff and reducing the pay of the remaining employees by up to 50%, suspending non-essential operating expenditures, including marketing, employee travel, implementing a hiring freeze, suspending the Company's 401k employee match program, terminating or deferring certain non-essential capital expenditures, strategically working with our landlords, vendors and other business partners to manage costs, and implementing an active cash management process.

The impact, extent and duration of the government-imposed restrictions on travel, public gatherings, other events and business generally, as well as the overall effect of the COVID-19 virus is currently unknown but has had and is continuing to have a material adverse impact on our business, liquidity, financial conditions and/or results of operations. Even when the COVID-19 Pandemic subsides, we cannot guarantee that we will recover as rapidly as other industries as advertising expenditures may remain decreased due to an economic slowdown and consumers may be hesitant to return to theaters. We cannot predict when the effects of the COVID-19 Pandemic will subside when theaters will reopen and patrons are comfortable attending, or when our business will return to normal levels. The longer and more severe the pandemic, including repeat or cyclical outbreaks or increases in rates of infection such as the one we are currently experiencing, the more severe the adverse effects will be on our business, liquidity, financial conditions and/or results of operations. Significant impacts on our business caused by the COVID-19 Pandemic and other pandemics include and are likely to continue to include among others:

- decreased attendance in theaters after they reopen, including due to (i) continued safety and health concerns and social distancing requirements or (ii) a change in consumer behavior in favor of alternative forms of entertainment;
- advertisers' perception of cinema advertising may change based on future attendance, shortened theatrical windows, and potential impacts of film production;
- due to adverse business impacts, advertisers may be less willing to invest in advertising and may prioritize other types of investment during the COVID-19 Pandemic;

- advertisers may be unwilling to enter into upfront advertising arrangements with us or commit to allocate budgets to cinema advertising due to uncertainty regarding the opening of cinemas and the availability of other advertising options;
- the bankruptcy or restructuring of our founding members or other network affiliates in which the agreement with that party may be rejected, renegotiated or deemed unenforceable;
- an inability to collect accounts receivable from small business advertisers that have been temporarily or permanently closed;
- reductions and delays associated with planned operating and capital expenditures;
- increased risk related to employee matters, including increased turnover and litigation and claims relating to furloughs or pay reductions;
- potential impairment charges;
- our ability to implement business continuity plans in a fast-moving emergency, which could have an adverse effect on our internal controls (potentially giving rise to significant deficiencies or material weaknesses) and also increase our vulnerability to information technology and other systems disruptions;
- our inability to generate significant cash flow from operations, which could lead to a substantial increase in indebtedness and negatively affect our ability to comply with the financial covenants, if applicable, in our debt agreements;
- our inability to access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers;
- our inability to effectively meet our short- and long-term obligations; and
- our inability to service our existing and future indebtedness.

The spread of COVID-19 has developed into a worldwide health crisis and may have broader macro-economic implications. The United States has experienced significantly increased rates of unemployment and these deteriorating economic conditions, including reduced levels of economic growth and possibly a recession, may extend well beyond the time the spread of infection is contained. Consumers and advertisers may also change their long-term behavior related to perceived risk of infection or health risk, other pandemic fears, quarantines and other restrictions. Many of our clients and prospective clients have experienced significant negative impacts from the COVID-19 Pandemic and have decreased advertising budgets during the COVID-19 Pandemic. Additionally, a significant number of small businesses have temporarily or permanently closed, which may reduce local advertising revenue. Even if measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect our business, liquidity, financial condition and results of operations.

Additionally, although we have sought certain benefits under the CARES ACT and are reviewing and intend to seek any other available benefits that would positively impact the Company under the CARES Act and associated regulations and any other government action, we cannot predict the manner in which such benefits will be allocated or administered and we cannot assure you that we will be able to access such benefits in a timely manner or at all. Government or third-party program administrators may impose additional conditions and restrictions on our operations or may otherwise provide less relief than we expect. Our response to the COVID-19 Pandemic, including accessing potential benefits from the CARES Act, has required our management team to devote extensive resources and is likely to continue to do so in the near future, which may negatively affect our ability to implement our business plan and respond to opportunities.

To the extent the COVID-19 Pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in the “Risk Factors” section of our annual report on Form 10-K for the fiscal year ended December 26, 2019 and Form 10-Q filed with the SEC on May 5, 2020 the three months ended March 26, 2020, including but not limited to those relating to NCM LLC’s high level of indebtedness, the risks associated with the loss of major content partners or advertising clients, and reductions in spending on advertising.

