

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the fiscal year ended December 27, 2018

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

Centennial, Colorado

(Address of principal executive offices)

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)

The Nasdaq Stock Market LLC

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Smaller reporting company

Non-accelerated filer

Emerging growth company

Accelerated filer

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition method 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 Act). Yes No

Based on the closing sales price on June 28, 2018, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was \$455,020,325.

As of February 18, 2019, 78,601,513 shares of the registrant's common stock (including unvested restricted stock), par value of \$0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement to be used in connection with its Annual Meeting of Stockholders and to be filed within 120 days of December 27, 2018 are incorporated by reference into Part III, Items 10-14, of this report on Form 10-K.

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Certain Definitions

In this document, unless the context otherwise requires:

- “NCM, Inc.,” “the Company,” “we,” “us” or “our” refer to National CineMedia, Inc., a Delaware corporation, and its consolidated subsidiary National CineMedia, LLC.
- “NCM LLC” refers to National CineMedia, LLC, a Delaware limited liability company, which commenced operations on April 1, 2005, and is the current operating company for our business, which NCM, Inc. acquired an interest in, and became a member and the sole manager of, upon completion of our initial public offering, or “IPO,” which closed on February 13, 2007.
- “ESAs” refers to the amended and restated exhibitor services agreements entered into by NCM LLC with each of NCM LLC’s founding members upon completion of the IPO, which were further amended and restated on December 26, 2013 in connection with the sale of the Fathom Events business.
- “AMC” refers to AMC Entertainment Inc. and its subsidiaries, National Cinema Network, Inc., or “NCN,” which contributed assets used in the operations of NCM LLC and formed NCM LLC in March 2005, AMC ShowPlace Theatres, Inc., which joined NCM LLC in June 2010 in connection with AMC’s acquisition of Kerasotes ICON Theatres, AMC Starplex, LLC, which joined NCM LLC in December 2015 in connection with AMC’s acquisition of Starplex Cinemas and American Multi-Cinema, Inc., which is a party to an ESA with NCM LLC.
- “Cinemark” refers to Cinemark Holdings, Inc. and its subsidiaries, Cinemark Media, Inc., which joined NCM LLC in July 2005, and Cinemark USA, Inc., which is a party to an ESA with NCM LLC.
- “Regal” refers to Cineworld Group plc, Regal Entertainment Group and its subsidiaries, Regal CineMedia Corporation, or “RCM,” which contributed assets used in the operations of NCM LLC, Regal CineMedia Holdings, LLC, which formed NCM LLC in March 2005, and Regal Cinemas, Inc., which is a party to an ESA with NCM LLC.
- “Founding members” refers to AMC, Cinemark and Regal.
- “OIBDA” refers to operating income before depreciation and amortization expense.
- “Adjusted OIBDA” excludes from OIBDA non-cash share based payment costs, merger-related administrative costs, CEO transition costs and early lease termination expense.
- “Adjusted OIBDA margin” is calculated by dividing Adjusted OIBDA by total revenue.
- “DCN” refers to NCM LLC’s Digital Content Network.
- “TRA” refers to the tax receivable agreement entered into by NCM, Inc. and the founding members.

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, some of the information in this Form 10-K includes “forward-looking statements.” All statements other than statements of historical facts included in this Form 10-K, including, without limitation, certain statements under “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” may constitute forward-looking statements. In some cases, you can identify these “forward-looking statements” by the specific words, including but not limited to “may,” “will,” “can,” “should,” “expects,” “forecast,” “project,” “intend,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of those words and other comparable words. These forward-looking statements involve known and unknown risks and uncertainties, assumptions and other factors, including, but not limited to, the following:

- potential significant declines in theater attendance;
- changes in theater patron behavior could result in declines in viewership of the *Noovie* pre-show;
- our plans for developing additional revenue opportunities may not be implemented and may not be achieved;
- competition within the overall advertising industry;
- we may not maintain our technological advantage;
- national, regional and local economic conditions;
- the potential loss of any major content partner or advertising customer;
- potential inability to retain or replace our senior management;

- changes to relationships with NCM LLC's founding members;
- founding member and network affiliate government regulation could slow growth;
- failure to effectively manage or continue our growth;
- potential failures or disruptions in our technology systems;
- possible infringement of our technology on intellectual property rights owned by others;
- the content we distribute and user information we collect and maintain through our in-theater, online or mobile services may expose us to liability;
- changes in regulations relating to the Internet or other areas of our online or mobile services;
- our revenue and Adjusted OIBDA fluctuate from quarter to quarter and may be unpredictable, which could increase the volatility of our stock price;
- an ineffective system of internal controls over financial reporting could adversely affect our ability to accurately report our financial results and market confidence in our reported financial information;
- we are a holding company with no operations of our own, and we depend on distributions and payments under the NCM LLC operating and management services agreements from NCM LLC to meet our ongoing obligations and to pay cash dividends on our common stock;
- risks and uncertainties relating to our significant indebtedness and investments, including the availability and adequacy of cash flows to meet our debt service requirements and any other indebtedness that we may incur in the future;
- NCM LLC's other members or their affiliates may have interests that differ from those of us or our public stockholders and they may be able to influence our affairs, compete with us or benefit from corporate opportunities that might otherwise be available to us;
- future issuance of membership units or preferred stock could dilute the interest of our common stockholders;
- determination that NCM, Inc. or any of NCM LLC's founding members is an investment company;
- determination that any amount of our tax benefits under the TRA should not have been available;
- the effect on our stock price from the substantial number of our shares eligible for sale;
- the interests of our largest stockholder and NCM LLC's other members may be different from or conflict with those of our other stockholders; and
- other factors described under "Risk Factors" or elsewhere in this Annual Report on Form 10-K.

This list of factors that may affect future performance and the accuracy of forward-looking statements are illustrative and not exhaustive. Our actual results, performance or achievements could differ materially from those indicated in these statements as a result of additional factors as more fully discussed in the section titled "Risk Factors," and elsewhere in this Annual Report on Form 10-K. Given these uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We disclaim any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I

Item 1. Business

The Company

NCM, Inc., a Delaware corporation, was organized on October 5, 2006 and began operations on February 13, 2007 upon completion of its IPO. NCM, Inc. is a holding company that manages its consolidated subsidiary, NCM LLC. NCM, Inc. has no business operations or material assets other than its cash and ownership interest of approximately 48.8% of the common membership units in NCM LLC as of December 27, 2018. NCM LLC's other members, Cinemark and Regal, two of the three largest motion picture exhibition companies in the U.S., held the remaining 51.2% of NCM LLC's common membership units as of December 27, 2018. NCM, Inc.'s primary source of cash flow from operations is distributions from NCM LLC pursuant to the NCM LLC operating agreement. NCM, Inc. also receives management fees pursuant to a management services agreement with NCM LLC in exchange for providing specific management services to NCM LLC.

Our Business

We are America's Movie Network. As the #1 weekend network for Millennials (age 18-34) in the U.S., NCM is the connector between brands and movie audiences.

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. We also sell advertising on our Lobby Entertainment Network ("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 across our *Noovie* digital products as well as through our *Cinema Accelerator* digital product to reach entertainment audiences beyond the theater.

NCM LLC has long-term ESAs with the founding members (over 18 years remaining as of December 27, 2018) and multi-year agreements with certain third-party theater circuits, referred to in this document as "network affiliates," which expire at various dates between March 15, 2019 and July 22, 2031. The ESAs and network affiliate agreements grant NCM LLC exclusive rights in their theaters to sell advertising, subject to limited exceptions.

We believe that the broad reach and digital delivery of our network provides an effective platform for national, regional and local advertisers to reach a large, young, engaged and affluent audience on a targeted and measurable basis.

On-Screen Advertising

Noovie—Our on-screen *Noovie* pre-show was launched in September 2017, replacing our prior pre-show called *FirstLook*. Our pre-show provides an entertaining pre-movie experience for theater patrons while serving as an incremental revenue source for our theater circuit partners. *Noovie* gives movie audiences a reason to arrive early to discover what's next in entertainment, and it consists of national, regional and local advertising, as well as long-form entertainment and advertising content provided to us under exclusive multi-year arrangements with leading media, entertainment, technology and other companies ("content partners").

Noovie generally ranges in length from 20 to 30 minutes and ends at or about the advertised show time, when the movie trailers and feature film begin. The trailers that run before the feature film are not part of *Noovie*.

Because *Noovie* is customized by theater circuit, theater location/market, film rating, film genre and film title, we produce and distribute many different versions of *Noovie* each month. This programming flexibility provides advertisers with the ability to target specific audience demographics and geographic locations and gives us the ability to ensure that the content and advertising are age-appropriate for the movie audience. It also enables us to incorporate the branding of a specific theater circuit if desired. We rotate *Noovie*'s long-form content segments between theaters approximately every two weeks to ensure that frequent moviegoers are entertained by fresh content.

We also have the capability to deliver three-dimensional ("3-D") advertising campaigns within a 3-D version of the *Noovie* pre-show program prior to 3-D feature films.

All versions of *Noovie* are produced by our internal creative team, which is cost-effective and gives us significant flexibility. We also offer pre- and post-production advertising creative services to our clients (primarily local clients who may not have their own creative agency) for a fee.

Show Structure—*Noovie* is comprised of up to four segments, each approximately four to ten minutes in length.

- Segment four is the first section of *Noovie* and begins approximately 25 to 30 minutes prior to the advertised show time. Entertaining content is a core element of *Noovie*, and NCM programs an exclusive

Noovie content pod at the beginning of the show that gives audiences a look at “what’s Noovie” in their world, including movies (*Noovie Backlot* and *Noovie Genius*), music (*Noovie Soundcheck*), trivia (*Name That Movie*), local (*Noovie Local*, powered by ScoreStream), and more.

- Segment three typically begins approximately 21 minutes prior to the advertised show time and features primarily 15 or 30-second local, regional, or national spot advertisements by individual theaters, or across an entire Designated Market Area (“DMA”)® or geographic region, as well as a long-form entertainment content segment from one of our content partners.
- Segment two begins approximately 16 minutes prior to the advertised show time and features primarily national, national spot and regional advertisements, which generally range between 15 to 90 seconds, as well as a long-form entertainment content segment from one of our content partners. This segment also includes a 50-second *Noovie ARcade* slot where audiences have the opportunity to play our featured interactive augmented reality (“AR”) game on the big screen using their mobile phones.
- Segment one runs closest to the advertised show time at approximately 10 minutes prior to the advertised show time and features primarily national advertisements, which are generally 30 or 60 seconds, as well as a long-form entertainment content segment from one of our content partners. Segment one also includes an advertisement for the founding members’ beverage supplier and a public service announcement (“PSA”).

National, Regional and Local Advertising—Our cinema advertising business has a diverse customer base, consisting of national, regional and local advertisers. National and regional on-screen advertising in *Noovie* is sold on a cost per thousand (“CPM”) basis to national and regional clients. We generally sell our national advertising units across our national network by film rating or groups of ratings, or by individual film or film genre grouping. This ability to target various groups of films offers national advertisers a way to target specific audience demographics at various price points and overall cost levels, which we believe expands the number of potential clients. Local advertising is sold on a per-screen, per-week basis.

Noovie pre-show inventory is also available in the FreeWheel Advertisers (formerly known as STRATA) and Mediaocean systems, media buying and selling software which allows advertising agencies to buy cinema advertising in the “National Spot TV” marketplace where advertising is purchased by national advertisers in several markets of their own selection. Being able to buy both TV and cinema locally in the National Spot TV marketplace makes it significantly easier for agencies to include cinema in the media mix for their clients and allows us to tap into the pool of advertising dollars budgeted for National Spot TV.

We sell advertising time in both the upfront and scatter markets. In the upfront market, advertisers buy advertising time for the upcoming year, and by purchasing in advance, lock in the advertising rates (CPM’s) they will pay. Many upfront advertising commitments include options whereby advertisers may reduce purchase commitments. In the scatter market, advertisers buy advertising closer to the time when the advertisements will be run, which often results in a pricing premium compared to the upfront rates. The mix between the upfront and scatter markets is based upon a number of factors, such as pricing, demand for advertising time and economic conditions. The demand in the scatter market then impacts the pricing achieved for our remaining advertising inventory. Scatter market pricing can vary through-out the year and from upfront pricing.

From February 13, 2007 through December 27, 2018, 572 national advertisers across a wide variety of industries have advertised with us. During the year ended December 27, 2018, we derived 71% of our advertising revenue from national clients (including advertising agencies that represent our clients) and 24% of our advertising revenue from thousands of regional and local advertisers across the country (including advertising agencies that represent these clients).

Content. Beyond the *Noovie*-branded content at the beginning of the pre-show, the majority of our entertainment and advertising content segments are provided to us by content partners. Under the terms of the contracts, our content partners create original long-form entertainment content segments that are entertaining, informative or educational in nature exclusively for the *Noovie* program and make commitments to buy a portion of our advertising inventory at a specified CPM over a one or two-year period with options to renew, exercisable at the content partner’s option. The original content produced by these content partners typically features behind-the-scenes looks at the “making-of” feature films, upcoming broadcasts, cable television shows, or technology products. In 2018, the content partner segments were approximately 90 seconds in length.

PSA. In 2018, we had three agreements to exhibit a 40-second courtesy “silence your cell phone” PSA reminding moviegoers to silence their cell phones and refrain from texting during feature films. Two of these agreements continue through 2019 and one expired at the end of 2018. We signed an additional two new agreements for 2019.

3-D Advertising. We also sell 3-D advertising, which runs prior to select 3-D feature films. These 3-D advertisements are placed at the end of the *Noovie* pre-show, after a message instructing the movie audience to put on their 3-D glasses, so that the glasses can be kept on throughout the remainder of *Noovie*, the trailers and the 3-D feature film to provide for a better experience. 3-D advertisements provide average advertising CPMs that are higher than average two-dimensional (“2-D”)

pricing primarily because 3-D advertisements have heightened recall when compared to 2-D advertisements based on third-party research.

Noovie ARcade. Starting in 2018, movie audiences nationwide can play big screen interactive AR games on their mobile phones by using *Noovie ARcade*, the revolutionary new companion app for the *Noovie* pre-show. During 2018, *Noovie ARcade* games included *Cinevaders*, *Emoji Escape*, *The Horror Experience*, *Ralph Breaks the Internet* (our first studio collaboration) and *Hollywood Highway*. *Noovie ARcade* games and other *Noovie* AR experiences can be sponsored by advertisers or customized by brands to create unique and engaging experiences for movie audiences.

Name That Movie. During 2017, we entered into a licensing agreement authorizing the production of *Name That Movie* trivia segments for our *Noovie* pre-show, social media channels and future digital properties in order to further entertain and engage moviegoers. We also offer the opportunity for our advertising customers to sponsor the *Name That Movie* segments and incorporate advertising into the game.

Beverage Advertising—We have a long-term agreement to exhibit the advertising of the founding members' beverage concessionaires. Under the ESAs, up to 90 seconds of the *Noovie* program can be sold to the founding members to satisfy their on-screen advertising commitments under their beverage concessionaire agreements at a rate intended to approximate a market rate (per the ESA, the annual CPM change equals the prior year annual percentage change in the advertising CPM charged to unaffiliated third parties during segment one (closest to the advertised show time) of the *Noovie* pre-show, limited to the highest advertising CPM being then-charged by NCM LLC). Each of the founding members has a relationship with a beverage concessionaire supplier under which they are obligated to provide on-screen advertising time as part of their agreement to purchase branded beverages sold in their theaters. During 2018, we sold 60 seconds to two of the founding members and 30 seconds to one of the founding members. During 2018, the beverage concessionaire revenue from the founding members' beverage agreements was 7% of our total revenue. In the instance of certain theaters that are acquired by the founding members but are not incorporated into our network because of an existing on-screen advertising agreement with an alternative provider, we remain entitled to these beverage payments under the terms of the ESA which are treated as a reduction to the intangible asset and not classified as revenue.

Theater Circuit Messaging—The *Noovie* program also includes time slots for the founding members and network affiliates to advertise various activities associated with the operations of the theaters, including concessions, online ticketing partners, gift card and loyalty programs, special events presented by the theater operator and vendors of services provided to theaters, so long as such promotion is incidental to the vendor's service or products sold in the theater. This time is provided to the theater operator at no charge and generally includes 45 seconds within 15 minutes prior to the advertised show time, 15 seconds of which will be placed within 12 minutes prior to the advertised show time, and the remainder placed elsewhere during the *Noovie* pre-show at our discretion.

Lobby Advertising

Lobby Entertainment Network —Our LEN is a network of video screens strategically located throughout the lobbies of all digitally equipped founding members' theaters, as well as the majority of our network affiliates' theaters. As of December 27, 2018, our LEN had 3,039 screens in 1,568 theaters in our network. The LEN screens are placed in high-traffic locations such as concession stands, box offices and other waiting areas. Programming on our LEN consists of an approximately 30-minute loop of branded entertainment content segments created specifically for the lobby with advertisements running between each segment. We have the scheduling flexibility to send different LEN programming to each theater through our DCN, and the same program is displayed simultaneously on all LEN screens within a given theater, which we believe provides the maximum impact for our advertisers. We sell national and local advertising on the LEN individually or bundled with on-screen or other lobby promotions.

The LEN programming includes up to two minutes for founding members' advertisements to promote activities associated with the operation of the theaters, including concessions, online ticketing partners, gift card and loyalty programs, special events presented by the theater operator and vendors of services provided to theaters, so long as such promotion is incidental to the vendor's service or products sold in the theater. Additionally, subject to certain limitations, the LEN programming includes up to two minutes (one minute of which we provide to the founding members at no cost and one minute of which the founding members may purchase) to promote certain non-exclusive cross-marketing relationships entered into by the theater operators for the purpose of increasing theater attendance, which we call "strategic programs."

Under the terms of the ESAs, the founding members also have the right to install a second network of additional screens in their theater lobbies which would not display our LEN programming, but would be used to promote strategic programs or products sold in their theater concessions, bars and dining operations, online ticketing partner promotions, gift card and loyalty programs, and special events presented by the founding member and vendors of services provided to theaters, so long as such promotion is incidental to the vendor's service.

Lobby Promotions

We also sell a wide variety of advertising and promotional products in theater lobbies. These products can be sold individually or bundled with on-screen, LEN or digital advertising. Lobby promotions typically include:

- advertising on concession items such as beverage cups, popcorn bags and kids' trays;
- coupons and promotional materials, which are customizable by film and are distributed to ticket buyers at the box office or as they exit the theater;
- tabling displays, product demonstrations and sampling;
- touch-screen display units and kiosks; and
- signage throughout the lobbies, including posters, banners, counter cards, danglers, floor mats, standees and window clings.

Under the terms of the ESAs, the founding members may conduct a limited number of lobby promotions at no charge in connection with strategic programs that promote motion pictures; however, such activities will not reduce the lobby promotions inventory available to us.

Our ability to provide in-lobby marketing and promotional placements in conjunction with our cinema advertising products allows us to offer integrated marketing solutions to advertisers that provide multiple touchpoints with theater patrons throughout the movie-going experience, which we believe is a competitive advantage over other national media platforms.

Digital Advertising

At its core, *Noovie* is NCM's pre-show that audiences experience before the movie, but *Noovie* also stretches beyond the theater as an integrated digital ecosystem delivering entertaining content, purposeful commerce, and interactive gaming opportunities. The *Noovie* pre-show serves as a "trailer" for the *Noovie* digital experience, driving movie audiences from the big screen to NCM's digital properties and back again. We believe that by creating a compelling consumer experience for moviegoers, we can further enhance the marketability of our product offerings to our advertising customers. The *Noovie* digital ecosystem is designed to provide digital advertising inventory and capture exclusive first party data and includes:

Gaming – During 2018, we launched our *Noovie ARcade* app, bringing augmented reality gaming to the big screen and beyond, with nearly 1.5 million downloads as of December 27, 2018. We expect to deploy *Noovie Trivia* web and mobile apps throughout 2019, allowing customers to play a variety of trivia games in various formats, such as a collection of card-based movie trivia mini-games. We expect the games to interact with and enhance onscreen promotions and also be playable by customers outside of the theaters. During 2017, we acquired *Fantasy Movie League*, a box office predictions game that combines the fierce competition of fantasy sports with the world of entertainment and movies. *Fantasy Movie League* can currently be played online at *FantasyMovieLeague.com* or through the *Fantasy Movie League* iOS and Android apps, with over 200,000 downloads of the app as of December 27, 2018. *Fantasy Movie League* is promoted on-screen in our *Noovie* pre-show to help grow its gaming audience.

Noovie.com – NCM launched an early-access version of *Noovie.com* in late 2018 as a search and discovery platform where audiences can discover new movies, watch the latest trailers, find theaters and showtimes, and buy tickets. NCM expects to launch the full-version in the first quarter of 2019. In subsequent releases, *Noovie.com* will be a smart movie guide and; a place fans turn to decide what to watch next, whether in theater or at home, as well as, a community hub for fans to connect, discover, and share their love of movies. The *Noovie* digital portfolio of products will also be a source of fun arcade, trivia and fantasy box office games, and unique content to keep fans entertained on the big and small screens representing all that is new and fun with movies.

NCM advertisers will also benefit as *Noovie.com* will connect brands to valuable movie audiences around engaging and bespoke digital experiences. *Noovie.com* will be a natural companion to the *Noovie* pre-show extending the brand, re-enforcing the on-screen offering, and creating valuable cross-platform advertising opportunities.

Cinema Accelerator – In addition to our ad-supported consumer-facing digital products, our *Cinema Accelerator* digital product expands cinema advertising beyond the theater environment to reach digitally-connected moviegoers before and after the movie experience, both online and on mobile devices. *Cinema Accelerator* identifies moviegoers through exclusive first party data sources including geo-location services, and micro-event data for the moviegoers that enter the theaters in our network. Using the moviegoer as our filter, we can target specific demographics, genres or layer on other data to provide our clients with a match against their target audience. Digital ads are then distributed through multiple channels, including online and mobile banners, online and mobile pre-roll video and social media newsfeeds through our owned and operated ad inventory as well as third party ad inventory to reach moviegoers wherever they may be seeking entertainment information and content.

We sell NCM's digital products through a digital sales group that is embedded as part of our national and local sales organizations to enable collaborative, integrated selling. We believe that our new and upcoming digital products can be sold

with additional in-theater advertisements as integrated marketing packages as discussed in “Business – Our Strategy”. We plan to continue to invest in our digital platform in 2019.

Our Network

In-theater advertising and entertainment content is distributed across NCM LLC’s national theater network — the largest digital in-theater network in North America. Through the use of our proprietary DCN and Digital Content Software, we are able to schedule, deliver, play and reconcile advertising and entertainment content for *Noovie* and the LEN on a national, regional, local, theater and auditorium level.

The DCN is the combination of a satellite distribution network and a terrestrial management network. We also employ a variety of technologies that aid in distribution where satellite delivery is not available to provide uninterrupted service to our network of theaters. The DCN is controlled by our Network Operations Center (“NOC”) located in NCM’s headquarters in Centennial, CO, which operates 20 hours a day, seven days a week to proactively monitor and manage our network. NCM’s DCN dynamically controls the quality, placement, timing of playback and completeness of content within specific auditoriums, and it also allows us to monitor and initiate repairs to the equipment in our digital network of theaters.

Advertising and entertainment content for our *Noovie* pre-show and LEN is uploaded from our Network Operations Center to our satellite distribution network and is delivered via multicast technology to the theaters in our network and received by our Alternative Content Engine. The Alternative Content Engine holds the content until displayed in specified theater auditoriums and lobbies according to contract terms. Each theater auditorium and lobby has a hardware and software architecture that controls the content to be shown. After playback of content, confirmation of playback is returned via satellite to our Network Operations Center to be included in “post” reports provided to our advertising clients.

According to Nielsen Cinema Audience Reports for 2018, more than 750 million moviegoers annually attend theaters that are currently under contract to present the *Noovie* pre-show, including the founding members and over 50 leading national and regional theater network affiliates. A summary of the screens and theaters in our advertising network is set forth in the table below:

Our Network
(As of December 27, 2018)

	Advertising Network		
	Theaters	Total Screens	% of Total
Founding Members	1,259	16,768	79.2%
Network Affiliates	471	4,404	20.8%
Total	1,730	21,172	100.0%

As of December 27, 2018, our *Noovie* pre-show was displayed on 100% of network movie screens using digital projectors, with approximately 98% of those screens receiving content through our DCN, representing approximately 98% of our total network attendance. As of December 27, 2018, 20,079, or 95%, of 21,172 total digital screens are equipped with more powerful digital cinema projectors, with the remainder comprised of LCD projectors. Those screens not connected to our DCN display national and regional advertisements on digital projectors with content delivered on USB drives that are shipped to the theaters via overnight delivery services.

Our Team

We had 536 employees as of December 27, 2018. Our employees are located in our Centennial, Colorado headquarters, in our advertising sales offices in New York, Los Angeles, Chicago, and Detroit, our digital development offices in Los Angeles and New York, and our software development office in Minneapolis. We also have many local advertising account executives and field maintenance technicians that work primarily from their homes throughout the U.S. None of our employees are covered by collective bargaining agreements. We believe that we have a good relationship with our employees.

Competition

Our advertising business competes in the estimated \$212 billion U.S. advertising industry with many other forms of marketing media, including television, radio, print, internet, mobile and outdoor display advertising. While cinema advertising represents a small portion of the overall advertising industry today, we believe it is well-positioned to capitalize on the shift of advertising spending away from traditional media, in particular television where consumers can skip advertisements through DVRs and other technology, to newer and more targeted forms of media.

Our advertising business also competes with many other providers of cinema advertising, which vary substantially in size. As the largest cinema advertising network in the U.S., we believe that we are able to generate economies of scale, operating

efficiencies and enhanced opportunities for our clients to reach an engaged movie audience on both a national and local level to allow us to better compete for premium video dollars in the larger advertising marketplace.

Competitive Strengths

We believe that several strengths position us well to compete in an increasingly fragmented media landscape.

Preferred National Advertising Network

We believe that our cinema advertising network is an attractive option for advertisers on both a national and local level and delivers measurable results for our clients that are comparable, and preferred, to the television, online and mobile, or other video advertising networks that we compete against in the marketplace.

Extensive National Market Coverage—Our contractual agreements with our founding members and network affiliates provide long-term exclusive access (subject to limited exceptions) to sell cinema advertising across the largest network of digitally-equipped theaters in the U.S. This allows us to offer advertisers the broad reach and national scale that they need to effectively reach their target audiences.

As of December 27, 2018:

- Our advertising network consisted of 21,172 screens (16,768 operated by the founding members) located in 1,730 theaters (1,259 operated by the founding members) in 47 states and the District of Columbia, including each of the top 25 and 50 DMAs®, and 187 DMAs® in total;
- Approximately 73% of our screens (approximately 77% of our attendance) were located within the top 50 U.S. DMAs® and approximately 32% of our screens (approximately 37% of our attendance) were located within the top 10 U.S. DMAs®. Theaters within our network represented approximately 69%, 67%, and 67% of the total theater attendance in theaters that present advertising in the top 10, top 25 and top 50 U.S. DMAs®, respectively and 62% for all DMAs®, providing a very attractive platform for national advertisers who want exposure in larger markets or on a national basis;
- Our total annual network theater attendance was approximately 705.1 million (approximately 580.8 million from the founding members), which increased 7.5% compared to 2017. Our network of modern theaters represented approximately 58% of the total U.S. theater attendance, with some of the most highly attended theaters in the industry, as measured by screens per location and attendance per screen;
- The average screens per theater in our network was 12.2 screens, 1.7 times the U.S. theater industry average, and the aggregate annual attendance per screen of theaters included in our network during 2018 was 33,303, versus the U.S. theater industry average attendance per indoor screen of 29,985, using metrics reported by the National Association of Theatre Owners (“NATO”).

Scalable, State-of-the-Art Digital Content Distribution Technology—Our use of the combination of satellite and terrestrial network technology, combined with the design and functionality of our Digital Content Software and Network Operations Center infrastructure, makes our network efficient and scalable and also allows us to target specific audiences and provide advertising scheduling flexibility and reporting. We offer short lead times by accelerating the delivery time of media from proposal to on-screen across our network of movie theaters nationwide. National, local and regional advertisers are able to run their ads in the *Noovie* pre-show less than 72 hours following the proposal (comparable to TV), which is a significant improvement over the cinema industry’s traditional turn-around time frame and gives businesses that rely on time-sensitive promotional advertising strategies, such as car dealerships, retail stores and quick service restaurants, the opportunity to take advantage of the power of cinema.

This scalability of our distribution technology has allowed us to expand our cinema advertising network with minimal additional capital expenditures or personnel, and we expect to benefit from this scalability in the future as we add new theaters from the founding members, our existing network affiliate relationships and the addition of new network affiliates.

Millennials, Content and Data

We believe that the Millennial audiences (age 18-34) in our network of theaters, the premium content of Hollywood films and our *Noovie* pre-show, and the advances we have made in cinema advertising data all give us a competitive advantage in the media marketplace.

Access to a Highly Attractive, Engaged Audience—We offer advertisers the ability to reach highly-coveted target demographics, including young, affluent, and educated moviegoers. According to Nielsen Cinema Audience Reports for 2018, 53% of the NCM LLC audience were between the ages of 12-34, compared to 56% in 2017. Further, 46% of our moviegoers have a household income greater than \$100,000 (versus 32% of the general population) and 41% have received a Bachelor’s degree or higher (versus 31% of the general population) according to the 2018 Doublebase GfK MRI Study.

Because of the impact of cinema's state-of-the-art immersive video and audio presentation, we also believe that movie audiences are highly engaged with the advertising and entertainment content that they view in our pre-show theater environment. According to industry research, cinema advertising has significantly higher recall rates than advertising shown on television and cinema is one of the few advertising mediums where the ability to bypass the marketing messages is limited.

Innovative, Branded Pre-Feature Content—The film content created by Hollywood studios is considered by many to be the finest entertainment content in the world, which creates a highly-desirable advertising environment for brands. We believe that our entertainment and advertising pre-feature program, *Noovie*, provides a high-quality entertainment experience for theater audiences and an effective marketing platform for advertisers. By partnering with leading media, entertainment, technology and other companies, we are able to provide better original content for our audience and more impact for the advertiser. Because we offer local and national "pods" within our *Noovie* pre-show, we are consistent with the placement of ads on television networks, which allows us to be more easily integrated into traditional sight-sound-and-motion media buys.

Prime Audience Measurability and Targeting—As with many other advertising mediums, we are measured by third-party research companies such as Nielsen Holdings PLC that provide us with the percentage of the total attendance in their seats at various times during our *Noovie* pre-show. What differentiates us from other advertising mediums, however, is that we also receive monthly attendance information by film, by rating and by screen for all of the founding member theaters and by our fiscal accounting month ("flight"), and by location for the theaters operated by our network affiliates, which allows us to report the actual audience size for each showing of a film, including our *Noovie* pre-show. We believe that the ability to provide this level of detailed information to our clients gives us a distinct competitive advantage over traditional media platforms whose measurement is based only on extrapolations of a very small sample of the total audience.

Integrated Marketing and Digital Products—Our ability to bundle our on-screen advertising opportunities with integrated lobby, online and mobile marketing products allows us to offer advertisers multiple touchpoints to reach movie audiences before, during and after the film to execute true 360-degree marketing programs. We believe these multiple marketing impressions throughout the entire entertainment experience allows our advertisers to extend the exposure for their brands and products and create a more engaging relationship with movie audiences in every stage of their movie journey. Additionally, our digital products provide us with valuable, exclusive first party data which can be utilized by our advertising customers through our Cinema Accelerator product to better reach their target audience with higher degrees of accuracy and measure business outcomes more accurately.

In 2018, we continued to invest in the development of our cloud-based Data Management Platform which we believe will allow us to provide even more robust audience insights and analytics to our clients. To further enhance the connection between brands and movie audiences, we accumulate audience data from several sources within our Data Management Platform. This audience data is then leveraged for another level of targeting of ad campaigns and can also serve to deliver closed-loop attribution reporting. We expect to continue to enhance the capabilities of the platform in 2019 by continuing to gather first-party data through our *Noovie* digital products, as well as additional data sources and segments.

Contractual Theater Circuit Partner and Advertiser Relationships—Our exclusive multi-year contractual relationships with our founding members and network affiliates allow us to offer advertisers a national network with the scale, flexibility and targeting to meet their marketing needs. Our exclusive multi-year contractual relationships with our content partners and PSA sponsors, as well as our agreements to satisfy the founding members' on-screen marketing obligations to their beverage concessionaires, provide us with a significant upfront revenue commitment, accounting for approximately 26% of our total revenue for the year ended December 27, 2018. In addition, our participation in the annual advertising upfront marketplace has allowed us to secure significant annual upfront commitments from national advertisers looking to secure premium cinema inventory.

Strong Operating Margins with Limited Capital Requirements—Our annual operating income and Adjusted OIBDA margins have been consistently strong, ranging from approximately 33.1% to 38.7% and 46.5% to 51.5%, respectively over the last five years. (Refer to "Item 6. Selected Financial Data-Notes to the Selected Historical Financial and Operating Data" for a discussion of the calculation of Adjusted OIBDA margin, which is a non-GAAP financial measure, and the reconciliation to operating income.) In addition, due to the network equipment investments made in recent years by the founding members and network affiliates in new and acquired theaters and the requirements in the ESAs for the founding members to make future investments for equipment replacements, and the scalable nature of our Network Operations Center and other infrastructure, we do not expect to make major capital investments to grow our operations as our network of theaters expands.

Our capital expenditures have ranged from approximately 2% to 4% of revenues over the last five years. For the year ended December 27, 2018, our capital expenditures were \$15.4 million, of which only \$0.9 million primarily related to investments in network equipment to add new network affiliate theaters and \$6.9 million was related to investments in our digital infrastructure investment. We expect a consistent level of investment within our digital products over the next few years in line with our strategy to expand and scale an integrated digital business as further discussed below. We believe our expected level of Adjusted OIBDA and capital expenditures should provide us with the strategic and financial flexibility to pursue the

further expansion of our national theater network, invest in our digital products and other growth opportunities, opportunistically repay NCM LLC's debt and continue to make dividend payments to our stockholders.

Our Strategy

We are continuing to pursue a growth strategy that involves growing our network affiliate partnerships, growing on-screen revenue, expanding digital product offerings, ensuring that we are the first choice for our customers, developing our people and capabilities, and allocating resources to strategy.

Grow the Business

We intend to focus on growing our business in the following strategic ways.

Grow Affiliate Partnerships—Our relationships with our exhibitors are a key and renewed focus of our business. In 2018, our Affiliate Partnership team is dedicated to serving the needs of our founding member theater circuits and our more than 54 network affiliates nationwide. We continuously seek to expand our theater circuit customer base and add new network affiliate partners to our network that will allow us to increase our revenue by increasing the number of impressions we have available to sell to advertisers. It is also important to note that, under the terms of the ESAs and common unit adjustment agreement with the founding members and our network affiliate agreements, all new theaters built or acquired (subject to existing advertising sales agreements) by the founding members or network affiliates will become part of our network. Since NCM, Inc.'s February 2007 IPO, the founding members have added approximately 3,700 net new screens and 50 network affiliates have been added to our network with approximately 3,500 screens. During 2018, we added 322 net screens from the founding members and network affiliates. We believe this expansion continued to improve our geographic coverage and enhance our ability to compete with other national advertising mediums, which allows our exhibitor customers to maximize the advertising value of their audiences.

Grow On-Screen Revenue—We plan to continue our successful strategy of selling our inventory like premium video in the larger advertising marketplace, once again utilizing the upfront advertising marketplace to maximize our use of inventory. This strategy has yielded positive results, and we believe that the increased market awareness among media buyers and clients raises our credibility as a medium and may allow us to gain upfront commitments traditionally made exclusively to cable and broadcast television networks, and more recently online and mobile networks. Further, we believe it will help increase our share of video advertising spending by increasing the number of clients and client industries that buy our network. Over time, this greater shift toward more upfront commitments will allow us to bundle several flights throughout the year and stabilize month-to-month and quarter-to-quarter CPM volatility by increasing overall inventory utilization and balancing that utilization throughout the year. Consistent with the television industry upfront booking practices, a portion of our upfront commitments have cancellation options or options to reduce the amount that advertisers may purchase that could reduce what is ultimately spent by clients that have made upfront commitments and we would need to rely on the scatter market to replace those commitments.

We also intend to increase our market share of local and regional advertising spending by aggressively pursuing further integration into agency planning and buying tools, such as our relationships with FreeWheel Advertisers and Mediaocean, leaders in media buying and selling software, which allow agencies to buy cinema advertising in the "National Spot TV" marketplace. By making NCM an option in these systems and other industrywide and in-house agency planning and buying systems, we believe we can remove barriers to entry by incorporating cinema into media plans and tapping into new pools of advertising dollars.

We also plan to continue to re-imagine our *Noovie* pre-show to build the *Noovie* brand, enhance the audience experience, and maintain its commercial value.

Expand and Scale an Integrated Digital Business—We intend to continue to upgrade our existing digital offerings (*Fantasy Movie League*, *Noovie ARcade*, *Noovie.com*, *Noovie Trivia* and *Cinema Accelerator*) as well as expand our *Noovie* digital ecosystem to support our core on-screen business by introducing additional products that will engage movie audiences with exclusive and unique content, commerce, and gaming opportunities. During 2018 we released our *Noovie ARcade* app, which allows us to capture exclusive first party data on our audience. During 2018 we also began development of our *Noovie Trivia* app and *Noovie.com* which are expected to be released in 2019. *Cinema Accelerator* currently identifies moviegoers' mobile devices as they enter a theater, and re-engages them with a brand's messages wherever they are consuming content — on mobile devices, social media, or online. As we continue to create our own NCM owned-and-operated ad inventory across our suite of digital products, we also plan to build our own foundational capabilities for digital ad buying, selling and serving through the development of "*Cinema Accelerator 2.0*," an enhanced version of our existing *Cinema Accelerator* product. This upgraded version will offer increased and better quality first party data.

Be the First Choice for Customers

Our approach is to always strive to be the first choice for our customers, including our advertising and agency customers, our exhibitors, and movie studios. By offering innovative on-screen, in-lobby and digital cinema advertising solutions to connect brands to unique, engaged and valuable young adult audiences at scale, we believe we can offer our advertiser and agency customers a valuable and effective marketing option that cannot be duplicated in any other medium. As the first choice for our customers, we can continue to expand our advertising client base and increase our market share of U.S. advertising spending. Our national sales team was successful in adding 31 clients in 2018 that were first time clients or had not advertised with us since our IPO. These new clients added in 2018 included companies in the electronic stores, financial products and services, game and toy stores, health and fitness, home products, home video, hotels and resorts, import auto, insurance, internet site, liquor, movie studios, office supply, oil companies, pet food and supply, pharmaceutical, prepared foods, restaurants, telecom software, transportation, and video game software industries. Despite this growth, we believe there are still thousands of potential clients that currently advertise on other mediums such as television but have yet to advertise on our network. These strategies are designed to expand our relationships with existing advertising clients and broaden our advertising client base in new and existing client industries.

Develop People and Capabilities

Our success is tied to the quality of our management and staff. In order to ensure that we retain and attract high quality personnel, we seek to foster and maintain a culture that focuses on teamwork, personal growth, inclusion and diversity. We will continue to make meaningful investments in internal and external training programs for our management and staff to ensure that our personnel have, or build, the skillsets necessary to support our evolution and growth objectives. We have also adopted a succession plan that includes short-term and long-term planning elements to allow us to successfully continue operations should any of our senior management team become unavailable to us, such as when our Chief Executive Officer resigned in November 2018.

Resources to Strategy

We will continue to assess and eliminate off-target resources for a strategic focus on the future of NCM. We will be allocating resources to continuity and growth, with a focus from our staff on financial responsibility with company resources.

Intellectual Property Rights

We have been granted a perpetual, royalty-free license from the founding members to use certain proprietary software for the delivery of digital advertising and other content through our DCN to screens in the U.S. We have made improvements to this software since the IPO date and we own those improvements exclusively, except for improvements that were developed jointly by us and the founding members.

We have secured U.S. trademark registrations for NCM, National CineMedia, NCM Media Networks and *Noovie*. We also have U.S. trademark registrations pending for *What's Noovie*. It is our practice to defend our trademarks and other intellectual property rights, including the associated goodwill, from infringement by others. We are aware that other persons or entities may use names and marks containing variations of our registered trademarks and other marks and trade names. Potentially, claims alleging infringement of intellectual property rights, such as trademark infringement, could be brought against us by the users of those other names and marks. If any such infringement claim were to prove successful in preventing us from either using or prohibiting a competitor's use of our registered trademarks or other marks or trade names, our ability to build brand identity could be negatively impacted.

Government Regulation

Currently, we are not subject to regulations specific to the sale and distribution of cinema advertising. We are subject to federal, state and local laws that govern businesses generally such as wage and hour and worker compensation laws as well as federal and state privacy, information security and consumer protection-related laws and regulations.

Available Information

We maintain a website at www.ncm.com, on which we will post free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports under the heading "Investor Relations" located at the bottom of the home page after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). We also regularly post information about the Company on the Investor Relations page. We do not incorporate the information on our website into this document and you should not consider any information on, or that can be accessed through, our website as part of this document. The SEC also maintains a website that contains our reports and other information at www.sec.gov.

Item 1A. Risk Factors

Ownership of the common stock and other securities of the Company involves certain risks. Holders of the Company's securities and prospective investors should consider carefully the following material risks and other information in this document, including our historical financial statements and related notes included herein. The material risks and uncertainties described in this document are not the only ones facing us. If any of the risks and uncertainties described in this document actually occur, our business, financial condition and results of operations could be adversely affected in a material way. This could cause the trading price of our common stock to decline, perhaps significantly, and you may lose part or all of your investment.

Risks Related to Our Business and Industry

Significant declines in theater attendance could reduce the attractiveness of cinema advertising and could reduce our revenue

Our business is affected by the level of attendance at the founding members' theaters and to a lesser extent our network affiliates, who operate in a highly competitive industry and whose attendance is reliant on the presence of motion pictures that attract audiences. Over the last 20 years, theater attendance has fluctuated from year to year but on average has remained relatively flat. The value of our advertising business could be adversely affected by a decline in theater attendance or even the perception by media buyers that our network is no longer relevant to their marketing plan due to the decreases in attendance and geographic coverage. Factors that could reduce attendance at our network theaters include the following:

- if NCM LLC's network theater circuits cannot compete with other out-of-home entertainment due to an increase in the use of alternative film delivery methods (and the shortening of the "release window" between the release of major motion pictures to the alternative delivery methods), including network, syndicated cable and satellite television and DVDs, as well as video-on-demand, pay-per-view services, video streaming and downloads via the Internet;
- theater circuits in NCM LLC's network continue to renovate auditoriums in certain of their theaters to install new larger, more comfortable seating, which reduces the number of seats in a theater auditorium. This renovation has been viewed favorably by patrons and many theater circuits have noted an intent to continue such renovations;
- changes in theater operating policies, including the number and length of trailers for upcoming films that are played prior to the start of the feature film, which if the length of trailers increases, it could result in the *Noovie* pre-show starting further out from the show time of the feature film;
- any reduction in consumer confidence or disposable income in general that reduces the demand for motion pictures or adversely affects the motion picture production industry;
- the success of first-run motion pictures, which depends upon the production and marketing efforts of the major studios and the attractiveness and value proposition of the movies to consumers compared to other forms of entertainment;
- if the theaters in our network fail to maintain their theaters and provide amenities that consumers prefer;
- if studios begin to reduce the number of feature films produced and their investments in those films or reduce the investments made to market those films;
- if future theater attendance declines significantly over an extended time period, one or more of the founding members or network affiliates may face financial difficulties and could be forced to sell or close theaters or reduce the number of screens it builds or upgrades or increase ticket prices; and
- NCM LLC's network theater circuits also may not successfully compete for licenses to exhibit quality films and are not assured a consistent supply of motion pictures since they do not have long-term arrangements with major film distributors.

Any of these circumstances could reduce our revenue because our national and regional advertising revenue, and local advertising to a lesser extent, depends on the number of theater patrons who attend movies. Additionally, if attendance declines significantly, the Company will be required to provide additional advertising time (makegoods) to national advertisers to reach agreed-on audience delivery thresholds. Certain of these circumstances can also lead to volatility within our utilization. We have also experienced volatility in our utilization over the years, with annual national inventory utilization ranging from 113.5% to 128.3% over the last five years. We experience even more substantial volatility quarter-to-quarter.

Changes in theater patron behavior could result in declines in the viewership of our Noovie preshow which could reduce the attractiveness of cinema advertising and our revenues

The value of our national and regional on-screen advertising and to a lesser extent our local advertising is based on the number of theater patrons that are in their seats and thus have the opportunity to view the *Noovie* pre-show. Trends in patron behavior that could reduce viewership of our *Noovie* pre-show include the following:

- theater patrons are increasingly purchasing tickets ahead of time via on-line ticketing mediums and when available reserving a seat in the theater (offered in approximately 54.2% of our network as of December 27, 2018), which could affect how early patrons arrive to the theater and reduce the number of patrons that are in a theater seat to view the *Noovie* pre-show; and
- changes in theater patron amenities, including, online ticketing, bars and entertainment within exhibitor lobbies causing increased dwell time of patrons.

National advertising sales and rates are dependent on the methodology used to measure audience impressions. If a change is made to this methodology that reflects fewer audience impressions available during the pre-show, this could adversely affect the Company's revenue and results of operations.