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

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

Period	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
March 27, 2020 through April 23, 2020	—	\$ —	—	N/A
April 24, 2020 through May 21, 2020	6,688	\$ 3.14	—	N/A
May 22, 2020 through June 25, 2020	—	\$ —	—	N/A

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Exhibit</u>	<u>Reference</u>	<u>Description</u>
10.1	(1)	Amendment No. 1 to the Employment Agreement, dated as of April 30, 2020, by and between National CineMedia, Inc. and Scott Felenstein.
10.2	(2)	National CineMedia, Inc. 2020 Omnibus Plan.
10.3	(3)	Amendment No. 1 to the Credit Agreement, dated as of April 30, 2020, by and among National CineMedia, LLC, each lender party thereto, and JPMorgan Chase Bank, N.A., as administrative agent.
10.4	*	Amendment No. 1 to the Consulting Agreement, dated as of December 18, 2019, by and between National CineMedia, Inc. and Katherine L. Scherping.
10.5	*	Form of 2020 Stock Option Agreement. +
10.6	*	Form of 2020 Restricted Stock Unit Agreement (Time Based). +
10.7	*	Form of 2020 Restricted Stock Unit Agreement (Director). +
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer and Interim PFO.
32.1	**	Certification of Chief Executive Officer and Interim PFO Pursuant to 18 U.S.C. Section 1350.
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

+ Management contract.

(1) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on for 8-K (File No. 001-33296) filed on May 1, 2020.

(2) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on for 8-K (File No. 001-33296) filed on May 1, 2020.

(3) Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K (File No. 001-33296) filed on May 5, 2020.

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 3, 2020

/s/ Thomas F. Lesinski

Thomas F. Lesinski

Chief Executive Officer and Director

(Principal Executive Officer and Interim Principal Financial Officer)

Amendment to the Consulting Agreement

WHEREAS, National CineMedia, Inc. (the "Company") desires to extend the Consultation Period (as defined in the Consulting Agreement) of KLS Advisors, Inc. (the "Consulting Company") and its president, Katherine L. Scherping (the "Consultant"), set forth in the current Consulting Agreement dated December 18, 2019 (the "Consulting Agreement");

WHEREAS, the Consulting Company desires to continue providing Services (as defined in the Consulting Agreement) to the Company; and

WHEREAS, the Company and the Consulting Company have therefore agreed to amend the term of the Consulting Agreement as set forth in this Amendment to the Consulting Agreement (the "Amendment").

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree to the following changes to the Consulting Agreement, effective as of the date specified on the signature pages hereto (the "Effective Date"):

1. The first sentence of Section 3.a. of the Consulting Agreement shall be deleted in its entirety and replaced with the following:

"Subject to the terms and conditions hereinafter set forth, the term of this Agreement shall commence on the Consulting Effective Date and continue until September 13, 2020, which is the six-month anniversary of the Consulting Effective Date (such period, the "Consultation Period")."
2. Except as expressly modified herein, the Consulting Agreement shall remain in full force and effect, and all terms and conditions set forth in the Consulting Agreement shall apply to this Amendment as applicable.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year set forth below.

National CineMedia, Inc.
 /s/ Thomas F. Lesinski

 By: Thomas F. Lesinski
 Title: Chief Executive Officer

KLS Advisors, Inc.
 /s/ Katherine L. Scherping

 By: Katherine L. Scherping
 Title: President

June 10, 2020

 Date

June 10, 2020

 Date

**NATIONAL CINEMEDIA, INC.
2020 OMNIBUS INCENTIVE PLAN
NONSTATUTORY STOCK OPTION AGREEMENT**

The Compensation Committee of the Board of Directors of National CineMedia, Inc., a Delaware corporation (the “**Company**”), granted an option under the National CineMedia, Inc. 2020 Omnibus Incentive Plan (the “**Plan**”) to purchase shares of common stock, \$0.01 par value per share, of the Company (“**Stock**”) to the Optionee named below. This Stock Option Agreement (the “**Agreement**”) evidences the terms of the Company’s grant of an Option to Optionee. Any capitalized term in this Agreement shall have the meaning ascribed to it in this Agreement or the Plan, as applicable.

A. NOTICE OF GRANT

Name of Optionee:

Number of Shares of Stock Covered by the Option:

Exercise Price per Share:

Grant Date:

Expiration Date:

Type of Option: NonStatutory Stock Option

Vesting Schedule: Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 10(c) of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), and subject to Optionee’s continuous Service (as defined below), Optionee’s right to purchase shares of Stock under this Option vests, as set forth below.