Our plans for developing additional revenue opportunities may not be implemented and may not be achieved

We have invested significant resources in pursuing potential opportunities for revenue growth, which we describe in "Business—Our Strategy." The development of our online and mobile advertising network and mobile apps and our ability to collect and leverage our first party movie audience data from these products remains at an early stage, is under increasing competitive pressure and may not deliver the future benefits that we are expecting. If we are unable to execute on products relevant to the marketplace or integrate these digital marketing products with our core on-screen and theater lobby products, and if these offerings do not continue to provide relevant first party data or to grow in importance to advertising clients and agencies, they may not provide a way to help expand our cinema advertising business as it matures and begins to compete with new or improved advertising platforms including online and mobile video services. As such, there can be no assurance that we will recoup our investments made pursuing additional revenue opportunities.

The markets for advertising are competitive and we may be unable to compete successfully

The market for advertising is very competitive. Cinema advertising is a small component of video advertising in the U.S. and thus, we must compete with established, larger and better known national and local media platforms such as cable, broadcast and satellite television networks and other video media platforms including those distributed on the internet and mobile networks. In addition to these video advertising platforms, we compete for advertising directly with several additional media platforms, including radio, various local print media and billboards. We also compete with several other local and national cinema advertising companies. We expect all of these competitors to devote significant effort to maintaining and growing their business at our expense. We also expect existing competitors and new entrants to the advertising business, most notably the online and mobile advertising companies, to constantly revise and improve their business models to meet expectations of advertising clients. In addition, the pricing and volume of advertising may be affected by shifts in spending toward online and mobile offerings from more traditional media, or toward new ways of purchasing advertising, such as through automated purchasing, dynamic advertising insertion, third parties selling local advertising posts and advertising exchanges, some or all of which may not be as advantageous to the Company as current advertising methods. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. If we cannot respond effectively to changes in the media marketplace in response to new entrants or advances by our existing competitors, our business may be adversely affected.

Additionally, the mix of film ratings of the available motion pictures, such as a higher proportion of G and PG rated films, could cause advertisers to reduce their spending with us as the theater patrons for these films do not represent the advertisers' target markets.

Advertising demand also impacts the price (CPM) we are able to charge our customers. Due to increased competition from other national video networks, including online and mobile advertising platforms, television networks and other out-of-home video, combined with seasonal marketplace supply and demand characteristics, we have experienced volatility in our pricing (CPMs) over the years, with annual national CPM increases (decreases) ranging from (16.4%) to 9.6% over the last five years.

If we do not continue to upgrade our technology, our business could fail to grow and revenue and operating margins could decline

Failure to successfully or cost-effectively implement upgrades to our in-theater advertising network and proposal and inventory control, audience targeting and other management systems could limit our ability to offer our clients innovative unique, integrated and targeted marketing products, which could limit our future revenue growth. New advertising platforms such as online and mobile networks, and traditional mediums including television networks are beginning to use new digital

technology to reach a broader audience with more targeted marketing products, and failure by us to upgrade our technology could hurt our ability to compete with those companies. Under the ESAs, the founding members are required to provide technology that is consistent with that in place at the signing of the ESA. We may request that the founding members upgrade the equipment or software installed in their theaters, but we must negotiate with the founding members as to the terms of such upgrade, including cost sharing terms, if any. If we are not able to come to an agreement on a future upgrade request, we may elect to pay for the upgrades requested which could result in our incurring significant capital expenditures, which could adversely affect our results.

We also have many internally developed systems which support our operations due to the unique nature of our business model. The failure to continue to develop or the failure of the system to meet our needs may require us to make significant additional investments in our infrastructure or seek alternative technology which may impact our costs and prevent our growth. The failure or delay in implementation of the system or problems with the integration with our other systems and software could cause operational difficulties and slow or prevent the growth of our business in the future. In addition, the failure or delay in implementation of such upgrades or problems with the integration of our systems and software could slow or prevent the growth of our business.

Economic uncertainty or deterioration in economic conditions may adversely impact our business, operating results or financial condition

The financial markets have experienced extreme disruption and volatility at times. A decline in consumer confidence in the U.S. may lead to decreased demand for our services or delay in payments by our advertising customers. As a result, our results of operations and financial condition could be adversely affected. These challenging economic conditions also may result in:

- increased competition for fewer advertising and entertainment programming dollars;
- pricing pressure that may adversely affect revenue and gross margin;
- declining attendance and thus a decline in the impressions available for our pre-show;
- reduced credit availability and/or access to capital markets;
- difficulty forecasting, budgeting and planning due to limited visibility into the spending plans of current or prospective customers; or
- customer financial difficulty and increased risk of uncollectible accounts.

Our Adjusted OIBDA is derived from high margin advertising revenue, and the reduction in spending by or loss of a national or group of local advertisers could have a meaningful adverse effect on our business

We generated all of our Adjusted OIBDA from our high-margin advertising business. A substantial portion of our advertising revenue relates to contracts with terms of a month or less. Advertisers will not continue to do business with us if they believe our advertising medium is ineffective or overly expensive. In addition, large advertisers generally have set advertising budgets, most of which are focused on traditional media platforms like television and, increasingly, online and mobile networks. Reductions in the size of advertisers' budgets due to local or national economic trends, a shift in spending to new advertising mediums like the internet and mobile platforms or other factors could result in lower spending on cinema advertising. Because of the high incremental margins on our individual advertising contracts, if we are unable to remain competitive and provide value to our advertising clients, they may reduce their advertising purchases or stop placing advertisements with us. Even the loss of a small number of clients on large contracts would negatively affect our Adjusted OIBDA.

The loss of any major content partner or advertising customer could significantly reduce our revenue

We derive a significant portion of our revenue from our contracts with our content partners, PSAs and NCM LLC's founding members' agreements to purchase on-screen advertising for their beverage concessionaires. We currently have marketing relationships with six content partners, all of which expire in 2019. We also have four PSA contracts for 2019 which expire at the end of 2019. We are not direct parties to the agreements between the founding members' and their beverage concessionaires but do not expect these agreements to expire in the foreseeable future. None of these companies individually accounted for over 10% of our total revenue during the year ended December 27, 2018. However, the agreements with the content partners, PSAs and beverage advertising with the founding members in aggregate accounted for approximately 26%, 30% and 30% of our total revenue during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. Because we derive a significant percentage of our total revenue from a relatively small number of large companies, the loss of one or more of them as a customer could decrease our revenue and adversely affect current and future operating results.

We depend upon our senior management and our business may be adversely affected if we cannot retain or replace them

Our success depends in part upon the retention of our experienced senior management with specialized industry, sales and technical knowledge and/or industry relationships. In November 2017, our former General Counsel resigned and a new General Counsel was appointed in February 2018. In November 2018, our Chief Executive Officer stepped down and our President was appointed Interim Chief Executive Officer while our Board of Directors searches for a new Chief Executive Officer. If we are not able to find qualified internal or external replacements for critical members of our senior management team, the loss of these key employees could have a material adverse effect on our ability to effectively pursue our business strategy and our relationships with advertisers and content partners. We do not have key-man life insurance covering any of our employees.

Changes in the ESAs with, or lack of support by, the founding members could adversely affect our revenue, growth and profitability

The ESAs with the founding members are critical to our business. The three ESAs each have an initial term of 30 years beginning February 13, 2007 and provide us with a five-year right of first refusal, which begins one year prior to the end of the term of the ESA on February 13, 2037. The founding members' theaters represent approximately 79.2% of the screens and approximately 82.4% of the attendance in our network as of December 27, 2018. If any one of the ESAs was terminated, not renewed at its expiration or found to be unenforceable, it would have a material adverse effect on our revenue, profitability and financial condition.

The ESAs require the continuing cooperation, investment and support of the founding members, the absence of which could adversely affect us. Pursuant to the ESAs, the founding members must make investments to replace digital network equipment within their theaters and equip newly constructed theaters with digital network equipment. If the founding members do not have adequate financial resources or operational strength, and if they do not replace equipment or equip new theaters to maintain the level of operating functionality that we have today, or if such equipment becomes obsolete, we may have to make additional capital expenditures or our advertising revenue and operating margins may decline. In March 2018, Regal was acquired by a U.K.-based cinema operator and we are uncertain how this new ownership of Regal may affect its financial resources or its cooperation with us under the ESA or otherwise. In July 2018 AMC closed on the sale of 100.0% of its remaining NCM LLC membership units to Cinemark and Regal. We are uncertain how AMC's lack of ownership may affect its cooperation with us under the ESA or otherwise.

If the non-competition provisions of the ESAs are deemed unenforceable, the founding members could compete against us and our business could be adversely affected

With certain limited exceptions, each of the ESAs prohibits the applicable founding member from engaging in any of the business activities that we provide in the founding member's theaters under the amended ESAs, and from owning interests in other entities that compete with us. These provisions are intended to prevent the founding members from harming our business by providing cinema advertising services directly to their theaters or by entering into agreements with third-party cinema advertising providers. However, under state and federal law, a court may determine that a non-competition covenant is unenforceable, in whole or in part, for reasons including, but not limited to, the court's determination that the covenant:

- is not necessary to protect a legitimate business interest of the party seeking enforcement;
- unreasonably restrains the party against whom enforcement is sought; or
- is contrary to the public interest.

Enforceability of a non-competition covenant is determined by a court based on all of the facts and circumstances of the specific case at the time enforcement is sought. For this reason, it is not possible for us to predict whether, or to what extent, a court would enforce the non-competition provisions contained in the ESAs. If a court were to determine that the non-competition provisions are unenforceable, the founding members could compete directly against us or enter into an agreement with another cinema advertising provider that competes against us. Any inability to enforce the non-competition provisions, in whole or in part, could cause our revenue to decline.

If one of the founding members declared bankruptcy, the ESA with that founding member may be rejected, renegotiated or deemed unenforceable

Each of the founding members currently has a significant amount of indebtedness. In 2000 and 2001, several major motion picture exhibition companies filed for bankruptcy, including United Artists, Edwards Theatres and Regal Cinemas (which are predecessor companies to Regal), and General Cinemas and Loews Cineplex (which are predecessor companies to AMC). The industry-wide construction of larger, more expensive megaplexes featuring stadium seating in the late 1990s that rendered existing, smaller, sloped-floor theaters under long-term leases obsolete and unprofitable, were significant contributing factors to these bankruptcies. If a bankruptcy case were commenced by or against a founding member, it is possible that all or part of the ESA with that founding member could be rejected by a trustee in the bankruptcy case pursuant to Section 365 or Section 1123 of the United States Bankruptcy Code, or by the founding member, and thus not be enforceable. Alternatively, the

founding member could seek to renegotiate the ESA in a manner less favorable to us than the existing agreement. Should the founding member seek to sell or otherwise dispose of theaters or remove theaters from our network through bankruptcy or for other business reasons, if the acquirer did not agree to continue to allow us to sell advertising in the acquired theaters the number of theaters in our advertising networks would be reduced which in turn would reduce the number of advertising impressions available to us and thus could reduce our advertising revenue.

The ESAs allow the founding members to engage in activities that might compete with certain elements of our business, which could reduce our revenue and growth potential

The ESAs contain certain limited exceptions to our exclusive right to use the founding members' theaters for our advertising business. The founding members have the right to enter into a limited number of strategic cross-marketing relationships with third-party, unaffiliated businesses for the purpose of generating increased attendance or revenue (other than revenue from the sale of advertising). These strategic marketing relationships can include the use of one minute on the LEN per 30 minute cycle and certain types of lobby promotions and can be provided at no cost, but only for the purpose of promoting the products or services of those businesses while at the same time promoting the theater circuit or the movie-going experience. The use of LEN or lobby promotions by the founding members for these advertisements and programs could result in the founding members creating relationships with advertisers that could adversely affect our current LEN and lobby promotions advertising revenue and profitability, as well as the potential we have to grow that advertising revenue in the future. The LEN and lobby promotions represented approximately 4% of our total advertising revenue for the year ended December 27, 2018. The founding members do not have the right to use their movie screens (including the *Noovie* pre-show or otherwise) for promoting these cross-marketing relationships, and thus we will have the exclusive rights to advertise on the movie screens, except for limited advertising related to theater operations.

The founding members also have the right to install a second network of video monitors in the theater lobbies in excess of those required to be installed for the LEN. This additional lobby video network, which we refer to as the founding members' lobby network, may be used by the founding members to promote products or services related to operating the theaters, such as concessions, bars and dining operations, online ticketing partner promotions, gift card and loyalty programs, and special events. The presence of the founding members' lobby network within the lobby areas could reduce the effectiveness of our LEN, thereby reducing our current LEN advertising revenue and profitability and adversely affecting future revenue potential associated with that marketing platform.

The founding members and our network affiliates are subject to substantial government regulation, which could slow their future growth of locations and screens and in turn slow our growth prospects.

The founding members and our network affiliates are subject to various federal, state and local laws, regulations and administrative practices affecting their movie theater business, including provisions regulating antitrust, health and sanitation standards, access for those with disabilities, environmental, and licensing. Some of these laws and regulations also apply directly to us and NCM LLC. Changes in existing laws or implementation of new laws, regulations and practices could have a significant impact on the founding members, our network affiliates' and our respective businesses. For example, to the extent that antitrust laws, regulation and enforcement policy restrict the ability of the founding members or the network affiliates to acquire additional theaters, it may slow the future growth of those founding members or network affiliates and in turn the growth of our network.

We may be unable to effectively manage changes to our business strategy to continue the growth of our advertising inventory and network

If we do not effectively implement the changes within our strategy, we may not be able to continue our historical growth. To effectively execute on our strategy to expand our digital offerings and continue to grow our inventory, we will need to develop additional products. These enhancements and improvements could require an additional allocation of financial and management resources and acquisition of talent. High turnover, loss of specialized talent or insufficient capital could also place significant demands on management, the success of the organization, and our strategic outlook.

The amount of inventory we have to sell is limited by the length of the *Noovie* pre-show. In order to maintain in-theater growth we will need to expand the number of theaters and screens in our network. Considering our current market share, we may not be able to continue to expand our network which could negatively affect our ability to add new advertising clients. If we are unable to maintain the size of our network, or grow our network, our revenue and operating results could be adversely impacted.

Our business relies heavily on our technology systems, and any failures or disruptions may materially and adversely affect our operations

In order to conduct our business, we rely on information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information and manage and support a variety of business processes and activities. The temporary or permanent loss of our computer equipment and software systems through cyber and other

security threats, operating malfunction, software virus, human error, natural disaster, power loss, terrorist attacks or other catastrophic events could disrupt our operations and cause a material adverse impact. These problems may arise in both internally developed systems and the systems of third-party service providers. We devote significant resources to maintaining a disaster recovery location separate from our operations, network security and other measures to protect our network from unauthorized access and misuse. However, depending on the nature and scope of a disruption, if our technology systems were to fail and we were unable to recover in a timely way through our disaster recovery site, we would be unable to fulfill critical business functions, which could lead to a loss of customers and could harm our reputation. Technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements.

Our business, services, or technology may infringe on intellectual property rights owned by others, which may interfere with our ability to provide services or expose us to increased liability or expense

Intellectual property rights of our business include the copyrights, trademarks, trade secrets and patents of our in-theater, online, and mobile services, including the websites we operate at *ncm.com* and *Noovie.com*, our *Noovie ARcade* mobile app, and the features and functionality, content, and software we make available through those websites and app. We rely on our own intellectual property rights as well as intellectual property rights obtained from third parties to conduct our business and provide our in-theater, online, and mobile services. We may discover that our business or the technology we use to provide our in-theater, online, or mobile services infringes patent, copyright, or other intellectual property rights owned by others. In addition, our competitors or others may claim rights in patents, copyrights, or other intellectual property rights that will prevent, limit or interfere with our ability to provide our in-theater, online, or mobile services either in the U.S. or in international markets. Further, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws of the U.S.

The content we distribute through our in-theater, online or mobile services may expose us to liability

Our in-theater, online, and mobile services facilitate the distribution of content. This content includes advertising-related content, as well as movie, television, music, gaming and other media content, much of which is obtained from third parties. Our websites and social media channels also include features enabling users to upload or add their own content to the websites and modify certain content on the websites. As a distributor of content, we face potential liability for negligence, copyright, patent or trademark infringement, or other claims based on the content that we distribute. We or entities that we license content from may not be adequately insured or indemnified to cover claims of these types or liability that may be imposed on us.

The user information we collect and maintain through our online and mobile services may expose us to liability

In order to take advantage of some of the online and mobile services we provide, users may, now or in the future, be required to establish an account on one of our websites. As a result, we may collect and maintain personal identifying information about those users. We also may, now or in the future, collect and maintain information about users who view certain advertising displayed through our online and mobile services and users who enter the theaters in our network. The collection and use of this information is governed by applicable privacy, information security and consumer protection-related laws and regulations. These laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase our operating costs and adversely impact our ability to interact with users of our online and mobile services. Our collection and use of information, including personal identifying information, regarding users of our online and mobile services could result in legal liability. For example, the failure, or perceived failure, to comply with applicable privacy information security or consumer protection-related laws or regulations or our posted privacy policies could result in actions against us by governmental entities or others. If an actual or perceived breach of our data occurs, the market perception of the effectiveness of our security measures could be harmed, and we could lose users of these services and the associated benefits from gathering such user data.

Changes in regulations relating to the Internet or other areas of our online or mobile services may result in the need to alter our business practices or incur greater operating expenses

A number of regulations, including those referenced below, may impact our business as a result of our online or mobile services. The Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, liability for posting, or linking to third-party websites that include materials that infringe copyrights or other rights. Portions of the Communications Decency Act are intended to provide statutory protections to online service providers who distribute third-party content. The Child Online Protection Act and the Children's Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. The costs of compliance with these regulations, and other regulations relating to our online and mobile services or other areas of our business, may be significant. The manner in which these and other regulations may be interpreted or enforced may subject us to potential liability, which in turn could have an adverse effect on our business, results of operations, or financial condition. Changes to these and other regulations may impose additional burdens on us or otherwise adversely affect our business and financial results because of, for example, increased costs relating to legal compliance, defense

against adverse claims or damages, or the reduction or elimination of features, functionality or content from our online or mobile services. Likewise, any failure on our part to comply with these and other regulations may subject us to additional liabilities.

Our revenue and Adjusted OIBDA fluctuate from quarter to quarter and may be unpredictable, which could increase the volatility of our stock price

A weak advertising market or the shift in spending of a major client from one quarter to another, the performance of films released in a given quarter, a disruption in the release schedule of films or changes in the television scatter market could significantly affect quarter-to-quarter results or even affect results for the entire fiscal year. In addition, 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. Advertising expenditures tend to be higher during the second, third, and fourth fiscal quarters. Because our results may vary from quarter to quarter and may be unpredictable, our financial results for one quarter cannot necessarily be compared to another quarter or the same quarter in prior years and may not be indicative of our financial performance in subsequent quarters. These variations in our financial results could contribute to volatility in our stock price.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud, and as a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required controls, or difficulties encountered in implementing new or improved controls, could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Risks Related to Our Corporate Structure

We are a holding company with no operations of our own, and we depend on distributions and payments under the NCM LLC operating and management services agreements from NCM LLC to meet our ongoing obligations and to pay cash dividends on our common stock

We are a holding company with no operations of our own and have no independent ability to generate cash flow other than interest income on cash balances. Consequently, our ability to obtain operating funds primarily depends upon distributions from NCM LLC. The distribution of cash flows and other transfers of funds by NCM LLC to us are subject to statutory and contractual restrictions based upon NCM LLC's financial performance, including NCM LLC's compliance with the covenants in its senior secured credit facility and indentures, and the NCM LLC operating agreement. The NCM LLC senior secured credit facility and indentures limit NCM LLC's ability to distribute cash to its members, including us, based upon certain leverage tests, with exceptions for, among other things, payment of our income taxes and a management fee to NCM, Inc. pursuant to the terms of the management services agreement (incorporated in the ESA). Refer to the information provided under Note 9 to the audited Consolidated Financial Statements included elsewhere in this document for leverage discussion. The declaration of future dividends on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including NCM LLC's results of operations, financial condition, earnings, capital requirements, limitations in our debt agreements and legal requirements. In the event NCM LLC fails to comply with these covenants and is unable to distribute cash to us quarterly, once NCM, Inc. cash balances and investments are extinguished, we will be unable to pay dividends to our stockholders or pay other expenses outside the ordinary course of business.

Pursuant to the management services agreement between us and NCM LLC, NCM LLC makes payments to us to fund our day-to-day operating expenses, such as payroll. However, if NCM LLC has insufficient cash flow to make the payments pursuant to the management services agreement, we may be unable to cover these expenses.

As a member of NCM LLC, we incur income taxes on our proportionate share of any net taxable income of NCM LLC. We have structured the NCM LLC senior secured credit facility and indentures to allow NCM LLC to distribute cash to its members (including us and NCM LLC's other members) in amounts sufficient to cover their tax liabilities and management fees, if any. To the extent that NCM LLC has insufficient cash flow to make such payments, it could have a material adverse effect on our business, financial condition, results of operations or prospects.

NCM LLC's substantial debt obligations could impair our financial condition or prevent us from achieving our business goals

NCM LLC is party to substantial debt obligations. The senior secured credit facility and indentures contain restrictive covenants that limit NCM LLC's ability to take specified actions and prescribe minimum financial maintenance requirements that NCM LLC must meet. Because NCM LLC is our only operating subsidiary, complying with these restrictions may prevent NCM LLC from taking actions that we believe would help us to grow our business. For example, NCM LLC may be unable to make acquisitions, investments or capital expenditures as a result of such covenants. Moreover, if NCM LLC violates those restrictive covenants or fails to meet the minimum financial requirements, it would be in default, which could, in turn, result in defaults under other obligations of NCM LLC. Any such defaults could materially impair our financial condition and liquidity. For further information, refer to Note 10 to the audited Consolidated Financial Statements included elsewhere in this document.

If NCM LLC is unable to meet its debt service obligations, it could be forced to restructure or refinance the obligations, seek additional equity financing or sell assets. NCM LLC may be unable to restructure or refinance these obligations, obtain additional equity financing or sell assets on satisfactory terms or at all. In addition, NCM LLC's indebtedness could have other negative consequences for us, including without limitation:

- limiting NCM LLC's ability to obtain financing in the future;
- requiring much of NCM LLC's cash flow to be dedicated to interest obligations and making it unavailable for other purposes, including payments to its members (including NCM, Inc.);
- limiting NCM LLC's liquidity and operational flexibility in changing economic, business and competitive conditions which could require NCM LLC to consider deferring planned capital expenditures, reducing discretionary spending, selling assets, restructuring existing debt or deferring acquisitions or other strategic opportunities; and
- making NCM LLC more vulnerable to an increase in interest rates, a downturn in operating performance or decline in general economic conditions.

Despite NCM LLC's current levels of debt, it or NCM, Inc. may still incur substantially more debt, including secured debt, which would increase the risks associated with NCM LLC's level of debt

The agreements relating to NCM LLC's debt, including the Notes due 2022, Notes due 2026 and the senior secured credit facility, limit but do not prohibit NCM LLC's ability to incur additional debt, and do not place any restrictions on NCM, Inc.'s ability to incur debt. Accordingly, NCM, Inc. or NCM LLC could incur additional debt in the future, including additional debt under the senior secured credit facility, additional senior or senior subordinated notes and additional secured debt. If new debt is added to current debt levels, the related risks that we now face, including those described above under "—NCM LLC's substantial debt obligations could impair our financial condition or prevent us from achieving our business goals," could intensify.

NCM LLC's other members or their affiliates may have interests that differ from those of our public stockholders and they may be able to influence our affairs

So long as either Cinemark or Regal owns at least 5% of NCM LLC's issued and outstanding common membership units, if the two directors appointed by Cinemark or the two directors appointed by Regal (except that if either Cinemark or Regal has only appointed one director, and such director qualifies as an "independent director" under the applicable rules of the Nasdaq Stock Market LLC, then such director) vote against any of the corporate actions listed below, we and NCM LLC will be prohibited from taking any such actions:

- assign, transfer, sell or pledge all or a portion of the membership units of NCM LLC beneficially owned by NCM, Inc.;
- acquire, dispose, lease or license assets with an aggregate value exceeding 20% of the fair market value of the business of NCM LLC operating as a going concern;
- merge, reorganize, recapitalize, reclassify, consolidate, dissolve, liquidate or enter into a similar transaction;
- incur any funded indebtedness or repay, before due, any funded indebtedness with a fixed term in an aggregate amount in excess of \$15.0 million per year;
- issue, grant or sell shares of NCM, Inc. common stock, preferred stock or rights with respect to common or preferred stock, or NCM LLC membership units or rights with respect to membership units, except under specified circumstances;
- amend, modify, restate or repeal any provision of NCM, Inc.'s certificate of incorporation or bylaws or the NCM LLC operating agreement;
- enter into, modify or terminate certain material contracts not in the ordinary course of business as defined under applicable securities laws;

- except as specifically set forth in the NCM LLC operating agreement, declare, set aside or pay any redemption of, or dividends with respect to membership interests;
- amend any material terms or provisions (as defined in the Nasdaq rules) of NCM, Inc.'s equity incentive plan or enter into any new equity incentive compensation plan;
- make any change in the current business purpose of NCM, Inc. to serve solely as the manager of NCM LLC or any change in the current business purpose of NCM LLC to provide the services as set forth in the ESAs; and
- approve any actions relating to NCM LLC that could reasonably be expected to have a material adverse tax effect on NCM LLC's founding members.

This requirement only applies to Cinemark and Regal as of December 27, 2018.

Pursuant to a director designation agreement, so long as Cinemark or Regal owns at least 5% of NCM LLC's issued and outstanding common membership units (Cinemark and Regal as of December 27, 2018), such NCM LLC founding member will have the right to designate a total of two nominees to our Board of Directors who will be voted upon by our stockholders. One such designee by each of Cinemark and Regal must meet the independence requirements of the stock exchange on which our common stock is listed. If, at any time, Cinemark or Regal owns less than 5% of NCM LLC's then issued and outstanding common membership units, then such NCM LLC founding member shall cease to have any rights of designation. AMC no longer has seats on our Board of Directors or the right to nominate any person to serve on our Board of Directors.

If any director designee to our Board designated by Cinemark or Regal is not appointed to our Board, nominated by us or elected by our stockholders, as applicable, then Cinemark or Regal (so long as such they each continue to own at least 5% of NCM LLC's issued and outstanding common membership units) will be entitled to approve specified actions of NCM LLC.

For purposes of calculating the 5% ownership threshold for the director veto rights and director designation agreement provisions discussed above, shares of our common stock held by a founding member and received upon redemption of NCM LLC common membership units will be counted toward the threshold. Common membership units issued to NCM, Inc. in connection with the redemption of common membership units by a NCM LLC founding member will be excluded, so long as such NCM LLC founding member continues to hold the common stock acquired through such redemption or such NCM LLC founding member has disposed of such shares of common stock to another NCM LLC founding member. Shares of our common stock otherwise acquired by NCM LLC's founding members will also be excluded, unless such shares of common stock were transferred by one NCM LLC founding member to another and were originally received by the transferring NCM LLC founding member upon redemption of NCM LLC common membership units.

Under these circumstances, our corporate governance documents allow NCM LLC's other members and their affiliates to exercise a greater degree of influence in the operation of our business and that of NCM LLC and the management of our affairs and those of NCM LLC than is typically available to stockholders of a publicly-traded company. Even if NCM LLC's other members or their affiliates own a minority economic interest (but not less than 5%) in NCM LLC, they may be able to continue exerting such degree of influence over us and NCM LLC.

Different interests among the founding members or between the founding members and us could prevent us from achieving our business goals

For the foreseeable future, we expect that our Board of Directors will include directors and certain executive officers of Cinemark and Regal and other directors who may have commercial or other relationships with Cinemark and Regal. The majority of NCM LLC's outstanding membership interests also are owned by Cinemark and Regal. Such members compete with each other in the operation of their respective businesses and could have individual business interests that may conflict. Their differing interests could make it difficult for us to pursue strategic initiatives that require consensus among NCM LLC's current members. In addition, to the extent the founding members sell some or all their NCM LLC membership units, such as was the case for AMC during 2017 and 2018, the founding members could have increasingly different interests because they no longer mutually benefit from an increase in NCM LLC's revenues or the value of the NCM, Inc. common stock into which the NCM LLC membership units are convertible.

In addition, the structural relationship we have with NCM LLC's founding members could create conflicts of interest among NCM LLC's founding members, or between NCM LLC's founding members and us, in a number of areas relating to our past and ongoing relationships. These conflicts of interests could also increase upon the sale of NCM LLC membership units by a founding member because the founding member would have little incentive to agree to changes that may result in higher revenue for NCM LLC or a higher price for our common stock. There is not any formal dispute resolution procedure in place to resolve conflicts between us and an NCM LLC founding member or between NCM LLC founding members. We may not be able to resolve any potential conflicts between us and an NCM LLC founding member and, even if we do, the resolution may be less favorable to us than if we were negotiating with an unaffiliated party.

The corporate opportunity provisions in our certificate of incorporation could enable NCM LLC's members to benefit from corporate opportunities that might otherwise be available to us

Our certificate of incorporation contains provisions related to corporate opportunities that may be of interest to both NCM LLC's other members and us. It provides that if a corporate opportunity is offered to us, NCM LLC or one or more of the officers, directors or stockholders (both direct and indirect) of NCM, Inc. or a member of NCM LLC that relates to the provision of services to motion picture theaters, use of theaters for any purpose, sale of advertising and promotional services in and around theaters and any other business related to the motion picture theater business (except services as provided in the ESAs as from time to time amended and except as may be offered to one of our officers in his capacity as an officer), no such person shall be liable to us or any of our stockholders (or any affiliate thereof) for breach of any fiduciary or other duty by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to us. This provision applies even if the business opportunity is one that we might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so.

In addition, our certificate of incorporation and the NCM LLC operating agreement expressly provide that NCM LLC's founding members may have other business interests and may engage in any other businesses not specifically prohibited by the terms of the certificate of incorporation, including the exclusivity provisions of the ESAs. The parent companies of NCM LLC's founding members could develop new media platforms that could compete for advertising dollars with our services. Further, we may also compete with NCM LLC's founding members or their affiliates in the area of employee recruiting and retention. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are allocated by NCM LLC's founding members to themselves or their other affiliates or we lose key personnel to them.

The agreements between us and NCM LLC's founding members were made in the context of an affiliated relationship and may contain different terms than comparable agreements with unaffiliated third parties

The ESAs and the other contractual agreements that we have with NCM LLC's founding members were originally negotiated in the context of an affiliated relationship in which representatives of NCM LLC's founding members and their affiliates comprised our entire Board of Directors. As a result, the financial provisions and the other terms of these agreements, such as covenants, contractual obligations on our part and on the part of NCM LLC's founding members and termination and default provisions may be less favorable to us than terms that we might have obtained in negotiations with unaffiliated third parties in similar circumstances.

Our certificate of incorporation and bylaws contain anti-takeover protections that may discourage or prevent strategic transactions, including a takeover of our company, even if such a transaction would be beneficial to our stockholders

Provisions contained in our certificate of incorporation and bylaws, the NCM LLC operating agreement, and provisions of the Delaware General Corporation Law ("DGCL"), could delay or prevent a third party from entering into a strategic transaction with us, even if such a transaction would benefit our stockholders. For example, our certificate of incorporation and bylaws:

- provide veto rights to the directors designated by Cinemark and Regal over certain actions specified in our certificate of incorporation;
- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares, making a takeover more difficult and expensive;
- prohibit stockholder action by written consent; and
- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates.

NCM LLC's operating agreement also provides that NCM LLC's other members will be able to exercise a greater degree of influence over the operations of NCM LLC, which may discourage other nominations to our Board of Directors, if any director nominee designated by NCM LLC's other members is not elected by our stockholders. In addition, we entered into a letter agreement with Standard General L.P., our largest stockholder, on June 1, 2018, that contains customary standstill provisions that may discourage a third party from seeking to enter into a strategic transaction with us.

These restrictions could keep us from pursuing relationships with strategic partners and from raising additional capital, which could impede our ability to expand our business and strengthen our competitive position. These restrictions could also limit stockholder value by impeding a sale of us or NCM LLC. Further, these restrictions could restrict or limit certain investors from owning our stock.

Any future issuance of membership units by NCM LLC and subsequent redemption of such units for common stock could dilute the voting power of our existing common stockholders and adversely affect the market value of our common stock

The common unit adjustment agreement and the ESAs provide that we will issue common membership units of NCM LLC to account for changes in the number of theater screens NCM LLC's founding members operate and which are made part of our advertising network. Historically, in most years each of NCM LLC's founding members has increased the number of screens it operates. If this trend continues, NCM LLC may issue additional common membership units to NCM LLC's founding members to reflect their increase in net screen count. Each common membership unit may be redeemed in exchange for, at our option, shares of our common stock on a one-for-one basis or a cash payment equal to the market price of one share of our common stock. If a significant number of common membership units were issued to NCM LLC's founding members, NCM LLC's founding members elected to redeem such units, and we elected to issue common stock rather than cash upon redemption, the voting power of our common stockholders could be diluted. Other than the maximum number of authorized shares of common stock in our certificate of incorporation, there is no limit on the number of shares of our common stock that we may issue upon redemption of an NCM LLC founding member's common membership units in NCM LLC. For further information, refer to Note 5 to the audited Consolidated Financial Statements included elsewhere in this document.

Our future issuance of preferred stock could dilute the voting power of our common stockholders and adversely affect the market value of our common stock

The future issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock, either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

The future issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

If we or NCM LLC's founding members are determined to be an investment company, we would become subject to burdensome regulatory requirements and our business activities could be restricted

We do not believe that we are an "investment company" under the Investment Company Act of 1940, as amended. As sole manager of NCM LLC, we control NCM LLC, and our interest in NCM LLC is not an "investment security" as that term is used in the Investment Company Act of 1940. If we were to stop participating in the management of NCM LLC, our interest in NCM LLC could be deemed an "investment security" for purposes of the Investment Company Act of 1940. Generally, a company is an "investment company" if it owns investment securities having a value exceeding 40% of the value of its total assets (excluding U.S. government securities and cash items). Our sole material asset is our equity interest in NCM LLC. A determination that such asset was an investment security could result in our being considered an investment company under the Investment Company Act of 1940. As a result, we would become subject to registration and other burdensome requirements of the Investment Company Act. In addition, the requirements of the Investment Company Act of 1940 could restrict our business activities, including our ability to issue securities.

We and NCM LLC intend to conduct our operations so that we are not deemed an investment company under the Investment Company Act. However, if anything were to occur that would cause us to be deemed an investment company, we would become subject to restrictions imposed by the Investment Company Act of 1940. These restrictions, including limitations on our capital structure and our ability to enter into transactions with our affiliates, could make it impractical for us to continue our business as currently conducted and could have a material adverse effect on our financial performance and operations.

We also rely on representations of NCM LLC's founding members that they are not investment companies under the Investment Company Act. If any NCM LLC founding member were deemed an investment company, the restrictions placed upon that NCM LLC founding member might inhibit its ability to fulfill its obligations under its ESA or restrict NCM LLC's ability to borrow funds.

Our TRA with NCM LLC's founding members is expected to reduce the amount of overall cash flow that would otherwise be available to us and will increase our potential exposure to the financial condition of NCM LLC's founding members

Our initial public offering and related transactions have the effect of reducing the amounts NCM, Inc. would otherwise pay in the future to various tax authorities as a result of an increase in its proportionate share of tax basis in NCM LLC's tangible and intangible assets. We have agreed in our TRA with NCM LLC's founding members to pay to NCM LLC's founding members 90% of the amount by which NCM, Inc.'s tax payments to various tax authorities are reduced as a result of

the increase in tax basis. After paying these reduced amounts to tax authorities, if it is determined as a result of an income tax audit or examination that any amount of NCM, Inc.'s claimed tax benefits should not have been available, NCM, Inc. may be required to pay additional taxes and possibly penalties and interest to one or more tax authorities. If this were to occur and if one or more of NCM LLC's founding members was insolvent or bankrupt or otherwise unable to make payment under its indemnification obligation under the TRA, then NCM, Inc.'s financial condition could be negatively impacted.

The substantial number of shares that are eligible for sale could cause the market price for our common stock to decline or make it difficult for us to sell equity securities in the future

We cannot predict the effect, if any, that market sales of shares of common stock by Regal, Cinemark, or Standard General will have on the market price of our common stock from time to time. Sales of substantial amounts of shares of our common stock in the public market, or the perception that those sales will occur, could cause the market price of our common stock to decline or make future offerings of our equity securities more difficult. If we are unable to sell equity securities at times and prices that we deem appropriate, we may be unable to fund growth. Cinemark and Regal may receive up to 80.7 million shares of common stock as of December 27, 2018 upon redemption of their outstanding common membership units of NCM LLC. The resale of these shares of common stock has been registered as required by the terms of the registration rights agreement between NCM, Inc. and the founding members. Standard General also owns 15.3 million shares that it may sell at any time. Additionally, once options and restricted stock held by our employees become vested and/or exercisable, as applicable, to the extent that they are not held by one of our affiliates, the shares acquired upon vesting or exercise are freely tradable. Refer to Note 11 to the audited Consolidated Financial Statements included elsewhere in this document.

The interests of our largest stockholder and NCM LLC's other members may be different from or conflict with those of our other stockholders

Standard General beneficially owns 15.3 million shares of our common stock, and as of December 27, 2018, Cinemark and Regal held NCM LLC membership interests that are convertible into another 80.7 million shares of our common stock. As a result, each of Regal, Cinemark and Standard General is in a position to influence or control to some degree the outcome of matters requiring stockholder approval, including the adoption of amendments to our certificate of incorporation or bylaws and the approval of mergers and other significant corporate transactions. Their influence or control of our company and NCM LLC may have the effect of delaying or promoting a change of control of our company, and may adversely affect the voting and other rights of other stockholders. In addition, each of Regal, Cinemark and Standard General has the right to designate directors to our Board. These directors have the authority, subject to applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions.

It is possible that the interests of Regal, Cinemark and Standard General may in some circumstances conflict with our interests and the interests of our other stockholders. For example, Cinemark and Regal may have different tax positions from us, especially in light of the TRA we entered into with founding members that provides for the payment by us to the founding members of 90% of the amount of any tax benefits that we actually realize, or in some cases are deemed to realize. This could influence their decisions regarding whether and when we should dispose of assets, and whether and when we or NCM LLC should incur indebtedness. As another example, Standard General in the business of making investments in companies and may hold, and may from time to time in the future acquire interests in or provide advice to businesses that directly or indirectly compete with us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Information with respect to our corporate headquarters and regional offices is presented below as of December 27, 2018. We own no material real property. We believe that all of our present facilities are adequate for our current needs and that additional space is available for future expansion on acceptable terms.

Location	Facility	Size
Centennial, CO (1)	Headquarters (including the NOC)	63,123 sq. ft.
Chicago, IL (2)	Advertising Sales Office	3,350 sq. ft.
New York, NY (3)	Advertising Sales Office	21,892 sq. ft.
Woodland Hills, CA (4)	Advertising Sales Office	6,062 sq. ft.
Minneapolis, MN (5)	Software Development Office	5,989 sq. ft.
Newport Beach, CA (6)	Regional Advertising Sales Office	1,417 sq. ft.
Royal Oak, MI (7)	Advertising Sales Office	200 sq. ft.
Playa Vista, CA (8)	Digital Development Office	997 sq. ft.
New York, NY (9)	Digital Development Office	350 sq. ft.

- (1) This facility is leased through June 30, 2028.
- (2) This facility is leased through April 30, 2028.
- (3) This facility is leased through April 30, 2032.
- (4) This facility is leased through November 30, 2019.
- (5) This facility is leased through September 30, 2022.
- (6) This facility is leased through July 31, 2019.
- (7) This facility is leased through March 22, 2020.
- (8) This facility is leased through June 30, 2019.
- (9) This facility is leased through March 31, 2019.

Item 3. 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 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

Shown below are the names, ages as of the filing date of this Form 10-K, and current positions of our executive officers. There are no family relationships between any of the persons listed below, or between any of such persons and any of the directors of the Company or any persons nominated or chosen by the Company to become a director or executive officer of the Company.

Name	Age	Position
Clifford E. Marks	57	Interim Chief Executive Officer and President
Katherine L. Scherping	59	Chief Financial Officer
Sarah Kinnick Hilty	48	Senior Vice President, General Counsel and Secretary
Scott D. Felenstein	50	Executive Vice President and Chief Revenue Officer

Clifford E. Marks. Mr. Marks was appointed Interim Chief Executive Officer of NCM, Inc. in November 2018 in addition to his role of President which he has held since May 2016. Prior to his current position, Mr. Marks served as President of Sales and Marketing of NCM, Inc. since February 2007 and held those same positions with NCM LLC since March 2005. He has been an advertising, marketing and sales professional for 25 years. Mr. Marks also served as president of sales and marketing with Regal Entertainment Group's media subsidiary, Regal CineMedia Corporation, from May 2002 to May 2005. Before joining Regal CineMedia, Mr. Marks was a senior vice president at ESPN/ABC Sports where he oversaw its advertising sales organization from 1998 to May 2002.

Katherine L. Scherping. Ms. Scherping was appointed Chief Financial Officer in August 2016. Prior to joining NCM, Inc., Ms. Scherping served as Chief Financial Officer of QCE LLC and subsidiaries (d/b/a Quiznos) from December 2013 to July 2016 and as interim President and Chief Executive Officer from June 2016 to July 2016. From October 2011 through July 2016, Ms. Scherping was a guest faculty member at Deloitte University, providing leadership training to partners and other executives. From June 2005 to July 2011, she served as Chief Financial Officer of Red Robin Gourmet Burgers, Inc.

Sarah Kinnick Hilty. Ms. Hilty was appointed Senior Vice President, General Counsel and Secretary in February 2018. Prior to joining NCM, Inc., Ms. Hilty served as Deputy General Counsel - Corporate of CH2M HILL Companies, Ltd. leading a team responsible for legal corporate enterprise matters including mergers, acquisitions, and divestitures; securities compliance; treasury and finance activities, real estate, and board and subsidiary governance. Prior to working at CH2M HILL Companies, Ltd., Ms. Hilty was a partner at Hogan & Hartson LLP.

Scott D. Felenstein. Mr. Felenstein was appointed Executive Vice President and Chief Revenue Officer in April 2017. Prior to joining NCM, Inc., Mr. Felenstein served as Executive Vice President, National Advertising Sales for Discovery Communications, Inc. since 2013 and Senior Vice President, National Advertising Sales for Discovery Communications, Inc. since 2000. Prior to working at Discovery Communications, Inc., Mr. Felenstein served on the digital ad sales team at Excite@Home and worked as an account executive at CBS Sports.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock, \$0.01 par value, is traded on The Nasdaq Global Market under the symbol “NCMI”. There were 176 stockholders of record as of February 20, 2019 (does not include beneficial holders of shares held in “street name”).

Dividend Policy

We intend to distribute over time a substantial portion of our free cash flow (distributions from NCM LLC less income taxes and payments under the tax receivable agreement with the founding members) in the form of dividends to our stockholders. The declaration, payment, timing and amount of any future dividends payable will be at the sole discretion of our Board of Directors who will take into account general economic and advertising market business conditions, our financial condition, our available cash, our current and anticipated cash needs, and any other factors that the Board of Directors considers relevant. Under Delaware law, dividends may be payable only out of surplus, which is our total assets minus total liabilities less the par value of our common stock, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. For tax purposes, our dividends paid in 2017 and 2018 were treated as a return of capital to stockholders.

Unregistered Sales of Equity Securities and Use of Proceeds

NCM, Inc.’s Amended and Restated Certificate of Incorporation and the Third Amended and Restated Limited Liability Company Operating Agreement, as amended, of NCM LLC provide a redemption right to the NCM LLC members to exchange common membership units of NCM LLC for shares of NCM, Inc.’s common stock on a one-for-one basis, or at NCM, Inc.’s option, a cash payment equal to the market price of one share of NCM, Inc.’s common stock. There were no redemptions during 2018.

Issuer Purchases of Equity Securities

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

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
September 28, 2018 through October 25, 2018	—	\$ —	—	N/A
October 26, 2018 through November 29, 2018	26,308	\$ 8.53	—	N/A
November 30, 2018 through December 27, 2018	—	\$ —	—	N/A

Item 6. Selected Financial Data

Selected Historical Financial and Operating Data

The following table sets forth our historical selected financial and operating data for the periods indicated. The selected financial and operating data should be read in conjunction with the other information contained in this document, including “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the audited historical Consolidated Financial Statements and the notes thereto included elsewhere in this document, and historical audited Consolidated Financial Statements, which have not been included in this document.

The results of operations data for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 and the balance sheet data as of December 27, 2018 and December 28, 2017 are derived from the audited Consolidated Financial Statements of NCM, Inc. included elsewhere in this document. The results of operations data for the years ended December 31, 2015 and January 1, 2015 and the balance sheet data as of December 29, 2016, December 31, 2015 and January 1, 2015 are derived from the audited Consolidated Financial Statements of NCM, Inc.