Service Vesting Date

Percentage of Shares that Vest

Number of Shares that Vest

B. STOCK OPTION AGREEMENT

1. Grant of Option. Subject to the terms and conditions of this Agreement and the Plan, the Company granted to Optionee, an Option to purchase the number of shares of Stock, at the Exercise Price (each as set forth on the cover page of this Agreement), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern. Optionee hereby acknowledges and agrees that this Agreement (including without limitation the number of shares of Stock covered by the Option set forth in the Notice of Grant) and the Plan set forth the entirety of Optionee's entitlement to the time-based stock option award.

2. Type of Option. This Option is a Nonstatutory Stock Option.

3. Vesting. The period between the Grant Date and the final Service Vesting Date is referred to as the "**Vesting Period**". The Option is only exercisable, in whole or in part, before it expires and then only with respect to the vested portion of the Option. Subject to the preceding sentence, Optionee may exercise this Option, by following the procedures set forth in this Agreement. Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 10(c) of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), Optionee's right to purchase shares of Stock under this Option vests as set forth on the Vesting Schedule in the Notice of Grant based on continuous service to the Company or any other entity the service providers of which are eligible to receive Awards under the Plan from the Grant Date through the applicable vesting date as an employee, director, consultant or advisor (herein referred to as "**Service**"). No additional shares will vest after Optionee's termination of Service for any reason.

4. Option Term; Expiration Date. This Option shall have a maximum term of ten (10) years measured from the original Grant Date (as set forth in the table on the cover sheet of this Agreement) and shall accordingly expire at the close of business at Company headquarters on the tenth anniversary of the Grant Date, unless sooner terminated in accordance with Section 5 of this Agreement (the "**Expiration Date**").

5. Termination of Service; Expiration of Option. If Optionee terminates Service with the Company and its affiliates prior to the Expiration Date, the following shall apply:

(a) By the Company Without Cause or By Optionee. If Optionee's Service is terminated by the Company or its affiliate without Cause, then the Optionee shall be entitled to earn a percentage of the Option (the "**Retained Option**") equal to the ratio that the number of days of Service of Optionee during the Vesting Period bears to the total number of days in the Vesting Period. The Retained Option will immediately vest and will expire at the close of business at Company headquarters on the 180th day after Optionee terminated Service, but in no event after the Expiration Date. If Optionee terminates Service, then the vested portion of the Option as of the date of termination of Service will expire at the close of business at Company headquarters on the 90th day after Optionee terminates Service, but in no event after the Expiration Date. The unvested portion of the Option automatically expires on the date of termination of Service. Section 10(c) of the Plan provides for accelerated vesting upon certain terminations in connection with a Change of Control.

(b) Termination for Cause. If Optionee's Service is terminated by the Company or an affiliate for Cause, then Optionee shall immediately forfeit all rights to the Option (whether or not vested) and the Option shall immediately expire on the date of termination of Service.

(c) Disability. If Optionee terminates Service because of Optionee's disability (as defined in Section 22(e)(3) of the Internal Revenue Code), then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after Optionee's termination of Service, but in no event after the Expiration Date. The unvested portion of the Option automatically expires on the date of termination of Service.

(d) Death. If Optionee terminates Service because of Optionee's death, then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after the date of death, but in no event after the Expiration Date. During that twelve (12) month period, Optionee's estate or heirs may exercise the vested portion of the Option. The unvested portion of the Option automatically expires on the date of termination of Service. In addition, if Optionee dies during the applicable post-termination exercise period described in subsection 5(a), and a vested portion of the Option has not yet been exercised, then the vested portion of the Option will instead expire on the date twelve (12) months after Optionee's termination of Service, but in no event after the Expiration Date. In such a case, during the period following Optionee's death up to the date twelve (12) months after termination of Service, Optionee's estate or heirs may exercise the vested portion of the Option.

6. Leave of Absence. For purposes of the Option, Service does not terminate when Optionee goes on a *bona fide* employee leave of absence that was approved by the Company or an affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Optionee went on the approved leave, unless Optionee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Optionee immediately returns to active Service. The Compensation Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

7. Option Exercise.

(a) Right to Exercise. The Option shall be exercisable on or before the Expiration Date in accordance with the vesting schedule set forth in Section 3.

(b) Notice of Exercise. The Option shall be exercised by delivery of written notice to the Compensation Committee (or an officer of the Company designated by the Compensation Committee) on any business day, at the Company's principal office, on the form specified by the Company (which form may be electronic). The notice shall specify the number of shares of Stock to be purchased, accompanied by full payment of the Exercise Price for the shares being purchased in the manner permitted under Section 7(c) of this Agreement or otherwise permitted under the Plan. The notice must also specify how the shares should be registered (in the name of Optionee or in both the names of Optionee and Optionee's spouse as joint tenants with right of survivorship). The notice of exercise will be effective when it is received by the Company. Anyone exercising the Option after the death of Optionee must provide appropriate documentation to the satisfaction of the Company that the individual is entitled to exercise the Option.