Results of Operations Data

(\$ in millions, except per share data)	Years Ended				
	Dec. 27, 2018	Dec. 28, 2017	Dec. 29, 2016	Dec. 31, 2015	Jan. 1, 2015
Revenue	\$ 441.4	\$ 426.1	\$ 447.6	\$ 446.5	\$ 394.0
OPERATING EXPENSES:					
Advertising operating costs	37.4	32.4	30.0	30.8	26.4
Network costs	13.3	15.8	17.1	17.8	18.3
Theater access fees—founding members	81.7	76.5	75.1	72.5	70.6
Selling and marketing costs	66.5	72.0	72.8	72.3	57.6
Merger termination fee and related merger costs	—	—	—	34.3	7.5
Administrative and other costs	48.3	37.9	43.8	38.6	29.5
Depreciation and amortization	39.9	37.6	35.8	32.2	32.4
Total	287.1	272.2	274.6	298.5	242.3
OPERATING INCOME	154.3	153.9	173.0	148.0	151.7
NON-OPERATING EXPENSES (INCOME) (9)	50.6	(140.9)	64.1	47.9	42.7
INCOME BEFORE INCOME TAXES (9)	103.7	294.8	108.9	100.1	109.0
Provision for income taxes (9)	23.5	180.3	14.4	27.9	30.6
CONSOLIDATED NET INCOME (9)	80.2	114.5	94.5	72.2	78.4
Less: Net income attributable to noncontrolling interests	50.4	56.2	61.6	48.3	52.2
NET INCOME ATTRIBUTABLE TO NCM, Inc. (9)	\$ 29.8	\$ 58.3	\$ 32.9	\$ 23.9	\$ 26.2
EARNINGS PER NCM, INC. COMMON SHARE:					
Basic (9)	\$ 0.39	\$ 0.89	\$ 0.55	\$ 0.41	\$ 0.45
Diluted (9)	\$ 0.37	\$ 0.48	\$ 0.54	\$ 0.35	\$ 0.39

Balance Sheet Data (in millions)	As of				
	Dec. 27, 2018	Dec. 28, 2017	Dec. 29, 2016	Dec. 31, 2015	Jan. 1, 2015
Cash, cash equivalents and marketable securities (1)	\$ 75.6	\$ 59.5	\$ 68.7	\$ 85.4	\$ 80.6
Receivables, net	149.9	160.6	160.5	148.9	116.5
Property and equipment, net	33.6	30.7	29.6	25.1	22.4
Total assets (2) (9)	1,141.8	1,173.1	1,215.5	1,238.2	1,159.0
Borrowings, gross	931.4	932.0	935.0	936.0	892.0
Payable to founding members under tax receivable agreement (9)	211.1	232.2	419.1	439.3	450.1
Equity/(deficit) (9)	(89.2)	(74.8)	(232.2)	(229.9)	(269.6)
Total liabilities and equity (2) (9)	1,141.8	1,173.1	1,215.5	1,238.2	1,159.0

Other Financial and Operating Data

(in millions, except cash dividend declared per common share and screen data)	Years Ended				
	Dec. 27, 2018	Dec. 28, 2017	Dec. 29, 2016	Dec. 31, 2015	Jan. 1, 2015
OIBDA (3)	\$ 194.2	\$ 191.5	\$ 208.8	\$ 180.2	\$ 184.1
Adjusted OIBDA (3)	\$ 205.4	\$ 205.1	\$ 230.7	\$ 229.9	\$ 199.3
Adjusted OIBDA margin (3)	46.5%	48.1%	51.5%	51.5%	50.6%
Capital expenditures	\$ 15.4	\$ 12.3	\$ 13.3	\$ 13.0	\$ 8.8
Cash dividend declared per common share	\$ 0.68	\$ 0.88	\$ 0.88	\$ 0.88	\$ 1.38
Founding member screens at period end (4) (8)	16,768	16,808	17,022	16,981	16,497
Total screens at period end (5) (8)	21,172	20,850	20,548	20,361	20,109
DCN screens at period end (6) (8)	20,741	20,419	20,080	19,760	19,251
Total attendance for period (7) (8)	705.1	655.8	688.8	694.7	688.2

Notes to the Selected Historical Financial and Operating Data

- (1) Includes short-term and long-term marketable securities.
- (2) During the first quarter of 2016, the Company adopted Accounting Standards Update 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”) and Accounting Standards Update 2015-15, Interest – Imputation of Interest (“ASU 2015-15”), on a retrospective basis, which provide guidance for simplifying the presentation of debt issuance costs. In connection with the adoption of ASU 2015-03 and ASU 2015-15, the Company reclassified net deferred financing costs related to NCM LLC’s term loans, secured and unsecured notes in the Consolidated Balance Sheet as a direct deduction from the carrying amount of those borrowings, while net deferred financing costs related to the revolving credit facility remained an asset in the Consolidated Balance Sheet. The amounts presented above for total assets and total liabilities and equity reflect this reclassification as of December 27, 2018, December 28, 2017, December 29, 2016 and December 31, 2015. Amounts presented as of January 1, 2015 do not reflect the reclassification. If adjusted, the reclassification for ASU 2015-03 and ASU 2015-15 would reduce both total assets and total liabilities and equity shown above by \$12.7 million as of January 1, 2015.
- (3) Operating Income Before Depreciation and Amortization (“OIBDA”), Adjusted OIBDA and Adjusted OIBDA margin are not financial measures calculated in accordance with GAAP in the United States. OIBDA represents operating income before depreciation and amortization expense. Adjusted OIBDA excludes from OIBDA non-cash share-based payment costs, the merger termination fee and related merger costs, Chief Executive Officer transition costs and early lease termination expense. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. Our management uses these non-GAAP financial measures to evaluate operating performance, to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on its operating performance and highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. The Company believes the presentation of these measures is relevant and useful for investors because it enables them to view performance in a manner similar to the method used by the Company’s management, helps improve their ability to understand the Company’s operating performance and makes it easier to compare the Company’s results with other companies that may have different depreciation and amortization policies, non-cash share based compensation programs, levels of mergers and acquisitions, CEO turnover, early

lease termination expense, interest rates, debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization, which represent a proxy for the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the Company's share-based payment costs, costs associated with the terminated merger with Screenvision, LLC ("Screenvision"), costs associated with the resignation of the Company's former Chief Executive Officers, or early lease termination expense. OIBDA or Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as indicators of operating performance, nor should they be considered in isolation of, or as substitutes for financial measures prepared in accordance with GAAP. The Company believes that operating income is the most directly comparable GAAP financial measure to OIBDA. Because not all companies use identical calculations, these non-GAAP presentations may not be comparable to other similarly titled measures of other companies, or calculations in the Company's debt agreement.

OIBDA and Adjusted OIBDA do not reflect integration and other encumbered theater payments as they are recorded as a reduction to intangible assets. Integration payments received are added to Adjusted OIBDA to determine our compliance with financial covenants under our senior secured credit facility and included in available cash distributions to NCM LLC's founding members. During the years ended December 27, 2018, December 28, 2017, December 29, 2016, December 31, 2015 and January 1, 2015, the Company recorded integration and other encumbered theater payments of \$21.4 million, \$20.9 million, \$2.6 million, \$2.7 million and \$2.2 million, respectively, from NCM LLC's founding members.

- (4) Represents the total number of screens within NCM LLC's advertising network operated by NCM LLC's founding members.
- (5) Represents the total screens within NCM LLC's advertising network.
- (6) Represents the total number of screens that are connected to the DCN.
- (7) Represents the total attendance within NCM LLC's advertising network.
- (8) Excludes screens and attendance associated with certain AMC Rave, AMC Carmike Cinemas, Inc. ("Carmike") and Cinemark Rave theaters for all periods presented. Refer to Note 5 to the audited Consolidated Financial Statements included elsewhere in this document.
- (9) The prior year balances have been adjusted to reflect the adoption of a change in accounting principle in the first quarter of 2018. Refer to Note 1 to the audited Consolidated Financial Statements for discussion of the nature and impact of the change on the results of operations data for years ended December 28, 2017 and December 29, 2016 and on the balance sheet data as of December 28, 2017. For the years ended December 31, 2015 and January 1, 2015, this adjustment changed the non-operating expenses and income before income taxes by \$21.0 million and \$35.0 million, respectively, increased the provision for income taxes by \$8.4 million and \$17.0 million, respectively, and increased consolidated net income and net income attributable to NCM, Inc. balances by \$12.6 million and \$18.0 million, respectively. The adjustment to net income attributable to NCM, Inc. resulted in a \$0.22 and \$0.16 increase in basic and diluted EPS, respectively, for the year ended December 31, 2015 and a \$0.31 and \$0.25 increase in basic and diluted EPS, respectively, for the year ended January 1, 2015. Additionally, total assets increased by \$73.0 million, \$78.2 million, and \$84.3 million; payable to founding members under the TRA increased by \$188.4 million, \$205.5 million, and \$218.4 million; Equity/(deficit) decreased by \$115.5 million, \$127.3 million, and \$134.2 million; and total liabilities and equity increased by \$73.0 million, \$78.2 million, and \$84.3 million for the years ended December 29, 2016, December 31, 2015 and January 1, 2015, respectively. The change in accounting principle does not impact the Company's operating income, OIBDA, or Adjusted OIBDA.

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

	Years Ended				
	Dec. 27, 2018	Dec. 28, 2017	Dec. 29, 2016	Dec. 31, 2015	Jan. 1, 2015
Operating income	\$ 154.3	\$ 153.9	\$ 173.0	\$ 148.0	\$ 151.7
Depreciation and amortization	39.9	37.6	35.8	32.2	32.4
OIBDA	194.2	191.5	208.8	180.2	184.1
Share-based compensation costs (1)	7.8	11.2	18.3	14.8	7.7
Merger-related administrative costs (2)	—	—	—	34.3	7.5
CEO transition costs (3)	3.4	0.6	3.6	0.6	—
Early lease termination expense (4)	—	1.8	—	—	—
Adjusted OIBDA	\$ 205.4	\$ 205.1	\$ 230.7	\$ 229.9	\$ 199.3
Total revenue	\$ 441.4	\$ 426.1	\$ 447.6	\$ 446.5	\$ 394.0
Adjusted OIBDA margin	46.5%	48.1%	51.5%	51.5%	50.6%

- (1) Share-based payments costs are included in network operations, selling and marketing and administrative expense in the accompanying audited Consolidated Financial Statements.
- (2) Merger termination fee and related merger costs primarily include the merger termination payment and legal, accounting, advisory and other professional fees associated with the terminated merger with Screenvision.
- (3) Chief Executive Officer transition costs represent severance, consulting and related other costs.
- (4) Early lease termination expense represents an expense recorded upon the early termination of the lease of our corporate headquarters because the early termination payment made by the Company was reimbursed by the landlord of the new building.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

As discussed in Part 1, some of the information in this Annual Report on Form 10-K 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-K, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", may constitute forward-looking statements. In some cases, you can identify these "forward-looking statements" by the specific words, including but not limited to "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. The following discussion and analysis should be read in conjunction with our historical financial statements and the related notes thereto included elsewhere in this document. 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 #1 weekend network for Millennials (age 18-34) in the U.S., we are the connector between brands and movie audiences. 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. 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* digital product to reach entertainment audiences beyond the theater. Further, during 2018, we launched our *Noovie ARcade* mobile app which brings augmented reality to our *Noovie* pre-show and over 1.5 million movie goers have already downloaded the app as of December 27, 2018. We have long-term ESAs (over 18 years remaining as of December 27, 2018) and multi-year agreements with network affiliates, which expire at various dates between March 15, 2019 and July 22, 2031. The weighted average remaining term (based on attendance) of the ESAs and the network affiliate agreements is 15.8 years as of December 27, 2018. 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 98% 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 (95% digital cinema projectors and 5% LCD projectors).

Management focuses on several measurements that we believe provide us with the necessary ratios and key performance indicators to manage our business, determine how we are performing versus our internal goals and targets, and

against the performance of our competitors and other benchmarks in the marketplace in which we operate. We focus on many operating metrics including changes in revenue, OIBDA, Adjusted OIBDA and Adjusted OIBDA margin, as defined and discussed in “Notes to the Selected Historical Financial and Operating Data” above, 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, local and regional and total advertising revenue per attendee. We also monitor free cash flow, the dividend coverage ratio, financial leverage (net debt divided by Adjusted OIBDA plus integration and other encumbered theater payments), cash balances and revolving credit facility availability to ensure 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.

Summary Historical and Operating Data

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

The prior year balances have been adjusted to reflect the adoption of a change in accounting principle in the first quarter of 2018. Refer to Note 1 to the audited Consolidated Financial Statements for discussion of the nature and impact of the change on the results of operations data for years ended December 28, 2017 and December 29, 2016.

Our Operating Data—The following table presents operating data and Adjusted OIBDA (dollars in millions, except share and margin data). Refer to “Item 6. Selected Financial Data—Notes to the Selected Historical Financial and Operating Data” for a discussion of the calculation of Adjusted OIBDA and reconciliation to operating income.

(\$ in millions)	Years Ended			% Change	
	Dec. 27, 2018	Dec. 28, 2017	Dec. 29, 2016	2017 to 2018	2016 to 2017
Revenue	\$ 441.4	\$ 426.1	\$ 447.6	3.6 %	(4.8)%
Operating expenses:					
Advertising	181.3	178.0	173.9	1.9 %	2.4 %
Network, administrative and unallocated costs	105.8	94.2	100.7	12.3 %	(6.5)%
Total operating expenses	287.1	272.2	274.6	5.5 %	(0.9)%
Operating income	154.3	153.9	173.0	0.3 %	(11.0)%
Non-operating expenses (income)	50.6	(140.9)	64.1	NM	NM
Income tax expense	23.5	180.3	14.4	(87.0)%	NM
Net income attributable to noncontrolling interests	50.4	56.2	61.6	(10.3)%	(8.8)%
Net income attributable to NCM, Inc.	\$ 29.8	\$ 58.3	\$ 32.9	(48.9)%	77.2 %
Net income per NCM, Inc. basic share	\$ 0.39	\$ 0.89	\$ 0.55	(56.2)%	61.8 %
Net income per NCM, Inc. diluted share	\$ 0.37	\$ 0.48	\$ 0.54	(22.9)%	(11.1)%
Adjusted OIBDA	\$ 205.4	\$ 205.1	\$ 230.7	0.1 %	(11.1)%
Adjusted OIBDA margin	46.5%	48.1%	51.5%	(1.6)%	(3.4)%
Total theater attendance (in millions) (1)	705.1	655.8	688.8	7.5 %	(4.8)%

NM = Not meaningful.

(1) Represents the total attendance within NCM LLC’s advertising network, excluding screens and attendance associated with certain AMC Rave, AMC Carmike and Cinemark Rave theaters that are currently part of another cinema advertising network for all periods presented. Refer to Note 5 to the audited Consolidated Financial Statements included elsewhere in this document.

Our Network—The net screens added to our network by the founding members and network affiliates during 2018 were as follows.

	Number of screens		
	Founding Members	Network Affiliates	Total
Balance as of December 28, 2017	16,808	4,042	20,850
New affiliates (1)	—	314	314
Openings, net of closures	(40)	48	8
Balance as of December 27, 2018	16,768	4,404	21,172

(1) Represents six new affiliates added to our network during 2018.

On December 31, 2018 one of our affiliates did not renew their contract resulting in a reduction of 244 affiliate screens to our network. We believe that adding screens and attendees to our network will provide our advertising clients with a better marketing product with increased reach and improved geographic coverage. We also believe that the continued growth of our market coverage could strengthen 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.

Basis of Presentation

Prior to the completion of the IPO, NCM LLC was wholly-owned by its founding members. In connection with the offering, NCM, Inc. purchased newly issued common membership units from NCM LLC and common membership units from NCM LLC's founding members and became a member of and the sole manager of NCM LLC. We entered into several agreements to effect the reorganization and the financing transaction and certain amendments were made to the existing ESAs to govern the relationships among NCM LLC and NCM LLC's founding members after the completion of these transactions.

The results of operations data discussed herein were derived from the audited Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the notes thereto.

We have a 52-week or 53-week fiscal year ending on the first Thursday after December 25. Fiscal years 2016, 2017 and 2018 contained 52 weeks. Our 2019 fiscal year will contain 52 weeks. Throughout this document, we refer to our fiscal years as set forth below:

Fiscal Year Ended	Reference in this Document
December 27, 2018	2018
December 28, 2017	2017
December 29, 2016	2016

Results of Operations

Fiscal Years 2018 and 2017

Revenue. Total revenue increased \$15.3 million, or 3.6%, from \$426.1 million for 2017 to \$441.4 million for 2018. The following is a summary of revenue by category (in millions):

	Fiscal Year		\$ Change	% Change
	2018	2017	2017 to 2018	2017 to 2018
National advertising revenue	\$ 312.0	\$ 296.3	\$ 15.7	5.3 %
Local and regional advertising revenue	98.0	99.9	(1.9)	(1.9)%
Founding member advertising revenue from beverage concessionaire agreements	31.4	29.9	1.5	5.0 %
Total revenue	\$ 441.4	\$ 426.1	\$ 15.3	3.6 %

The following table shows data on revenue per attendee for 2018 and 2017:

	Fiscal Year		% Change
	2018	2017	2017 to 2018
National advertising revenue per attendee	\$ 0.442	\$ 0.452	(2.1)%
Local and regional advertising revenue per attendee	\$ 0.139	\$ 0.152	(8.6)%
Total advertising revenue (excluding founding member beverage revenue) per attendee	\$ 0.581	\$ 0.604	(3.7)%
Total advertising revenue per attendee	\$ 0.626	\$ 0.650	(3.7)%
Total theater attendance (in millions) (1)	705.1	655.8	7.5 %

(1) Represents the total attendance within NCM LLC's advertising network, excluding screens and attendance associated with certain AMC Rave, AMC Carmike and Cinemark Rave theaters for all periods presented. Refer to Note 5 to the audited Consolidated Financial Statements included elsewhere in this document.

National advertising revenue. The \$15.7 million, or 5.3%, increase in national advertising revenue (excluding beverage revenue from the founding members) was due primarily to a 2.2% increase in national advertising CPMs (excluding beverage) and a 3.0% increase in impressions sold. The increase in impressions sold was primarily related to a 7.5% increase in network attendance, partially offset by a decrease in national inventory utilization, from 118.5% in 2017 to 113.5% in 2018. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our *Noovie* pre-show, which can be expanded, should market demand dictate. The increase in national advertising CPMs was due primarily to an increase in scatter market demand, which is inventory not included within an upfront or content partner commitment sold closer to the advertisement air date, typically at higher CPMs. This increase was partially offset by a decrease in content partner revenue in 2018, compared to 2017.

Local and regional advertising revenue. The \$1.9 million, or 1.9%, decrease in local and regional advertising revenue was primarily due to an 8.7% decrease in total contract volume, partially offset by a 6.2% increase in average contract value due to an increase in National Spot and other regional deals in 2018, compared to 2017. The decrease in total contract volume was primarily related to a decrease in the number of contracts over \$100,000 within the automobile and airline categories in 2018, compared to 2017.

Founding member beverage revenue. The \$1.5 million, or 5.0%, increase in national advertising revenue from founding members' beverage concessionaire agreements was primarily due to a 6.5% increase in founding member attendance and an increase in beverage revenue CPMs in 2018, compared to 2017. The 2018 beverage revenue CPM is based on the change in CPM during segment one of our pre-show from 2016 to 2017, which increased 1.1%.

Operating expenses. Total operating expenses increased \$14.9 million, or 5.5%, from \$272.2 million for 2017 to \$287.1 million for 2018. The following table shows the changes in operating expense for 2018 and 2017 (in millions):

	Fiscal Year		\$ Change	% Change
	2018	2017	2017 to 2018	2017 to 2018
Advertising operating costs	\$ 37.4	\$ 32.4	\$ 5.0	15.4 %
Network costs	13.3	15.8	(2.5)	(15.8)%
Theater access fees—founding members	81.7	76.5	5.2	6.8 %
Selling and marketing costs	66.5	72.0	(5.5)	(7.6)%
Administrative and other costs	48.3	37.9	10.4	27.4 %
Depreciation and amortization	39.9	37.6	2.3	6.1 %
Total operating expenses	\$ 287.1	\$ 272.2	\$ 14.9	5.5 %

Advertising operating costs. Advertising operating costs increased \$5.0 million, or 15.4%, from \$32.4 million in 2017 to \$37.4 million in 2018. This increase was primarily due to a \$4.3 million increase in affiliate advertising payments related to higher revenue, a 9.2% increase in affiliate screens in our network during the year ended 2018, compared to the year ended 2017, as well as a slight increase in the associated effective revenue share percentages for the new affiliates in 2018, compared to the year ended 2017, partly due to the payment of minimum guarantees. Additionally,

there was a \$1.1 million increase in personnel related expenses primarily driven by higher salary expense and accrued performance-based compensation in 2018, as compared to 2017.

Network costs. Network costs decreased \$2.5 million, or 15.8%, from \$15.8 million in 2017 to \$13.3 million in 2018. This decrease was primarily due to a \$2.5 million decrease in personnel related expenses in the year ended 2018 as compared to the year ended 2017. This decrease is primarily due to severance expense recorded in the first quarter of 2017 due to the elimination of certain positions within network operations and media production and the resulting decrease in salary expense in the year ended 2018, compared to the year ended 2017, due to the aforementioned reduction in headcount. The decrease in personnel related expenses is also driven by lower non-cash share-based compensation expense related to a decrease in the volume of awards granted in 2018, compared to prior years and a decrease in the projected vesting of performance-based awards as of December 27, 2018, compared to December 28, 2017.

Theater access fees—founding members. Theater access fees increased \$5.2 million, or 6.8%, from \$76.5 million in 2017 to \$81.7 million in 2018. The expense associated with founding member attendance increased \$2.9 million due to a 6.5% increase in attendance at founding members' theaters and \$2.4 million due to an increase in the expense associated with the founding member digital screens that are connected to the DCN (nearly 100% of our screens as of December 27, 2018), 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 \$5.5 million, or 7.6%, from \$72.0 million in 2017 to \$66.5 million in 2018. This decrease was primarily related to a \$4.6 million decrease in personnel related expenses primarily due to 1) lower non-cash share-based compensation expense related to 2) a decrease in the volume of awards granted in 2018, compared to prior years and a decrease in the projected vesting of performance based awards as of December 27, 2018, compared to December 28, 2017 and a decrease in salary and commission expense in the year ended 2018, compared to 2017 due to the elimination of certain sales leadership positions in late 2017 and early 2018 and a decrease in local revenue. The decrease was also due to a \$3.1 million non-cash impairment charge realized in 2017, compared to \$0.4 million realized in 2018, related to investments obtained in prior years in exchange for advertising services, a \$0.9 million decrease in online publisher expense related to a decrease in our agreed upon digital advertising rates, and a \$0.7 million decrease in market research expense in 2018, compared to 2017. These expenses were partially offset by a \$3.6 million increase in non-cash barter expense primarily related to the nature and timing of these expenses in 2018, compared to 2017.

Administrative and other costs. Administrative and other costs increased \$10.4 million, or 27.4%, from \$37.9 million in the year ended 2017 to \$48.3 million in the year ended 2018. Administrative and other costs increased primarily due to 1) an increase of \$3.5 million related to our digital service offerings for personnel related costs, consulting costs, and licensing costs, 2) a \$2.9 million increase in CEO transition costs related to severance expense incurred in 2018 following the resignation of our former CEO, as well as costs related to the search to identify a permanent CEO, 3) a \$1.6 million increase in other personnel related expenses due to a decrease in capitalized personnel costs resulting from the nature of the work being performed by our information technology department in 2018, as compared to 2017, 4) a \$2.1 million increase in legal and professional expense driven by \$1.4 million in legal and professional fees incurred related to the negotiation of the settlement agreement with a large shareholder during the second quarter of 2018, 5) a \$1.0 million increase in rent expense related to the relocation of our corporate headquarters in 2018 and 6) a \$0.9 million increase in consulting services in 2018, as compared to 2017. These increases in administrative and other costs were partially offset by the absence of a \$1.8 million non-cash early lease termination charge for our previous corporate headquarters (the payment was reimbursed by the landlord) that occurred in 2017.

Depreciation and amortization. Depreciation and amortization expense increased \$2.3 million, or 6.1%, from \$37.6 million in 2017 to \$39.9 million in 2018 primarily due to an increase in amortization expense of intangible assets from our annual common unit adjustment and an increase in depreciation expense primarily from new equipment and leasehold improvements associated with the relocation of our corporate headquarters.

Non-operating expenses (income). Total non-operating expenses increased \$191.5 million, or 135.9%, from \$140.9 million in non-operating income for 2017 to \$50.6 million in non-operating expense for 2018. The following table shows the changes in non-operating expense for 2018 and 2017 (in millions):

	Fiscal Year		\$ Change	% Change
	2018	2017	2017 to 2018	2017 to 2018
Interest on borrowings	\$ 55.4	\$ 52.8	\$ 2.6	4.9 %
Interest income	(1.5)	(1.2)	(0.3)	25.0 %
Loss on early retirement of debt, net	0.7	—	0.7	— %
(Gain) loss on re-measurement of the payable to founding members under the tax receivable agreement	(3.8)	(192.2)	188.4	NM
Other non-operating (income)	(0.2)	(0.3)	0.1	(100.0)%
Total non-operating expense (income)	\$ 50.6	\$ (140.9)	\$ 191.5	135.9 %

NM = Not meaningful.

The increase in non-operating expense was due primarily to a \$188.4 million decrease in the gain on the re-measurement of the payable to founding members under the TRA. The gain on the re-measurement of the payable to the founding members in 2017 was due primarily to the Tax Cuts and Jobs Act (the “Tax Act”) enacted on December 22, 2017 which made broad and complex changes to the U.S. tax code, including, the reduction of the U.S. federal corporate tax rate from 35% to 21% which resulted in the re-measurement of our payable to the founding members under the TRA as of December 28, 2017 at the lower tax rate. The increase in non-operating expense is also due to a \$2.6 million increase in interest on borrowings due to a 0.33% increase in our weighted average interest rate driven by an increase in the LIBOR rate on our term loans in 2018, compared to 2017 and a \$0.7 million net loss on the early retirement of debt related to the refinancing of the senior secured credit facility during the second quarter of 2018, partially offset by a gain realized in 2018 on the repurchase of some of our Notes due 2026 at a discount.

Income tax expense. Income tax expense decreased \$156.8 million from \$180.3 million for 2017 to \$23.5 million for 2018. The decrease in income tax expense was primarily due to the Tax Act enacted in 2017 and the resulting reduction of the U.S. federal corporate tax rate from 35% to 21%, which decreased our net deferred tax assets and increased the corresponding deferred tax expense by \$164.8 million during 2017. This decrease was partially offset by \$6.9 million of deferred tax expense recorded in 2018 following a net decrease in the Company’s deferred rate due to a change in state tax law regarding income sourcing, partially offset by new state tax apportionment rates.

Net income. Net income decreased \$28.5 million from \$58.3 million in 2017 to \$29.8 million in 2018. The decrease was due to a \$191.5 million increase in non-operating expense, partially offset by a \$156.8 million decrease in income tax expense, as described above, a \$5.8 million decrease in net income attributable to noncontrolling interests, and a \$0.4 million increase in operating income primarily due to higher revenue in 2018 as compared to 2017.

Fiscal Years 2017 and 2016

Revenue. Total revenue decreased \$21.5 million, or 4.8%, from \$447.6 million for 2016 to \$426.1 million for 2017. The following is a summary of revenue by category (in millions):

	Fiscal Year		\$ Change	% Change
	2017	2016	2016 to 2017	2016 to 2017
National advertising revenue	\$ 296.3	\$ 311.9	\$ (15.6)	(5.0)%
Local and regional advertising revenue	99.9	107.0	(7.1)	(6.6)%
Founding member advertising revenue from beverage concessionaire agreements	29.9	28.7	1.2	4.2 %
Total revenue	\$ 426.1	\$ 447.6	\$ (21.5)	(4.8)%

The following table shows data on revenue per attendee for 2017 and 2016:

	Fiscal Year		% Change
	2017	2016	2016 to 2017
National advertising revenue per attendee	\$ 0.452	\$ 0.453	(0.2)%
Local and regional advertising revenue per attendee	\$ 0.152	\$ 0.155	(1.9)%
Total advertising revenue (excluding founding member beverage revenue) per attendee	\$ 0.604	\$ 0.608	(0.7)%
Total advertising revenue per attendee	\$ 0.650	\$ 0.650	— %
Total theater attendance (in millions) (1)	655.8	688.8	(4.8)%

(1) Represents the total attendance within NCM LLC's advertising network, excluding screens and attendance associated with certain AMC Rave and Cinemark Rave theaters for all periods presented. Refer to Note 5 to the audited Consolidated Financial Statements included elsewhere in this document.

National advertising revenue. The \$15.6 million, or 5.0%, decrease in national advertising revenue (excluding beverage revenue from NCM LLC's founding members) was due primarily to a 4.7% decrease in impressions sold and a 4.2% decrease in national advertising CPMs (excluding beverage) during 2017, compared to 2016. The decline was partially offset by a \$8.0 million, or 19.6%, increase in other revenue not included in the inventory measured by impressions sold or CPMs, related to an increase in branded content and online and mobile revenue. The decrease in national advertising impressions sold was primarily due to lower content partner spending, partially offset by an increase scatter market demand for 2017, compared to 2016. The decrease in national advertising CPMs was due primarily to lower CPMs on revenue from upfront advertisers and unfavorable customer mix as less impressions were sold to higher CPM customers, year over year. However, national inventory utilization remained consistent at 118.4% for 2016 compared to 118.5% for 2017, on a 4.8% decrease in network attendance. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our *Noovie* pre-show, which can be expanded, should market demand dictate.

Local and regional advertising revenue. The \$7.1 million, or 6.6%, decrease in local and regional advertising revenue was driven by a 6.2% decrease in the volume of contracts and a 2.8% decrease in the average contract dollar amount, primarily related to a decrease in spending within the military and tourism category in 2017, compared to 2016. Additionally, local and regional advertising revenue was adversely impacted by hurricanes Harvey and Irma due to reduced advertising spending during the recovery from the storms as well as, by the transfer of AMC theaters to another advertising provider in accordance with the Final Judgment with the DOJ (which were partially offset by the addition of theaters from new affiliates). This decrease in local and regional advertising revenue was partially offset by an increase in online and mobile revenue of approximately \$1.9 million in 2017, compared to 2016.

Founding member beverage revenue. The \$1.2 million, or 4.2%, increase in national advertising revenue from the founding members' beverage concessionaire agreements was due primarily to a 10.2% increase in beverage revenue CPMs, partially offset by a 6.9% decrease in founding member attendance during 2017, compared to 2016. The 2017 beverage revenue CPM is based on the change in CPM during segment one of our pre-show from 2015 to 2016, which increased 10.2%.

Operating expenses. Total operating expenses decreased \$2.4 million, or 0.9%, from \$274.6 million for 2016 to \$272.2 million for 2017. The following table shows the changes in operating expense for 2017 and 2016 (in millions):

	Fiscal Year		\$ Change	% Change
	2017	2016	2016 to 2017	2016 to 2017
Advertising operating costs	\$ 32.4	\$ 30.0	\$ 2.4	8.0 %
Network costs	15.8	17.1	(1.3)	(7.6)%
Theater access fees—founding members	76.5	75.1	1.4	1.9 %
Selling and marketing costs	72.0	72.8	(0.8)	(1.1)%
Administrative and other costs	37.9	43.8	(5.9)	(13.5)%
Depreciation and amortization	37.6	35.8	1.8	5.0 %
Total operating expenses	\$ 272.2	\$ 274.6	\$ (2.4)	(0.9)%

Advertising operating costs. Advertising operating costs increased \$2.4 million, or 8.0%, from \$30.0 million for 2016 to \$32.4 million for 2017. This increase was primarily the result of a \$2.6 million increase in affiliate advertising payments and a \$0.8 million increase in personnel related expenses. The increase in affiliate advertising payments was primarily driven by a

13.8%, or 477 screen, increase in the number of average affiliate screens due to the addition of affiliates to our network for 2017, compared to 2016. The increase in personnel related expenses were primarily related to higher salary expense in 2017, compared to 2016. These increases in advertising operating costs were partially offset by a \$1.0 million decrease in production costs related to lower production revenue during 2017, compared to 2016.

Network costs. Network costs decreased \$1.3 million, or 7.6%, from \$17.1 million for 2016 to \$15.8 million for 2017. This decrease was primarily related to a \$0.8 million decrease in personnel related expenses due to lower salaries and bonus expense (related to lower performance against internal targets) and a \$0.2 million decrease in network maintenance costs related to our DCN in 2017, compared to 2016.

Theater access fees—founding members. Theater access fees increased \$1.4 million, or 1.9%, from \$75.1 million for 2016 to \$76.5 million for 2017. The increase was due to a \$3.3 million increase due to a contractual 8% rate increase on the fee per patron (the fee per patron rate increases every five years with this increase taking place in 2017) and a \$1.2 million increase in the expense associated with the founding member digital screens that are connected to the DCN related primarily to an annual 5% increase specified in the ESAs on this fee. These increases were partially offset by a decrease of \$3.1 million in theater access fees due to a 6.9% decrease in founding member attendance in 2017, compared to 2016.

Selling and marketing costs. Selling and marketing costs decreased \$0.8 million, or 1.1%, from \$72.8 million for 2016 to \$72.0 million for 2017. This decrease was primarily due to a \$2.8 million decrease in personnel related expenses due primarily to lower commission based expense and lower non-cash share-based compensation expense (driven by lower revenue and lower performance against internal targets), partially offset by severance expense related to the elimination of certain sales leadership positions. Further selling and marketing costs decreased due to a \$1.0 million decrease in marketing research during 2017, compared to 2016. These decreases in selling and marketing costs were partially offset by a \$2.4 million increase in non-cash impairment expense recorded during 2017, compared to 2016, related to investments obtained in prior years in exchange for advertising services and a \$0.9 million increase in online publisher expense driven by an increase in online and mobile revenue.

Administrative and other costs. Administrative and other costs decreased \$5.9 million, or 13.5%, from \$43.8 million for 2016 to \$37.9 million for 2017 due primarily to 1) a \$3.0 million decrease in CEO transition costs because of severance expense that occurred in 2016 and 2) \$2.3 million of expense related to the modification of the former CEO's equity awards that occurred during 2016. In addition, personnel related expenses decreased approximately \$1.9 million due to lower bonus expense and non-cash share-based compensation expense (related to lower performance against internal targets), partially offset by severance for senior executives recorded in 2017. These decreases to administrative and other costs were partially offset by a \$1.8 million early lease termination charge recorded in 2017 for our corporate headquarters (the payment of which was reimbursed by the new landlord).

Depreciation and amortization. Depreciation and amortization expense increased \$1.8 million, or 5.0%, from \$35.8 million for 2016 to \$37.6 million for 2017. The increase was due to an increase in depreciation expense primarily from more software being placed into service in 2017, compared to 2016 and an acceleration in depreciation expense on the leasehold improvements of our corporate headquarters location following the early termination of our lease.

Non-operating (income) expenses. Total non-operating expenses decreased \$205.0 million, or 319.8%, from \$64.1 million in non-operating expense for 2016 to \$140.9 million in non-operating income for 2017. The following table shows the changes in non-operating (income) expense for 2017 and 2016 (in millions):

	Fiscal Year		\$ Change	% Change
	2017	2016	2016 to 2017	2016 to 2017
Interest on borrowings	\$ 52.8	\$ 54.0	\$ (1.2)	(2.2)%
Interest income	(1.2)	(1.5)	0.3	(20.0)%
Loss on early retirement of debt	—	10.4	(10.4)	100.0 %
(Gain) loss on re-measurement of the payable to founding members under the tax receivable agreement	(192.2)	1.2	(193.4)	NM
Other non-operating (income) expense	(0.3)	—	(0.3)	(100.0)%
Total non-operating (income) expenses	\$ (140.9)	\$ 64.1	\$ (205.0)	(319.8)%

NM = Not meaningful.

The decrease in non-operating expense was due primarily to an increase in the gain on the re-measurement of the payable to the founding members under the TRA of \$193.4 million in 2017, the absence of a \$10.4 million loss on the early retirement of debt recorded in 2016 for the redemption of the senior unsecured notes and a \$1.2 million decrease in interest on borrowings primarily related to a one-month period in 2016 between the issuance and redemption of notes, whereby interest was paid on both notes. The gain on the re-measurement of the payable to the founding members was due primarily to the Tax Act and the resulting reduction of the U.S. federal corporate tax rate from 35% to 21% which resulted in the re-measurement of our payable to the founding members under the TRA at the lower tax rate.

Income tax expense. Income tax expense increased \$165.9 million from \$14.4 million in 2016 to \$180.3 million in 2017. The increase in income tax expense was primarily due to the Tax Act and the resulting reduction of the U.S. federal corporate tax rate from 35% to 21%, which decreased our net deferred tax assets and increased the corresponding deferred tax expense by \$164.8 million during 2017.

Net income. Net income increased \$25.4 million from \$32.9 million for 2016 to \$58.3 million for 2017. The increase in net income was due to a \$205.0 million decrease in non-operating expense and a \$5.4 million decrease in income attributable to noncontrolling interests, partially offset by a \$165.9 million increase in income tax expense, as described above, and a \$19.1 million decrease in operating income.

Known Trends and Uncertainties

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 years ended 2018 and 2017, two of the founding members purchased 60 seconds of on-screen advertising time and one founding member purchased 30 seconds to satisfy their obligations under their beverage concessionaire agreements. The founding members' current long-term contracts with their beverage suppliers require the 30 or 60 seconds of beverage advertising, although such commitments could change in the future. Per the ESAs, the time sold to the founding member beverage supplier is priced equal to the advertising CPM for the previous year charged by NCM LLC to unaffiliated third parties during segment one (closest to showtime) of the *Noovie* pre-show, limited to the highest advertising CPM being then-charged by NCM LLC, which in 2018 increased 0.7%. Thus, the CPM on our beverage concessionaire revenue in 2019 will increase by 0.7% compared to 2018.

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%.

The Impact of the Tax Reform— On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act. The Tax Act made broad and complex changes to the U.S. tax code that affected our fiscal year ending December 27, 2018, including, but not limited to, (1) reducing the U.S. federal corporate tax rate, (2) creating full expensing of qualified property, (3) creating a new limitation on deductible interest expense; (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017, and (5) limiting the amount of compensation that can be deducted for highly compensated officers by terminating the exclusion of performance-based compensation from the \$1 million per employee, per year limitation. We expect the most significant impact of the Tax Act to be an annual reduction of the payments made to the founding members under the TRA of approximately \$8.0 to \$10.0 million beginning with the payment for the year ending December 27, 2018 which will be made in 2019. This estimate is based on the impact that the new lower tax rates, and other Tax Act provisions, had on our payment for the year ending December 27, 2018.

Financial Condition and Liquidity

Liquidity

Our cash balances can fluctuate due to the seasonality of our business and related timing of collections of accounts receivable balances and operating expenditure payments, as well as, available cash payments (as defined in the NCM LLC Operating Agreement) to Cinemark and Regal, interest or principal payments on our term loan and the Notes due 2022 and Notes due 2026, income tax payments, TRA payments to the founding members and amount of quarterly dividends to NCM, Inc.'s common stockholders.

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

	Years Ended			\$ Change	
	December 27, 2018	December 28, 2017	December 29, 2016	2017 to 2018	2016 to 2017
Cash, cash equivalents and marketable securities (1)	\$ 75.6	\$ 59.5	\$ 68.7	\$ 16.1	\$ (9.2)
Revolver availability (2)	143.2	158.2	158.8	(15.0)	(0.6)
Total liquidity	\$ 218.8	\$ 217.7	\$ 227.5	\$ 1.1	\$ (9.8)

- (1) Included in cash and cash equivalents as of December 27, 2018, December 28, 2017 and December 29, 2016 there was \$7.2 million, \$4.6 million and \$10.7 million, respectively, of cash held by NCM LLC which is not available to satisfy NCM, Inc.'s dividend payments and other NCM, Inc. 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, \$175.0 million and \$135.0 million less \$4.8 million, \$4.8 million and \$1.2 million, respectively, of outstanding letters of credit or \$170.2 million, \$170.2 million and \$133.8 million, respectively, as of December 27, 2018, December 28, 2017 and December 29, 2016, respectively.

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

	Years Ended		
	2018	2017	2016
Operating cash flow	\$ 150.3	\$ 138.9	\$ 133.5
Investing cash flow	(16.1)	8.5	(4.3)
Financing cash flow	(123.0)	(140.2)	(137.9)

Cash Flows – Fiscal Years 2018 and 2017

Operating Activities. The \$11.4 million increase in cash provided by operating activities for 2018, compared to 2017 was due primarily to a \$10.8 million increase in the change in accounts receivable related to higher collections, a \$3.3 million increase in the change in deferred revenue, and a \$3.1 million increase in the change in accounts payable and accrued expenses due to timing of payments. This increase was partially offset by a decrease of \$3.4 million in non-cash share-based compensation due to a decrease in the volume of awards granted in 2018, as compared to 2017 and a decrease of \$3.2 million in consolidated net income less the net change in tax related to non-cash items year over year.

Investing Activities. The \$24.6 million increase in cash used in investing activities for 2018, compared to 2017 was due primarily to lower proceeds of marketable securities, net of purchases, of \$21.4 million and a \$2.8 million decrease in proceeds from founding member notes receivable due to timing of payments.

Financing Activities. The \$17.2 million decrease in cash used in financing activities during 2018, compared to 2017 was primarily due to an \$18.0 million increase in proceeds from borrowings, net of repayments, under our senior secured credit facility, a \$9.8 million increase in founding member integration and other encumbered theater payments, and a \$5.2 million decrease in distributions to founding members, year over year. These decreases were partially offset by a \$14.2 million increase in cash used in the repayment of our Notes due 2026 and an increase of \$6.9 million in the payment of debt issuance costs related to the senior secured credit facility, as described within Note 10—*Borrowings* to the audited Consolidated Financial Statements in Item 8 of this Form 10-K.

Cash Flows – Fiscal Years 2017 and 2016

Operating Activities. The \$5.4 million increase in cash provided by operating activities for 2017 compared to 2016 was due primarily to an increase in the change in accounts receivable of \$13.4 million related to higher collections and a decrease of \$6.5 million in payments to founding members under the TRA, partially offset by a net decrease of \$8.2 million in consolidated net income less the net change in tax related to non-cash items and an increase of \$5.8 million in the change in accounts payable and accrued expenses due to timing of payments.

Investing Activities. The \$12.8 million increase in cash provided by investing activities for 2017 compared to 2016 was due primarily to lower purchases of marketable securities, net of proceeds, of approximately \$8.7 million and \$2.8 million higher proceeds from founding member notes receivable due to timing of payments.

Financing Activities. The \$2.3 million increase in cash used in financing activities for 2017 compared to 2016 was primarily due to the net impact of a \$10.5 million increase in integration and other encumbered theater payments due to more founding member acquisitions and a \$19.7 million increase in distributions to founding members.

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 December 27, 2018 were \$68.4 million (excluding \$7.2 million of cash held by NCM LLC). NCM LLC's primary sources of liquidity and capital resources are its cash provided by operating activities, availability under its revolving credit facility and cash on hand. Refer to Note 10 to the audited Consolidated Financial Statements included elsewhere in this document and "Financings" below for a detailed discussion of the debt transactions in 2017 and 2018 and the debt outstanding as of December 27, 2018.

Management believes that future funds generated from NCM LLC's operations and cash on hand and availability under the revolving credit facility should be sufficient to fund working capital requirements, NCM LLC's debt service requirements, and capital expenditures, through the next twelve months. Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members can be impacted by the seasonality of advertising sales, interest on borrowings under our revolving credit agreement and to a lesser extent theater attendance. NCM LLC is required pursuant to the terms of the NCM LLC Operating Agreement to distribute its available cash, as defined in the operating agreement, quarterly to its members (Regal, Cinemark and NCM, Inc.). The available cash distribution to the members of NCM LLC for 2018 was approximately \$146.0 million, of which approximately \$71.3 million was distributed to NCM, Inc. NCM, Inc. expects to use cash received from future available cash distributions and its cash balances to fund payments associated with the TRA with the founding members and current and future dividends as declared by the Board of Directors, including a dividend declared on February 21, 2019 of \$0.17 per share (approximately \$13.1 million) on each share of the Company's common stock (not including outstanding restricted stock) to stockholders of record on March 5, 2019 to be paid on March 19, 2019. The Company will also consider opportunistically using cash received for partial repayments of NCM LLC's outstanding debt balance, while ensuring the Company's financial flexibility is maintained. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund payments associated with the TRA with the founding members, income taxes and its regular dividend for the foreseeable future at the discretion of the Board of Directors. The declaration, payment, timing and amount of any future dividends payable will be at the sole discretion of the Board of Directors who will take into account general economic and advertising market business conditions, the Company's financial condition, available cash, current and anticipated cash needs, and any other factors that the Board of Directors considers relevant. The Company intends to pay a regular quarterly dividend for the foreseeable future at the discretion of the Board of Directors consistent with the Company's intention to distribute over time a substantial portion of its free cash flow.

Capital Expenditures

Capital expenditures of NCM LLC include digital applications being developed primarily by our programmers and outside consultants, capitalized software development or upgrades for our Digital Content Software and advertising proposal and inventory management, audience targeting and data management systems, equipment required for our NOC and content production and post-production facilities, office leasehold improvements, desktop equipment for use by our employees, and in certain cases, the costs necessary to digitize all or a portion of a network affiliate's theaters when they are added to our network. Capital expenditures in 2018 were \$15.4 million (including \$6.9 million associated with digital product development; \$1.9 million in leasehold improvements at our new corporate headquarters, of which \$1.1 million was reimbursed by the landlord for a net cash expenditure of \$0.8 million; and \$0.9 million associated with network affiliate additions) compared to \$12.3 million (including \$1.9 million associated with network affiliate additions and \$1.0 million associated with digital product development) for the 2017 period. The capital expenditures have typically been satisfied through cash flow from operations. All capital expenditures related to the DCN within the founding members' theaters have been made by the founding members under the ESAs. We expect they will continue to be made by the founding members in accordance with the ESAs.

We expect to make approximately \$15.0 million to \$16.0 million of capital expenditures in fiscal 2019, primarily for approximately \$8.0 million of digital product development including the finalization of *Noovie.com*, development of a *Noovie* Trivia web and mobile app, further *Noovie ARcade* development, and enhancements to the *Fantasy Movie League* web and mobile apps. We expect these digital products to allow us to capture exclusive first party data on our movie audiences and build our own foundational capabilities for digital ad buying, selling and serving. We also expect approximately \$8.0 million of capital expenditures related to upgrades to our Digital Content Software distribution and content management software and our other internal management systems, including our proposal, inventory and data management systems, reporting systems, network equipment related to currently contracted network affiliate theaters, server and storage upgrades and software licensing. We expect these upgrades and improvements to our management reporting systems, which are intended to provide additional advertising scheduling and placement flexibility for our clients, should enhance our operating efficiencies, including allowing us to better manage our advertising inventory, create more targeted buys and provide more robust campaign data for our advertising clients to help drive future growth. Our capital expenditures may increase as we add additional network

affiliates to our network. We expect that additional expenditures, if any, would be funded in part by additional cash flows associated with those new network affiliates. The commitments associated with our operating lease requirements are included in "Contractual and Other Obligations" below.