(c) Payment of Exercise Price. Payment of the Exercise Price for the number of shares of Stock being purchased in full shall be made in one (or a combination) of the following forms:

(i) Cash or cash equivalents acceptable to the Company.

(ii) Shares of Stock which have already been owned by Optionee (purchased on the open market or owned for at least six months or such other period designated by the Compensation

Committee) which are surrendered to the Company. The Fair Market Value of the shares, determined as of the effective date of the Option exercise by the Company, will be applied to the Exercise Price.

(iii) To the extent a public market for the shares of Stock exists as determined by the Company, by delivery (on a form prescribed by the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price and any withholding taxes.

8. Tax Withholding. The Company or any affiliate shall have the right to deduct from payments of any kind otherwise due to Optionee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance of any shares of Stock or payment of any kind upon the exercise of this Option. By accepting this Agreement, Optionee hereby authorizes the Company in its discretion to withhold from fully vested shares of Stock otherwise deliverable to Optionee a number of whole shares of Stock necessary to satisfy the Company's required tax withholding with respect to the Option and to deduct any remaining amount due from any payments due to Optionee. Any shares withheld shall have an aggregate Fair Market Value not in excess of the minimum statutory total tax withholding obligation. The Fair Market Value of the shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements.

Notwithstanding the foregoing, Optionee may irrevocably elect to satisfy the required tax withholding obligation by delivering a cashier's check or other check or wire transfer acceptable to the Company in the amount determined by the Company to satisfy the required tax withholding obligation. Any election to deliver a check/ wire transfer shall be indicated within Solium (<https://shareworks.solium.com>) or any vendor replacement for Solium as designated by the Company and communicated to the Financial Reporting team prior to the exercise of the Option and shall be subject to any restrictions or limitations that the Company, in its sole discretion, deems appropriate.

9. Transfer of Option. During Optionee's lifetime, only Optionee (or, in the event of Optionee's legal incapacity or incompetency, Optionee's guardian or legal representative) may exercise the Option. Optionee cannot transfer or assign the Option. Upon any attempt to transfer or assign the Option, the Option will immediately become invalid. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from Optionee's spouse, nor is the Company obligated to recognize Optionee's spouse's interest in the Option in any other way.

10. Investment Representations. The Compensation Committee may require Optionee (or Optionee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Stock for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

11. Continued Service. Neither the grant of the Option nor this Agreement gives Optionee the right to continue Service with the Company or its affiliates in any capacity. The Company and its affiliates reserve the right to terminate Optionee's Service at any time and for any reason not prohibited by law.

12. Stockholder Rights. Optionee and Optionee's estate or heirs shall not have any rights as a stockholder of the Company until Optionee becomes the holder of record of such shares of Stock, and no adjustments shall be made for dividends or other distributions or other rights as to which there is a record

date prior to the date Optionee becomes the holder of record of such shares, except as provided in Section 10 of the Plan.

13. Additional Requirements. Optionee acknowledges that shares of Stock acquired upon exercise of the Option may bear such legends, as the Company deems appropriate to comply with applicable federal, state or foreign securities laws. In connection therewith and prior to the issuance of the shares, Optionee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws.

14. Governing Law. The validity and construction of this Agreement and the Plan shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan and this Agreement to the substantive laws of any other jurisdiction.

15. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and Optionee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

16. Tax Treatment. Optionee may incur tax liability as a result of the exercise of the Option or the disposition of shares of Stock. Optionee should consult his or her own tax adviser for tax advice.

17. Amendment. The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Optionee, except to the extent set forth in the Plan.

18. 2020 Omnibus Incentive Plan. The Option and shares of Stock acquired upon exercise of the Option granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Optionee. A copy of the Prospectus for the 2020 Omnibus Incentive Plan shall also be provided to Optionee.

NATIONAL CINEMEDIA, INC.

By:

Sarah Kinnick Hilty
Executive Vice President, General
Counsel and Secretary

NATIONAL CINEMEDIA, INC.

2020 OMNIBUS INCENTIVE PLAN

TIME-BASED RESTRICTED STOCK UNIT AGREEMENT

The Compensation Committee of the Board of Directors of National CineMedia, Inc., a Delaware corporation (the “Company”), granted an award of Time-Based Restricted Stock Units under the National CineMedia, Inc. 2020 Omnibus Incentive Plan (the “Plan”), to the Grantee named below. This Time-Based Restricted Stock Unit Agreement (the “Agreement”) evidences the terms of the Company’s grant of Restricted Stock Units, each representing the right to receive one share of the Company’s Common Stock, on the terms and subject to the conditions set forth herein and in the Plan. Any capitalized term in this Agreement shall have the meaning assigned to it in this Agreement or in the Plan, as applicable.

A. NOTICE OF GRANT

Name of Grantee:

Number of Restricted Stock Units:

Grant Date:

Vesting Schedule: Except as provided otherwise in this Agreement or the Plan (including but not limited to Section 10(c) of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), and subject to Grantee’s continuous Service (as defined below), the Restricted Stock Units shall vest, and the forfeiture provisions set forth in this Agreement shall lapse as follows:

Service Vesting Date	Percentage of Restricted Stock Units that Vest	Number of Restricted Stock Units that Vest
	%	
	%	
	%	

B. RESTRICTED STOCK UNIT AGREEMENT

1. Grant of Restricted Stock Units. Subject to the terms and conditions of this Agreement and the Plan, the Company granted to Grantee the number of Restricted Stock Units set forth in the Notice of Grant, effective on the Grant Date set forth in the Notice of Grant, and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Each Restricted Stock Unit represents the right to receive one share of Common Stock, on the terms and subject to the conditions set forth in this Agreement and the Plan. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern.

2. Transfer Restrictions. Grantee shall not sell, transfer, assign, pledge or otherwise encumber or dispose of, by operation of law or otherwise, the Restricted Stock Units.

3. Vesting; Lapse of Restrictions. The period between the Grant Date and the final Service Vesting Date is referred to as the “**Vesting Period.**” Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 10(c) of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), if Grantee has been in continuous service to the Company or another entity the service providers of which are eligible to receive Awards under the Plan from the Grant Date through the applicable Service Vesting Date as an employee, director, consultant or advisor (herein referred to as “**Service**”), the Restricted Stock Units shall vest as set forth on the Vesting Schedule in the Notice of Grant. As soon as practicable after the Service Vesting Date and in all events no later than March 15 of the calendar year following the calendar year in which the Service Vesting Date occurs, the Company will issue to the Grantee the shares of Common Stock subject to the Restricted Stock Units that vested on such Service Vesting Date. Only following the issuance of the shares of Common Stock to the Grantee may the Grantee transfer the shares of Common Stock (subject to applicable securities law requirements and the Company’s policies and procedures).

4. Termination of Service. If Grantee terminates Service prior to the Service Vesting Date on account of death, becoming disabled (as defined in Section 409A of the Internal Revenue Code), or termination by the Company other than for Cause, Grantee shall be entitled to earn a percentage of the Restricted Stock Units (the “**Retained Units**”) equal to the ratio that the number of days of Service of Grantee during the Vesting Period bears to the total number of days in the Vesting Period. The Retained Units shall immediately vest on the date Grantee terminates Service and the remaining Restricted Stock Units shall be forfeited upon Grantee’s termination of Service. If Grantee terminates Service prior to the Service Vesting Date as a result of termination by the Company for Cause or voluntary termination by Grantee, all unvested Restricted Stock Units shall be forfeited upon Grantee’s termination of Service. Upon forfeiture of the Restricted Stock Units, Grantee shall have no further rights with respect thereto. Section 10(c) of the Plan provides for accelerated vesting with respect to certain terminations in connection with a Change of Control.

5. Leave of Absence. For purposes of the Restricted Stock Units, Service does not terminate when Grantee goes on a *bona fide* employee leave of absence that was approved by the Company or an affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Grantee went on the approved leave, unless Grantee’s right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends unless Grantee immediately returns to active Service. The Compensation Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

6. Dividends. During the period between the Grant Date and the Service Vesting Date, the Company shall accrue an amount equal to the regular, special and extraordinary cash dividends declared and paid with respect to each share of Common Stock underlying the Restricted Stock Units which amount shall be retained by the Company and shall be subject to the same vesting requirements as specified in the Notice of Grant above. Any accrued dividend equivalents to which Grantee becomes entitled upon vesting on the Service Vesting Date shall be paid to Grantee as soon as practicable following the Service Vesting Date, but in no event later than March 15 of the calendar year following the calendar year when the Restricted Stock Units vest.

7. Tax Withholding. The Company or any affiliate shall have the right to deduct from payments of any kind otherwise due to Grantee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance, vesting or payment of any shares of Common Stock upon the vesting of the Restricted Stock Units or the payment of dividend equivalents. By accepting this Agreement, Grantee hereby authorizes the Company to withhold from the number of shares of Common Stock that would otherwise be issued to Grantee upon vesting of the Restricted Stock Units a number of whole shares of Common Stock having a fair market value equal to the Company's required tax withholding with respect to the Award and to deduct any remaining amount due from any payments due to Grantee. Any shares of Common Stock issued or withheld shall have an aggregate fair market value not in excess of the minimum statutory total tax withholding obligation. The fair market value of the shares of Common Stock used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. Shares of Common Stock used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements.