Financings

In June 2018, we entered into a credit agreement to replace NCM LLC's previous senior secured credit facility. Consistent with the structure of the previous facility, the new credit agreement consists of a term loan facility and a revolving credit facility for \$270.0 million and \$175.0 million, respectively. The new agreement extended the maturity dates by 5.5 years to June 20, 2025 for the term loan facility and 3.5 years to June 20, 2023 for the revolving credit facility, in each case contingent upon the refinancing of the Notes due 2022 on or prior to October 30, 2021. If the Notes due 2022 are not refinanced on or prior to October 30, 2021, then both the term loan facility and the revolving credit facility will instead mature on December 30, 2021. The interest rate under the term loan facility is either the LIBOR index plus 3.00% or the base rate plus 2.00% and the rate under the revolving credit facility is either the LIBOR index plus an applicable margin ranging from 1.75%-2.25% or the base rate plus an applicable margin ranging from 0.75%-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. As of December 27, 2018, NCM LLC's senior secured credit facility consisted of a \$175.0 million revolving credit facility and a \$269.4 million term loan, following NCM LLC's required principal amortization payment of \$0.6 million which reduced the outstanding balance to \$269.4 million from \$270.0 million.

On August 19, 2016, NCM LLC completed a private placement of \$250.0 million in aggregate principal amount of 5.750% Senior Unsecured Notes due 2026. During 2018, the Company repurchased a total of \$15.0 million of the Notes due 2026 at an average of 94.7% of their face amount and canceled such notes, reducing the principal amount to \$235.0 million as of December 27, 2018. This re-purchase was treated as a partial debt extinguishment and resulted in the realization of a non-operating gain, net of the write off of debt issuance costs, of \$0.6 million during the year ended December 27, 2018. The re-purchase is expected to result in interest savings to maturity of approximately \$6.8 million.

NCM LLC also has a private placement of \$400.0 million in aggregate principal amount of 6.00% Senior Secured Notes due August 15, 2022. The Notes due 2022 pay interest semi-annually in arrears.

The Company may continue to opportunistically pay down NCM LLC's outstanding debt balance, while ensuring that the Company's financial flexibility is maintained.

The new 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 (commencing with the quarterly period ending September 27, 2018) 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 (beginning with the quarterly period ending September 27, 2018) 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 December 27, 2018, NCM LLC's consolidated net senior secured leverage ratio was 3.2 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 4.2 times (versus the covenant of 6.25 times).

There are no borrower distribution restrictions as long as NCM LLC's consolidated net senior secured leverage ratio is below 6.5 times and NCM LLC is in compliance with its debt covenants. If there are limitations on the restricted payments, NCM LLC may not declare or pay any dividends, make any payments on account of NCM LLC, set aside assets for the retirement or other acquisition of capital stock of the borrower or any subsidiary, or make any other distribution for obligations of NCM LLC. When these restrictions are effective, NCM LLC may still pay the services fee and reimbursable costs pursuant to terms of the management agreement. NCM, Inc. can also make payments pursuant to the TRA in the amount, and at the time necessary to satisfy the contractual obligations with respect to the actual cash tax benefits payable to NCM LLC's founding members.

As a result of the new senior secured credit facility, we extended the average maturities of our debt and as of December 27, 2018, the weighted average remaining maturity was 5.4 years. As of December 27, 2018, approximately 68% of our total borrowings bear interest at fixed rates. The remaining 32% 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.

Critical Accounting Policies

The significant accounting policies of the Company are described in Note 1 to the audited Consolidated Financial Statements included elsewhere in this document. Certain accounting policies involve significant judgments, assumptions and estimates by management that have a material impact on the carrying value of certain assets and liabilities, which management considers critical accounting policies. The judgments, assumptions and estimates used by management are based on historical experience, knowledge of the accounts and other factors, which are believed to be reasonable under the circumstances and are evaluated on an ongoing basis. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations of the Company.

Allowance for Doubtful Accounts

Nature of Estimates Required. The allowance for doubtful accounts represents management's estimate of probable credit losses inherent in its trade receivables, which represent a significant asset on the balance sheet. Estimating the amount of the allowance for doubtful accounts requires significant judgment and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, consideration of current economic trends and conditions and debtor-specific factors, all of which may be susceptible to significant change. Amounts deemed uncollectible within the account receivable balance are charged against the allowance, while recoveries of amounts previously charged are credited to the allowance. A provision for bad debt is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as, other pertinent factors. To the extent actual outcomes differ from management estimates, additional provision for bad debt could be required that could adversely affect earnings or financial position in future periods.

Sensitivity Analysis. As of December 27, 2018, our allowance for doubtful accounts was \$6.0 million, or 3.9% of the gross accounts receivable balance. A 10% difference in the allowance for doubtful accounts as of December 27, 2018 would have affected net income attributable to NCM, Inc. by approximately \$0.2 million.

Share-Based Compensation

Nature of Estimates Required. NCM, Inc.'s 2016 Equity Incentive Plan and its 2007 Equity Incentive Plan, as amended (the "Equity Incentive Plans") are treated as equity plans under the provisions of Accounting Standards Codification ASC 718 – *Compensation – Stock Compensation*, and the determination of fair value of options, restricted stock and restricted stock units for accounting purposes requires that management make estimates and judgments.

The fair value of restricted stock and restricted stock units is based on the closing market price of our common stock on the date of grant. Restricted stock and restricted stock units vest upon the achievement of Company three-year cumulative performance measures and service conditions or only service conditions whereby they vest ratably over three years. Compensation expense equal to the fair value of each restricted stock award or restricted stock unit is recognized ratably over this requisite service period. For the restricted stock awards including performance vesting conditions, compensation expense is based on management's projections and the probability of achievement of those targets, which requires considerable judgment. We record a cumulative adjustment to share-based compensation expense in periods that we change our estimate of the number of shares expected to vest. Additionally, we ultimately adjust the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. Further, we estimate a forfeiture rate to reflect the potential separation of employees.

Assumptions and Approach Used. For restricted stock with vesting contingent on the achievement of Company performance conditions, the amount of compensation expense is estimated based on the expected achievement of the performance condition. This requires us to make estimates of the likelihood of the achievement of Company performance conditions, which is highly judgmental. We base our judgments as to the expected achievement of Company performance conditions based on the financial projections of the Company that are used by management for business purposes, which represent our best estimate of expected Company performance. We evaluate the assumptions used to value stock-based awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of stock-based awards, we may be required to accelerate, increase or decrease any remaining, unrecognized stock-based compensation expense. To the extent that we grant additional stock-based awards, compensation expense will increase in relation to the fair value of the additional grants. Compensation expense may be significantly impacted in the future to the extent our estimates differ from actual results. Further, we estimate a forfeiture rate of restricted stock based upon historical forfeitures. If future forfeitures differ significantly from our past experience our compensation expense may be significantly impacted.

Income Taxes

Nature of Estimates Required. We account for income taxes in accordance with ASC 740 – *Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Accordingly, deferred tax assets and liabilities arise from the differences between the tax basis of an asset or liability and its reported amount in the audited Consolidated Financial Statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the

taxes will actually be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are to be established when necessary to reduce deferred tax assets to the amount expected to be realized. We recognized a deferred tax asset associated with the basis difference in our investment in NCM LLC. However, a portion of the total basis difference will only reverse upon the sale of our interest in NCM LLC, which we expect would result in a capital loss. Therefore, as of December 27, 2018 we have a valuation allowance in the amount of \$80.1 million against the deferred tax asset to which this portion relates. We have incurred taxable losses in recent years due primarily to amortization of intangible assets recorded on our tax returns resulting from an election by NCM LLC made under Internal Revenue Code § 754 of the Internal Revenue Code to step-up the Company's outside basis in its share of NCM LLC's inside basis of assets under IRC §743(b). No valuation allowance is deemed necessary for these deferred tax assets as we expect future taxable income (as amortization of these items will cease) and we expect to be able to utilize our net operating loss carryforwards prior to their expiration. Further, we have and continue to expect to generate pre-tax book income. On December 22, 2017, the U.S. government enacted the Tax Act. This legislation led to adjustments to our net deferred tax assets and payable to founding members under the TRA primarily due to the reduction in the U.S. federal corporate tax rate. Further due to our expectation of future taxable income we have not recorded any impact of the Net Business Interest Expense Limitation IRC § 163(j) on our payable to founding members under the TRA.

In addition, due to the basis differences resulting from our IPO-related transactions (including the TRA with the founding members) and subsequent adjustments pursuant to the common unit adjustment agreement, we are required to make cash payments under the TRA to the founding members in amounts equal to 90% of our actual tax benefit realized from the tax amortization of the basis difference for certain deferred assets noted above. The requirements of the TRA, as amended, are highly technical and complex and involve management's judgment, including judgments to determine hypothetical tax outcomes exclusive of the IPO date transaction and agreements. If we were to fail to meet certain of the requirements of the TRA, we could be subject to additional payments to taxing authorities or to the founding members. We recognize the tax benefit from an uncertain tax position only when it is more likely than not, based on the technical merits of the position, that the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the audited Consolidated Financial Statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

For fiscal 2018, our provision for income taxes was \$23.5 million. Changes in management's estimates and assumptions regarding the enacted tax rate applied to deferred tax assets and liabilities, the ability to realize the value of deferred tax assets, or the timing of the reversal of tax basis differences and judgments used to determine hypothetical tax outcomes exclusive of the IPO date transaction and agreements could impact the provision for income taxes and change the effective tax rate.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements relevant to our business operations, refer to the information provided under Note 1 to the audited Consolidated Financial Statements included elsewhere in this document.

Related-Party Transactions

For a discussion of the related-party transactions, refer to the information provided under Note 9 to the audited Consolidated Financial Statements included elsewhere in this document.

Off-Balance Sheet Arrangements

Our operating lease obligations, which primarily include office leases, are not reflected on our balance sheet. Refer to "—Contractual and Other Obligations" for further detail. We do not believe these arrangements are material to our current or future financial condition, results of operations, liquidity, capital resources or capital expenditures.

Contractual and Other Obligations

Our contractual obligations as of December 27, 2018 were as follows:

	Payments Due by Period (in millions)				
	Within 1 fiscal year	1-3 fiscal years	3-5 fiscal years	Thereafter	Total
Borrowings (1)	\$ 2.7	\$ 5.4	\$ 432.4	\$ 490.9	\$ 931.4
Cash interest on borrowings (2)	53.9	106.5	66.3	59.1	285.8
Office leases	3.5	6.7	6.8	22.1	39.1
Payable to founding members under TRA (3)	15.5	28.5	36.3	130.8	211.1
Total contractual cash obligations	\$ 75.6	\$ 147.1	\$ 541.8	\$ 702.9	\$ 1,467.4

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- (1) We have a \$175.0 million variable rate revolving credit facility of which \$27.0 million was outstanding as of December 27, 2018 and \$4.8 million is restricted due to outstanding letters of credit. Debt service requirements under this agreement depend on the amounts borrowed and the level of the base interest rate, in addition to a commitment fee on the unused portion of the revolving credit facility. Refer to further discussion of the secured credit facility under “—Financial Condition and Liquidity-Financings” above.
 - (2) The amounts of future cash interest payments in the table above are based on the amount outstanding on the Senior Secured Notes, Senior Unsecured Notes, term loans and revolving credit facility, as well as, estimated rates of interest over the term of the variable rate revolving credit facility and term loan. The Senior Secured Notes due in 2022 are at a fixed rate of 6.00%. The Senior Unsecured Notes due in 2026 are at a fixed rate of 5.750%. In addition, we have variable rate term loans and a revolving credit facility. Debt service requirements under this agreement depend on the amounts borrowed and the level of the base interest rate, in addition to a commitment fee on the unused portion of the revolving credit facility. Refer to further discussion of the secured credit facility under “—Financial Condition and Liquidity-Financings” above.
 - (3) The TRA entered into at the completion of our IPO provides for the payment by us 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 we actually realize as a result of certain increases in our proportionate share of tax basis in NCM LLC’s tangible and intangible assets. The payments to NCM LLC’s founding members are based, in part, on actual annual income and as such, will vary based on our operating results. The value in the table represents the estimated amounts payable under the TRA as of December 27, 2018.

The ESAs require payments based on a combination of founding member attendance, the number of digital screens of each founding member and the number of higher quality digital cinema systems of each NCM LLC founding member. The amount relating to the attendance factor will vary from quarter to quarter and year to year as theater attendance varies, while the amount relating to the digital screens and digital cinema systems will also vary quarter to quarter and year to year as screens are converted to digital screens and other screens are added or removed through acquisition, divestiture or closure activities of the founding members. The payments made to the founding members also will vary due to the escalation of the rates paid for each factor pursuant to the amended and restated ESAs. The rate per attendee increases 8% every five years, with the next such increase taking effect for fiscal year 2022, while the rate per digital screen and digital cinema system screen increase 5% annually. 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. Payments to affiliates vary based on revenue attributed to the affiliate for the period and thus will vary from quarter to quarter and year to year as advertising revenue varies. If a network affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. The table above does not include amounts payable under the ESAs or to affiliates as they are based on variable factors, which are not capable of precise estimation. Refer to Note 13 to the audited Consolidated Financial Statements included elsewhere in this document for the maximum guarantee amount under the affiliate agreements.

Seasonality

Our revenue and operating results are seasonal in nature, coinciding with the timing of marketing expenditures by our advertising clients and to a lesser extent the attendance patterns within the film exhibition industry. Both advertising expenditures and theater attendance tend to be higher during the second, third, and fourth fiscal quarters. Advertising revenue is primarily correlated with new product releases, advertising client marketing priorities and economic cycles and to a lesser extent 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. 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 2016, 2017 and 2018:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 2016	17.0%	25.8%	25.4%	31.8%
FY 2017	16.9%	22.8%	27.3%	33.0%
FY 2018	18.2%	25.8%	24.9%	31.1%

Item 7A. 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 2022 bear interest at fixed rates, and therefore are not subject to market risk. As of December 27, 2018, the interest rate risk that we are exposed to is related to our \$175.0 million revolving credit facility and our \$269.4 million term loan. A 100 basis point fluctuation in market interest rates underlying our term loan and revolving credit facility would have the effect of increasing or decreasing our cash interest expense by approximately \$3.0 million for an annual period on the \$27.0 million and \$269.4 million outstanding as of December 27, 2018 on our revolving credit facility and term loan, respectively.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
National CineMedia, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of National CineMedia, Inc. and subsidiary (the "Company") as of December 27, 2018 and December 28, 2017, the related consolidated statements of income, comprehensive income, equity(deficit), and cash flows for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 27, 2018 and December 28, 2017, the results of its operations and its cash flows for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 27, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
Denver, Colorado
February 21, 2019

We have served as the Company's auditor since 2006.

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

	December 27, 2018	December 28, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 41.4	\$ 30.2
Short-term marketable securities	24.0	13.1
Receivables, net of allowance of \$6.0 and \$6.0, respectively	149.9	160.6
Income tax receivable	0.3	0.2
Amounts due from founding members, net	5.8	—
Current portion of notes receivable - founding members (related parties of \$4.2 and \$4.2, respectively)	5.6	4.2
Prepaid expenses and other current assets	3.9	4.3
Total current assets	230.9	212.6
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of \$62.5 and \$70.4, respectively	33.6	30.7
Intangible assets, net of accumulated amortization of \$172.7 and \$145.4, respectively	684.5	717.2
Deferred tax assets, net of valuation allowance of \$80.1 and \$98.1, respectively	173.9	186.0
Long-term notes receivable, net of current portion - founding members	—	4.1
Other investments	3.0	3.5
Long-term marketable securities	10.2	16.2
Debt issuance costs, net	5.0	1.3
Other assets	0.7	1.5
Total non-current assets	910.9	960.5
TOTAL ASSETS	\$ 1,141.8	\$ 1,173.1
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members, net	30.0	32.7
Payable to founding members under the TRA (related party payables of \$11.2 and \$19.6, respectively)	15.5	19.6
Accrued expenses	21.7	19.9
Accrued payroll and related expenses	15.3	11.1
Accounts payable	18.0	19.3
Deferred revenue	7.3	7.1
Short-term debt	2.7	—
Total current liabilities	110.5	109.7
NON-CURRENT LIABILITIES:		
Long-term debt, net of debt issuance costs of \$7.8 and \$8.7, respectively	920.9	923.3
Income tax payable	—	0.3
Payable to founding members under the TRA (related party payables of \$141.1 and \$212.6, respectively)	195.6	212.6
Other liabilities	4.0	2.0
Total non-current liabilities	1,120.5	1,138.2
Total liabilities	1,231.0	1,247.9
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
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, 76,976,398 and 76,242,222 issued and outstanding, respectively	0.8	0.8
Additional paid in capital (deficit)	(215.2)	(233.1)
Retained earnings (distributions in excess of earnings)	(153.6)	(130.2)
Total NCM, Inc. stockholders' equity/(deficit)	(368.0)	(362.5)
Noncontrolling interests	278.8	287.7
Total equity/(deficit)	(89.2)	(74.8)
TOTAL LIABILITIES AND EQUITY/DEFICIT	\$ 1,141.8	\$ 1,173.1

Refer to accompanying notes to Consolidated Financial Statements.

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

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Revenue (including revenue from related parties of \$28.4, \$29.9 and \$29.1, respectively)	\$ 441.4	\$ 426.1	\$ 447.6
OPERATING EXPENSES:			
Advertising operating costs	37.4	32.4	30.0
Network costs	13.3	15.8	17.1
Theater access fees—founding members (including fees to related parties of \$69.0, \$76.5 and \$75.1, respectively)	81.7	76.5	75.1
Selling and marketing costs	66.5	72.0	72.8
Administrative and other costs	48.3	37.9	43.8
Depreciation and amortization	39.9	37.6	35.8
Total	287.1	272.2	274.6
OPERATING INCOME	154.3	153.9	173.0
NON-OPERATING EXPENSES:			
Interest on borrowings	55.4	52.8	54.0
Interest income	(1.5)	(1.2)	(1.5)
Loss on early retirement of debt, net	0.7	—	10.4
(Gain) loss on re-measurement of the payable to founding members under the TRA	(3.8)	(192.2)	1.2
Other non-operating income	(0.2)	(0.3)	—
Total	50.6	(140.9)	64.1
INCOME BEFORE INCOME TAXES	103.7	294.8	108.9
Income tax expense	23.5	180.3	14.4
CONSOLIDATED NET INCOME	80.2	114.5	94.5
Less: Net income attributable to noncontrolling interests	50.4	56.2	61.6
NET INCOME ATTRIBUTABLE TO NCM, INC.	29.8	58.3	32.9
COMPREHENSIVE INCOME ATTRIBUTABLE TO NCM, INC.	\$ 29.8	\$ 58.3	\$ 32.9
NET INCOME PER NCM, INC. COMMON SHARE:			
Basic	\$ 0.39	\$ 0.89	\$ 0.55
Diluted	\$ 0.37	\$ 0.48	\$ 0.54
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	76,859,087	65,226,817	59,788,026
Diluted	157,403,910	151,067,270	60,605,570
Dividends declared per common share	\$ 0.68	\$ 0.88	\$ 0.88

Refer to accompanying notes to Consolidated Financial Statements.

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

	NCM, Inc.					
	Consolidated	Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
		Shares	Amount			
Balance—December 31, 2015	\$ (229.9)	59,239,154	\$ 0.6	\$ (357.0)	\$ (108.8)	\$ 235.3
Distributions to founding members	(75.1)	—	—	—	—	(75.1)
NCM LLC equity issued for purchase of intangible asset	21.1	—	—	9.2	—	11.9
Income tax and other impacts of NCM LLC ownership changes	(2.3)	—	—	(3.7)	—	1.4
Comprehensive income, net of tax	94.5	—	—	—	32.9	61.6
Share-based compensation issued	(4.4)	635,258	—	(4.4)	—	—
Share-based compensation expense/capitalized	18.8	—	—	12.4	—	6.4
Cash dividends declared \$0.88 per share	(54.9)	—	—	—	(54.9)	—
Balance—December 29, 2016	\$ (232.2)	59,874,412	\$ 0.6	\$ (343.5)	\$ (130.8)	\$ 241.5
Distributions to founding members	(85.0)	—	—	—	—	(85.0)
NCM LLC equity issued for purchase of intangible asset	201.8	—	—	78.8	—	123.0
Income tax and other impacts of NCM LLC ownership changes	(23.6)	—	—	28.6	—	(52.2)
Issuance of shares to founding members	84.9	15,600,000	0.2	84.7	—	—
NCM, Inc. investment in NCM LLC	(84.9)	—	—	(84.9)	—	—
Comprehensive income, net of tax	114.5	—	—	—	58.3	56.2
Share-based compensation issued	(4.1)	767,810	—	(4.1)	—	—
Share-based compensation expense/capitalized	11.5	—	—	7.3	—	4.2
Cash dividends declared \$0.88 per share	(57.7)	—	—	—	(57.7)	—
Balance—December 28, 2017	\$ (74.8)	76,242,222	\$ 0.8	\$ (233.1)	\$ (130.2)	\$ 287.7
Cumulative-effect adjustment for adoption of 2014-09	(0.2)	—	—	—	(0.2)	—
Distributions to founding members	(72.3)	—	—	—	—	(72.3)
NCM LLC equity issued for purchase of intangible asset	15.9	—	—	7.7	—	8.2
Income tax and other impacts of NCM LLC ownership changes	9.5	—	—	7.0	—	2.5
Comprehensive income, net of tax	80.2	—	—	—	29.8	50.4
Share-based compensation issued	(2.4)	734,176	—	(2.4)	—	—
Share-based compensation expense/capitalized	7.9	—	—	5.6	—	2.3
Cash dividends declared \$0.68 per share	(53.0)	—	—	—	(53.0)	—
Balance—December 27, 2018	\$ (89.2)	76,976,398	\$ 0.8	\$ (215.2)	\$ (153.6)	\$ 278.8

Refer to accompanying notes to Consolidated Financial Statements.