Notwithstanding the foregoing, in lieu of share withholding, Grantee may irrevocably elect to satisfy the required tax withholding obligation by delivering a cashier's check or other check or wire transfer acceptable to the Company in the amount determined by the Company to satisfy the required tax withholding obligation. Any election to deliver a check / wire transfer shall be indicated within Solium (<https://shareworks.solium.com>) or any vendor replacement for Solium as designated by the Company and communicated to the Financial Reporting team prior to the vesting of the grant and shall be subject to any restrictions or limitations that the Company, in its sole discretion, deems appropriate.

8. Effect of Prohibited Transfer. If any transfer of Restricted Stock Units is made or attempted to be made contrary to the terms of this Agreement, the Company shall have the right to disregard such transfer and to terminate this award of Restricted Stock Units as a result of such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available. The Company may refuse for any purpose to recognize any transferee who receives Restricted Stock Units contrary to the provisions of this Agreement as a holder of the Restricted Stock Units and shall not be obligated, and will not, issue any shares of Common Stock upon the vesting of such Restricted Stock Units to such prohibited transferee.

9. Investment Representations. The Compensation Committee may require Grantee (or Grantee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Common Stock upon vesting of the Restricted Stock Units for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

10. Continued Service. Neither the grant of the Restricted Stock Units nor this Agreement gives Grantee the right to continue Service with the Company or its affiliates in any capacity. The Company and its affiliates reserve the right to terminate Grantee's Service at any time and for any reason not prohibited by law.

11. Governing Law. The validity and construction of this Agreement and the Plan shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan and this Agreement to the substantive laws of any other jurisdiction.

12. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and Grantee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

13. Tax Treatment; Section 83(b). Grantee may incur tax liability as a result of the vesting of the Restricted Stock Units, the payment of dividend equivalents or the disposition of shares of Common Stock issued upon the vesting of the Restricted Stock Units. Grantee should consult his or her own tax adviser for tax advice.

Grantee hereby acknowledges that Grantee has been informed that no election under Section 83(b) of the Internal Revenue Code is permitted with respect to the Restricted Stock Units.

14. Amendment. The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Grantee, except to the extent set forth in the Plan.

15. 2020 Omnibus Incentive Plan. The Restricted Stock Units and payment of dividend equivalents granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Grantee. A copy of the Prospectus for the 2020 Omnibus Incentive Plan shall also be provided to Grantee.

NATIONAL CINEMEDIA, INC.

By:

Sarah Kinnick Hilty

Executive Vice President, General Counsel and
Secretary

NATIONAL CINEMEDIA, INC.
2020 OMNIBUS INCENTIVE PLAN
NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AGREEMENT

The Compensation Committee of the Board of Directors of National CineMedia, Inc., a Delaware corporation (the “**Company**”), granted an award of Restricted Stock Units under the National CineMedia, Inc. 2020 Omnibus Incentive Plan (the “**Plan**”), to the Grantee named below. This Restricted Stock Unit Agreement (the “**Agreement**”) evidences the terms of the Company’s grant of Restricted Stock Units, each representing the right to receive one share of the Company’s Common Stock, on the terms and subject to the conditions set forth herein and in the Plan. Any capitalized term in this Agreement shall have the meaning assigned to it in this Agreement or in the Plan, as applicable.

A. NOTICE OF GRANT

Name of Grantee:

Number of Restricted Stock Units:

Grant Date:

Vesting Schedule: Except as provided otherwise in this Agreement or the Plan (including but not limited to Section 10(c) of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), and subject to Grantee’s continuous Service (as defined below), the Restricted Stock Units shall vest, and the forfeiture provisions set forth in this Agreement shall lapse, as follows: 100% of the Restricted Stock Units shall vest on _____ (the “**Service Vesting Date**”).

B. RESTRICTED STOCK UNIT AGREEMENT

1. Grant of Restricted Stock Units. Subject to the terms and conditions of this Agreement and the Plan, the Company granted to Grantee the number of Restricted Stock Units set forth in the Notice of Grant, effective on the Grant Date set forth in the Notice of Grant, and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Each Restricted Stock Unit represents the right to receive one share of Common Stock, on the terms and subject to the conditions set forth in this Agreement and the Plan. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern.

2. Transfer Restrictions. Grantee shall not sell, transfer, assign, pledge or otherwise encumber or dispose of, by operation of law or otherwise, the Restricted Stock Units.

3. Vesting; Lapse of Restrictions. Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 10(c) of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), if Grantee has been in continuous service to the Company or another entity the service providers of which are eligible to receive Awards under the Plan from the Grant Date through the applicable Service Vesting Date as an employee, director, consultant or advisor (herein referred to as “**Service**”), the Restricted Stock Units shall vest as set forth on the Vesting Schedule in the Notice of Grant. As soon as practicable after the Service Vesting Date and in all events no

later than March 15th of the calendar year following the calendar year in which the Service Vesting Date occurs, unless Grantee has elected pursuant to Section 6 below to defer, the Company will issue to the Grantee the shares of Common Stock subject to the Restricted Stock Units that vested on such Service Vesting Date. Only following the issuance of the shares of Common Stock to the Grantee may the Grantee transfer the shares of Common Stock (subject to applicable securities law requirements and the Company's policies and procedures).

4. Termination of Service. If Grantee terminates Service prior to the Service Vesting Date on account of the Grantee's death, Grantee shall vest in all of the Restricted Stock Units on the date of death and shall be entitled to the issuance of shares of Common Stock equal to the number of Restricted Stock Units granted to Grantee, together with any accrued dividend equivalents as provided in Section 5. If Grantee terminates Service prior to the Service Vesting Date for any reason other than death, the Restricted Stock Units shall be forfeited upon Grantee's termination of Service. Upon forfeiture of the Restricted Stock Units, Grantee shall have no further rights with respect to such Restricted Stock Units.

5. Dividends. During the period between the Grant Date and the Service Vesting Date, the Company shall accrue an amount equal to the regular, special and extraordinary cash dividends declared and paid with respect to each share of Common Stock underlying the Restricted Stock Units, which amount shall be retained by the Company and shall be subject to the same vesting requirements as specified in the Notice of Grant above. Any accrued dividend equivalents to which Grantee becomes entitled upon vesting on the Service Vesting Date shall be paid to Grantee as soon as practicable following the Service Vesting Date, but in no event later than March 15 of the calendar year following the calendar year in which the Restricted Stock Units vest.

6. Election to Defer Receipt of Stock and Dividend Equivalents. During the period from the Grant Date through and including the last business day on or before the 30th day after the Grant Date, Grantee shall be entitled to elect, in writing, in accordance with the provisions of the Deferral Election Form attached hereto as **Exhibit A** (the "**Deferral Election Form**"), to defer the issuance of shares of Common Stock and the payment of accrued dividend equivalents for up to five years following the scheduled Service Vesting Date set forth in the Notice of Grant. If any such deferred payment date elected by Grantee falls on a holiday or non-business day, the shares of Common Stock and accrued dividend equivalents shall be issued and paid to Grantee on the immediately preceding business day. An election made by Grantee and delivered to the Company on the Deferral Election Form will be irrevocable, and issuance of the shares of Common Stock and payment of dividend equivalents prior to the date selected by Grantee would occur only upon the earlier death of Grantee or pursuant to Section 10(c) of the Plan. If Grantee fails to properly elect a different payment date in accordance with this Section, the Grantee shall be entitled to issuance of the shares of Common Stock and payment of accrued dividend equivalents in accordance with Section 3.

7. Tax Withholding. The Company or any affiliate shall have the right to deduct from payments of any kind otherwise due to Grantee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance, vesting or payment of any shares of Common Stock upon the vesting of the Restricted Stock Units or the payment of dividend equivalents. By accepting this Agreement, Grantee hereby authorizes the Company to withhold from the number of shares of Common Stock that would otherwise be issued to Grantee upon vesting of the Restricted Stock Units a number of whole shares of Common Stock having a fair market value equal to the Company's required tax withholding with respect to the Award and to deduct any remaining amount due from any payments due to Grantee. Any shares of Common Stock withheld shall have an aggregate fair market value not in excess of the minimum statutory total tax withholding obligation. The fair market value of the shares of Common Stock used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be

withheld is to be determined. Shares of Common Stock used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements.

Notwithstanding the foregoing, in lieu of share withholding, Grantee may irrevocably elect to satisfy any required tax withholding obligation by delivering a cashier's check or other check or wire transfer acceptable to the Company in the amount determined by the Company to satisfy the required tax withholding obligation. Any election to deliver a check / wire transfer shall be indicated within Solium (<https://shareworks.solium.com>) or any vendor replacement for Solium as designated by the Company and communicated to the Financial Reporting team prior to the vesting of the grant and shall be subject to any restrictions or limitations that the Company, in its sole discretion, deems appropriate.

8. Effect of Prohibited Transfer. If any transfer of Restricted Stock Units is made or attempted to be made contrary to the terms of this Agreement, the Company shall have the right to disregard such transfer and to terminate this award of Restricted Stock Units as a result of such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available. The Company may refuse for any purpose to recognize any transferee who receives Restricted Stock Units contrary to the provisions of this Agreement as a holder of the Restricted Stock Units and shall not be obligated, and will not, issue any shares of Common Stock upon the vesting of such Restricted Stock Units to such prohibited transferee.

9. Investment Representations. The Compensation Committee may require Grantee (or Grantee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Common Stock upon vesting of the Restricted Stock Units for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

10. Continued Service. Neither the grant of the Restricted Stock Units nor this Agreement gives Grantee the right to continue Service with the Company or its affiliates in any capacity.

11. Governing Law. The validity and construction of this Agreement and the Plan shall be construed in accordance with and governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan and this Agreement to the substantive laws of any other jurisdiction.

12. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and Grantee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

13. Tax Treatment; Section 83(b); Section 409A. Grantee may incur tax liability as a result of the vesting of the Restricted Stock Units, the payment of dividend equivalents or the disposition of shares of Common Stock issued upon the vesting of the Restricted Stock Units. Grantee should consult his or her own tax adviser for tax advice.

Grantee hereby acknowledges that Grantee has been informed that no election under Section 83(b) of the Internal Revenue Code is permitted with respect to the Restricted Stock Units.

14. Amendment. The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Grantee, except to the extent set forth in the Plan.

15. 2020 Omnibus Incentive Plan. The Restricted Stock Units and payment of dividend equivalents granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Grantee. A copy of the Prospectus for the 2020 Omnibus Incentive Plan shall also be provided to Grantee.

NATIONAL CINEMEDIA, INC.

By:

Sarah Kinnick Hilty

Executive Vice President,
General Counsel and
Secretary

Exhibit A

**NATIONAL CINEMEDIA, INC.
2020 OMNIBUS INCENTIVE PLAN**

20XX Non-Employee Director Restricted Stock Unit Award - Non-Employee Director Deferral Election Form

Name:

No. of Restricted Stock Units:

Grant Date:

Service Vesting Date: _____

On the Service Vesting Date, the number of Restricted Stock Units (the "Units") listed above are scheduled to vest with respect to my Non-Employee Director Restricted Stock Unit Award granted under the National CineMedia, Inc. ("Company") 2020 Omnibus Incentive Plan (the "Plan") on the Grant Date pursuant to the terms of my Non-Employee Director Restricted Stock Unit Agreement (the "Agreement").

Under the terms of the Agreement, the vested Units will be converted into shares of Common Stock ("Shares") that will automatically be delivered to me as soon as practicable following the scheduled Service Vesting Date, unless I voluntarily make an irrevocable election to defer delivery of the shares of Common Stock (and any accrued dividend equivalents) in accordance with the terms and conditions of this Election and the Agreement. I understand that I may only make this election to the extent that this Award has at least thirteen (13) months of vesting between the Grant Date and the Service Vesting Date. Any election with respect to an Award with lesser vesting shall be of no force or effect.

Irrevocable Voluntary Deferral Election

I hereby irrevocably elect to defer conversion of 100% of my vested Units and delivery of the shares of Common Stock covered by the Units until the date specified below (select only one date):

_____, 20XX+1

_____, 20XX+2

_____, 20XX+3

_____, 20XX+4

_____, 20XX+5

I hereby further irrevocably elect to defer receipt of 100% of any accrued dividend equivalents payable to me with respect to my vested Units until the date specified above.

I understand that this election is irrevocable, must be received by the Company **no later than [30 days after grant date]** and must be delivered to: General Counsel, National CineMedia, Inc., 6300 S. Syracuse Way, Suite 300, Centennial, CO 80111 Fax: (303) 792-8800.

I acknowledge that I have not relied on the Company, its officers, directors, employees or advisors for any tax advice. I have consulted with my own tax advisor to the extent that I deem necessary prior to making my irrevocable election.

I acknowledge that any disposition of Shares acquired by me must be made in a manner consistent with the Company's Insider Trading Policy and applicable securities laws.

Director Signature: _____ **Date:** _

Address: _

Company Acknowledgment and Acceptance

This Election was complete, signed, dated and received by the Company on:

, 20__.

Signature:

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 3, 2020

/s/ Thomas F. Lesinski

Thomas F. Lesinski

Chief Executive Officer and Director

(Principal Executive Officer and Interim Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q for the period ending June 25, 2020 (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 3, 2020

/s/ Thomas F. Lesinski

Thomas F. Lesinski

Chief Executive Officer and Director

(Principal Executive Officer and Interim Principal Financial Officer)

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