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

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Consolidated net income	\$ 80.2	\$ 114.5	\$ 94.5
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Deferred income tax expense	23.3	181.9	16.7
Depreciation and amortization	39.9	37.6	35.8
Non-cash share-based compensation	7.8	11.2	18.3
Impairment on investment	0.4	3.1	0.7
Reversal of income tax reserve	(0.4)	(1.7)	(2.9)
Amortization of debt issuance costs	2.6	2.6	2.6
Loss on early retirement of debt, net	0.7	—	10.4
Non-cash (gain) loss on re-measurement of the payable to founding members under the TRA	(3.8)	(192.2)	1.2
Other	(0.5)	(0.3)	—
Cash distributions from non-consolidated entities	0.2	0.3	0.2
Proceeds from lessor on purchases of property, plant, and equipment	1.0	—	—
Changes in operating assets and liabilities:			
Receivables, net	10.7	(0.1)	(13.5)
Accounts payable and accrued expenses	4.8	1.7	(4.1)
Amounts due to founding members, net	(0.1)	0.3	(0.1)
Payment to founding members under the TRA	(18.4)	(18.8)	(25.3)
Deferred revenue	0.2	(3.1)	—
Income taxes and other	1.7	1.9	(1.0)
Net cash provided by operating activities	<u>150.3</u>	<u>138.9</u>	<u>133.5</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(14.2)	(11.6)	(12.9)
Acquisition of a business	—	(0.2)	—
Purchases of marketable securities	(36.8)	(34.4)	(54.7)
Proceeds from sale and maturities of marketable securities	32.2	50.9	62.8
Proceeds from restricted cash	—	0.3	—
Purchases of intangible assets from network affiliates	(0.1)	(2.1)	(2.3)
Proceeds from notes receivable - founding members (including payments from related parties of \$1.4, \$5.6 and \$2.8, respectively)	2.8	5.6	2.8
Net cash (used in) provided by investing activities	<u>(16.1)</u>	<u>8.5</u>	<u>(4.3)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends	(54.4)	(58.7)	(54.6)
Proceeds from revolving credit facility	193.2	80.0	126.0
Repayments of revolving credit facility	(178.2)	(83.0)	(177.0)
Proceeds from term loan facility	270.0	—	—
Repayments of term loan facility	(270.7)	—	—
Proceeds from issuance of Senior Notes due 2026	—	—	250.0
Repayments of Senior Notes due 2026	(14.2)	—	—
Redemption of Senior Notes due 2021	—	—	(207.9)
Payment of debt issuance costs	(6.9)	—	(4.8)
Founding member integration and other encumbered theater payments (including payments from related parties of \$17.2, \$12.9 and \$2.4, respectively)	22.7	12.9	2.4
Distributions to founding members	(82.1)	(87.3)	(67.6)
Proceeds from stock option exercises	—	0.6	0.5
Repurchase of stock for restricted stock tax withholding	(2.4)	(4.7)	(4.9)
Net cash used in financing activities	<u>(123.0)</u>	<u>(140.2)</u>	<u>(137.9)</u>
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	11.2	7.2	(8.7)
Cash, cash equivalents, and restricted cash at beginning of period	30.2	23.0	31.7
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 41.4</u>	<u>\$ 30.2</u>	<u>\$ 23.0</u>

Refer to accompanying notes to Consolidated Financial Statements.

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

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Supplemental disclosure of non-cash financing and investing activity:			
Purchase of an intangible asset with NCM LLC equity	\$ 15.9	\$ 201.8	\$ 21.1
Accrued distributions to founding members	\$ 27.9	\$ 37.6	\$ 39.9
Accrued integration and other encumbered theater payments from founding members (including accrued payments due from related parties of \$0.4, \$0.0 and \$0.0, respectively)	\$ 7.8	\$ 9.0	\$ —
Purchase of subsidiary equity with NCM, Inc. equity	\$ —	\$ 84.9	\$ —
Accrued purchases of property and equipment	\$ 1.1	\$ 0.4	\$ —
Increase in cost and equity method investments	\$ —	\$ —	\$ 2.0
(Decrease) increase in dividend equivalent accrual not requiring cash in the period	\$ (1.4)	\$ (1.0)	\$ 0.3
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 54.1	\$ 49.9	\$ 52.5
Cash paid for income taxes, net of refunds	\$ 0.3	\$ (1.7)	\$ 0.5

Refer to accompanying notes to Consolidated Financial Statements.

**NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NCM, Inc. was incorporated in Delaware as a holding company with the sole purpose of becoming a member and sole manager of NCM LLC, a limited liability company owned by NCM, Inc., Cinemark and Regal. The terms “NCM”, “the Company” or “we” shall, unless the context otherwise requires, be deemed to include the consolidated entity. The Company operates the largest cinema advertising network reaching movie audiences in North America, allowing NCM LLC to sell advertising under ESAs with the founding members and certain third-party theater circuits under long-term network affiliate agreements referred to in this document as “network affiliates”, which have terms from one to twenty years.

As of December 27, 2018, NCM LLC had 157,637,220 common membership units outstanding, of which 76,976,398 (48.8%) were owned by NCM, Inc., 41,142,178 (26.1%) were owned by Regal, 39,518,644 (25.1%) were owned by Cinemark and 0 (0.0%) 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. On July 5, 2018, AMC closed on the sale of 100.0% of its remaining NCM LLC membership units to Cinemark and Regal.

Basis of Presentation

The Company has prepared its Consolidated Financial Statements and related notes of NCM, Inc. in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain reclassifications have been made to the prior years’ financial statements to conform to the current presentation (refer to the Consolidated Balance Sheet, whereby the Company presented prepaid expenses and other assets as one line item and Note 7—*Income Taxes*, whereby a certain line item previously included within the ‘Other’ caption of the income tax provision reconciliation was broken out separately due to its significance in 2018).

As a result of the various related-party agreements discussed in Note 9—*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.

Advertising is the principal business activity of the Company and is the Company’s only reportable segment under the requirements of ASC 280 – *Segment Reporting*.

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

Significant Accounting Policies

Accounting Period—The Company has a 52-week or 53-week fiscal year ending on the first Thursday after December 25. Fiscal years 2016, 2017 and 2018 contained 52 weeks. Throughout this document, the fiscal years are referred to as set forth below:

Fiscal Year Ended	Reference in this Document
December 27, 2018	2018
December 28, 2017	2017
December 29, 2016	2016

Revenue Recognition—The Company derives revenue principally from the advertising business, which includes on-screen and 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 the performance to date. The Company considers the terms of each arrangement to determine the appropriate accounting treatment as more fully discussed in Note 2—*Revenue from Contracts with Customers*.

Operating Costs—Advertising-related operating costs primarily include personnel and other costs related to advertising fulfillment, payments due to unaffiliated theater circuits under the network affiliate agreements, and to a lesser extent, production costs of non-digital advertising.

Payments to the founding members of a theater access fee is comprised of a payment per theater attendee, a payment per digital screen and a payment per digital cinema projector equipped in the theaters, all of which escalate over time. Refer to

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this document.

Network costs include personnel, satellite bandwidth, repairs, and other costs of maintaining and operating the digital network and preparing advertising and other content for transmission across the digital network.

Cash and Cash Equivalents—All highly liquid debt instruments and investments purchased with an original maturity of three months or less are classified as cash equivalents and are considered available-for-sale securities. There are cash balances in a bank in excess of the federally insured limits or in the form of a money market demand account with a major financial institution.

Marketable Securities—The Company’s marketable securities are classified as available-for-sale and are reported at fair value. The fair value of substantially all securities is determined by quoted market information and pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market.

Concentration of Credit Risk and Significant Customers —Bad debts are provided for using the allowance for doubtful accounts method based on historical experience and management’s evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. The collectability risk with respect to national and regional advertising is reduced by transacting with founding members or large, national advertising agencies who have strong reputations in the advertising industry and clients with stable financial positions. The Company has smaller contracts with thousands of local clients that are not individually significant. As of December 27, 2018 and December 28, 2017, there were no advertising agency groups or individual customers through which the Company sources national advertising revenue representing more than 10% of the Company’s outstanding gross receivable balance. During the years ended December 27, 2018, December 28, 2017 and December 29, 2016, there were no customers that accounted for more than 10% of revenue.

Receivables consisted of the following (in millions):

	As of	
	December 27, 2018	December 28, 2017
Trade accounts	\$ 154.0	\$ 166.4
Other	1.9	0.2
Less: Allowance for doubtful accounts	(6.0)	(6.0)
Total	\$ 149.9	\$ 160.6

Long-lived Assets—Property and equipment is stated at cost, net of accumulated depreciation or amortization. Generally, the equipment associated with the digital network of the founding member theaters is owned by the founding members, while the equipment associated with network affiliate theaters is owned by the Company. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. The Company records depreciation and amortization using the straight-line method over the following estimated useful lives:

Equipment	4-10 years
Computer hardware and software	3-5 years
Leasehold improvements	Lesser of lease term or asset life

Software and website development costs developed or obtained for internal use are accounted for in accordance with ASC 350—*Internal Use Software* and ASC 350—*Website Development Costs*. The subtopics require the capitalization of certain costs incurred in developing or obtaining software for internal use. Software costs related primarily to the Company’s inventory management systems, digital products, digital network distribution system (DCS) and website development costs, which are included in equipment, and are depreciated over three to five years. As of December 27, 2018 and December 28, 2017, the Company had a net book value of \$17.4 million and \$16.5 million, respectively, of capitalized software and website development costs. Depreciation expense related to software and website development was approximately \$6.7 million, \$6.0 million and \$3.9 million for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. For the years ended December 27, 2018, December 28, 2017 and December 29, 2016, the Company recorded \$1.7 million, \$3.6 million and \$3.4 million in research and development expense, respectively.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company assesses impairment of long-lived assets pursuant with ASC 360 – *Property, Plant and Equipment*. This includes determining if certain triggering events have occurred that could affect the value of an asset. The Company recorded losses of \$0.5 million, \$0.1 million and \$0.2 million related to the write-off of property, plant and equipment during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. These balances have been included within depreciation expense within the respective audited Consolidated Statements of Income given the immaterial nature of the balances.

Intangible assets—Intangible assets consist of contractual rights to provide its services within the theaters of the founding members and network affiliates and are stated at cost, net of accumulated amortization. The Company records amortization using the straight-line method over the contractual life of the intangibles, corresponding to the term of the ESAs or the term of the contract with the network affiliate. Intangible assets are tested for impairment at least annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. In its impairment testing, the Company estimates the fair value of its ESAs or network affiliate agreements by determining the estimated future cash flows associated with the ESAs or network affiliate agreements. If the estimated fair value is less than the carrying value, the intangible asset is written down to its estimated fair value. Significant judgment is involved in estimating long-term cash flow forecasts. The Company has not recorded impairment charges related to intangible assets.

Amounts Due to/from Founding Members—Amounts due to/from founding members include amounts due for the theater access fee, offset by a receivable for advertising time purchased by the founding members on behalf of their beverage concessionaire, plus any amounts outstanding under other contractually obligated payments. Payments to or received from the founding members against outstanding balances are made monthly. Available cash distributions are made quarterly.

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

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

The Company recognizes the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position, the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the Consolidated Financial Statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Debt Issuance Costs—In relation to the issuance of outstanding debt discussed in Note 10—*Borrowings*, there is a balance of \$12.8 million and \$10.0 million in deferred financing costs as of December 27, 2018 and December 28, 2017, respectively. The debt issuance costs are being amortized on a straight-line basis over the terms of the underlying obligations and are included in interest on borrowings, which approximates the effective interest method. Debt issuance costs are written-off in the event that the underlying debt is extinguished through partial or full repayment of the obligation.

The changes in debt issuance costs are as follows (in millions):

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Beginning balance	\$ 10.0	\$ 12.6	\$ 12.9
Debt issuance payments	6.4	—	4.8
Amortization of debt issuance costs	(2.6)	(2.6)	(2.6)
Write-off of debt issuance costs	(1.0)	—	(2.5)
Ending balance	<u>\$ 12.8</u>	<u>\$ 10.0</u>	<u>\$ 12.6</u>

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Share-Based Compensation— Through 2012, the Company issued stock options, restricted stock and restricted stock units. Since 2013, the Company has only issued restricted stock and restricted stock units. Restricted stock and restricted stock units vest upon the achievement of Company three-year cumulative performance measures and service conditions or only 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 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.

Under the fair value recognition provisions of ASC 718 *Compensation – Stock Compensation*, the Company recognizes share-based compensation net of an estimated forfeiture rate, and therefore only recognizes compensation cost for those shares expected to vest over the requisite service period of the award. Refer to Note 11—*Share-Based Compensation* for more information.

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.

Consolidation—NCM, Inc. consolidates the accounts of NCM LLC under the provisions of ASC 810, *Consolidation* (“ASC 810”). Under Accounting Standards Update 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-2”), a limited partnership is a variable interest entity unless a simple majority or lower threshold of all limited partners unrelated to the general partner have kick-out or participating rights. The non-managing members of NCM LLC do not have dissolution rights or removal rights. NCM, Inc. has evaluated the provisions of the NCM LLC membership agreement and has concluded that the various rights of the non-managing members are not substantive participating rights under ASC 810, as they do not limit NCM, Inc.’s ability to make decisions in the ordinary course of business. As such, the Company concluded that NCM LLC is a variable interest entity and determined that NCM, Inc. should consolidate the accounts of NCM LLC pursuant to ASU 2015-2 because 1) it has the power to direct the activities of NCM LLC in its role as managing member and 2) NCM, Inc. has the obligation to absorb losses of, or the right to receive benefits from, NCM LLC that could potentially be significant provided its 48.8% ownership in NCM LLC. Prior to the prospective adoption of ASU 2015-2 in the first quarter of 2016, the Company reached the same conclusion under previous guidance in ASC 810 to consolidate NCM LLC.

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

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Net income attributable to NCM, Inc.	\$ 29.8	\$ 58.3	\$ 32.9
NCM LLC equity issued for purchase of intangible asset	7.7	78.8	9.2
Income tax and other impacts of NCM LLC ownership changes	7.0	28.6	(3.7)
NCM, Inc. investment in NCM LLC	—	(84.9)	—
Issuance of shares to founding members	—	84.7	—
Change from net income attributable to NCM, Inc. and transfers from noncontrolling interests	\$ 44.5	\$ 165.5	\$ 38.4

Recently Adopted Accounting Pronouncements

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the first quarter of 2018, the Company adopted Accounting Standards Update 2014-9, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-9”) using the modified retrospective transition method. The Company identified the same performance obligations under ASU 2014-9 as compared with deliverables and separate units of account previously identified. ASU 2014-9 impacted the accounting for barter transactions where the Company exchanges advertising time for products and services used principally for selling and marketing activities. The Company historically recognized revenue for these transactions at the estimated fair value of the advertising exchanged based on the fair value received for similar advertising from cash paying customers. In accordance with the new guidance, the Company recognized revenue for these transactions based upon the fair value of the products and services received, rather than the value of the advertising provided. The modified retrospective transition method allows entities to apply the new revenue standard prospectively and record a cumulative-effect adjustment to the opening balance of retained earnings in the period the new revenue standard is first applied. The Company elected to apply the new revenue standard only to contracts that were not completed as of the adoption date. Upon the adoption of ASU 2014-9 on December 29, 2017, the Company recorded a \$0.2 million cumulative-effect adjustment related to the change in accounting for barter transactions on contracts that were not completed as of December 29, 2017 in the audited Consolidated Balance Sheet. The Company’s adoption of ASU 2014-9 did not have a material impact on the audited Consolidated Financial Statements. The Company has incorporated additional disclosures in Note 2—*Revenue from Contracts with Customers* to comply with ASU 2014-9.

During the first quarter of 2018, the Company adopted Accounting Standards Update 2016-1, *Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-1”), which requires equity investments that are not accounted for under the equity method of accounting to be measured at fair value with changes recognized in earnings (rather than reported through other comprehensive income) and updates certain presentation and disclosure requirements. In February 2018, the FASB issued Accounting Standards Update 2018-3, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2018-3”). These amendments clarify the guidance on certain topics referred to in ASU 2016-1. The Company has incorporated changes to the methodology utilized to value the Company’s investments and changes to disclosures in its notes to the audited Consolidated Financial Statements to comply with ASU 2016-1.

During the first quarter of 2018, the Company adopted Accounting Standards Update 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”) on a retrospective basis. ASU 2016-15 provides guidance on certain cash receipts and cash payments presented and classified in the statement of cash flows. The adoption of ASU 2016-15 did not have a material impact on the audited Consolidated Financial Statements or notes thereto.

During the first quarter of 2018, the Company adopted Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”) on a retrospective basis. ASU 2016-18 requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. The Company has adjusted the audited Consolidated Statement of Cash Flow for the years ended December 27, 2018, December 28, 2017, and December 29, 2016 to include the restricted cash balance within the aforementioned captions. The adoption of ASU 2016-18 had no other impact on the audited Consolidated Financial Statements or notes thereto.

During the first quarter of 2018, the Company adopted Accounting Standards Update 2018-4, *Investments – Debt Securities (Topic 320) and Regulated Operations (Topic 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273* (“ASU 2018-04”), which amends and supersedes various paragraphs that contain SEC guidance in ASC 320, *Investments-Debt Securities* and ASC 980, *Regulated Operations* specifically surrounding other than temporary impairments. The ASU was effective upon issuance. The adoption of ASU 2018-4 did not have a material impact on the audited Consolidated Financial Statements or notes thereto.

During the third quarter of 2018, the Company adopted Accounting Standards Update 2018-9, *Codification Improvements* (“ASU 2018-9”), which made minor amendments to the codification in order to clarify, correct errors in, eliminate inconsistencies and provide clarifications in current guidance. The ASU amends Subtopics 470-50, *Debt-Modifications and Extinguishments* and 718-740, *Compensation-Stock Compensation-Income Taxes* and was effective immediately. The adoption of ASU 2018-9 did not have a material impact on the audited Consolidated Financial Statements or notes thereto.

During the fourth quarter of 2018, the Company adopted Accounting Standards Update 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (“ASU 2018-15”), which clarifies the accounting for implementation costs in cloud computing arrangements. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company early adopted ASU 2018-15 in the fourth quarter of 2018. The adoption of ASU 2018-15 did not have a material impact on the audited Consolidated Financial Statements or notes thereto.

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During the fourth quarter of 2018, the Company adopted a final rule issued by the SEC amending certain disclosure requirements deemed by the commission to be redundant, duplicative, overlapping, outdated or superseded. The rule also added requirements to disclose (1) the changes in each caption of stockholders' equity and non-controlling interests for the current and comparative year-to-date periods, with subtotals for each interim period and (2) the amount of dividends per share for each class of shares. The Company believes that adopting the guidance will result in changes to the presentation of the audited Consolidated Statement of Equity as a quarter to date equity rollforward is now also required for the current and comparable period. The Company has implemented the annual amended disclosure requirements and will implement the quarterly amended disclosure requirements in the first quarter of 2019.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-2, *Leases (Topic 842)* ("ASU 2016-2"). ASU 2016-2 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Under the original standard, a modified retrospective transition approach was required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In July 2018, the FASB issued Accounting Standards Update 2018-11 which allows companies to elect the "Comparatives Under 840" option where only the current period financial statements and related disclosures are presented in accordance with the new standard. The Company is still evaluating which transition approach to apply upon adoption. The Company expects to utilize the following practical expedients: (i) not being required to separate lease and nonlease components when accounting for the lease; and (ii) not accounting for short-term leases under the new standard. The Company is still evaluating the impact of the adoption of ASU 2016-2 on the ESA and affiliate agreements, and thus, whether it will have a material impact on the audited Consolidated Financial Statements. The Company will adopt the standard and its provisions effective December 28, 2018 and will incorporate additional disclosures in its notes to its audited Consolidated Financial Statements to comply with ASU 2016-2 effective in the first quarter of 2019. The Company has designed and will implement changes to certain processes and internal controls upon the adoption of ASU 2016-2.

In June 2016, the FASB issued 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. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted and is to be adopted on a modified retrospective basis. The Company is currently evaluating the impact that adopting this guidance will have on the audited Consolidated Financial Statements or notes thereto.

In June 2018, the FASB issued Accounting Standards Update 2018-7, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-7"), which amends Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-7 is effective for fiscal years beginning December 15, 2018, with early adoption permitted. The Company does not expect the adoption of ASU 2018-07 to have a material impact on the audited Consolidated Financial Statements.

In August 2018, the FASB issued 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. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with partial early adoption permitted for eliminated disclosures. The method of adoption varies by the disclosure. The Company is currently evaluating the impact that adopting this guidance will have on the audited Consolidated Financial Statements or notes thereto.

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 audited Consolidated Financial Statements or notes thereto.

Change in Accounting Principle

During the first quarter of 2018, the Company changed its method of accounting for its payable to founding members under the TRA, which requires the Company to pay to the founding members 90% of the expected cash savings of NCM, Inc. from federal, state, and local jurisdictions upon realization of amortization and other deductions specified under the TRA. At inception of the TRA in 2007, the payable was recorded at fair value by discounting the amounts expected to be payable to founding members under the TRA at the Company's weighted average cost of capital. The Company then remeasured the present value of the payable to founding members under the TRA each subsequent reporting period.

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As a result of the change in accounting principle, the payable is now stated at the undiscounted amount of all expected future payments under the agreement. The Company believes that the undiscounted presentation is preferable because it is consistent with the predominant accounting method used by other companies with such tax receivable agreements and is more consistent with the undiscounted approach used for the corresponding deferred tax assets that are subject to the TRA. Accordingly, the Consolidated Balance Sheets, Consolidated Statements of Income, Statements of Equity (Deficit) and Consolidated Statement of Cash Flows for the respective prior periods have been recast to reflect retrospective application of the change in accounting principle. Since this change in accounting principle dates back to the Company's initial public offering ("IPO") in 2007, the Company has recorded the cumulative effect for the change in accounting principle to beginning retained earnings as of December 29, 2016.

The audited Consolidated Financial Statements and corresponding footnotes for the prior periods have been recast from the amounts previously reported to reflect the change in accounting principle as shown within the tables below.

The following table presents the effect of the change in accounting principle to the December 29, 2016 beginning retained earnings balance and additional paid in capital (deficit) ("APIC") balance (in millions):

Beginning retained earnings (distributions in excess of earnings), as of December 29, 2016 – as previously reported	\$	(248.3)
Cumulative effect for change in accounting principle		117.6
Beginning retained earnings, as of December 29, 2016 – as adjusted	\$	(130.7)
Beginning additional paid in capital (deficit), as of December 29, 2016 – as previously reported	\$	(110.5)
Cumulative effect for change in accounting principle		(233.1)
Beginning additional paid in capital (deficit), as of December 29, 2016 – as adjusted	\$	(343.6)

The following table presents the effects of the change in accounting principle to the audited Consolidated Balance Sheet (in millions):

	December 28, 2017		
	As Reported	Change in Accounting Principle	As Adjusted
Long-term deferred tax assets, net of valuation allowance of \$98.1	\$ 161.0	\$ 25.0	\$ 186.0
TOTAL ASSETS	1,148.1	25.0	1,173.1
Long-term payable to founding members under the TRA	114.0	98.6	212.6
Total liabilities	1,149.3	98.6	1,247.9
Additional paid in capital (deficit)	13.8	(246.9)	(233.1)
Retained earnings (distributions in excess of earnings)	(303.5)	173.3	(130.2)
Total equity/(deficit)	(1.2)	(73.6)	(74.8)
TOTAL LIABILITIES AND EQUITY/DEFICIT	1,148.1	25.0	1,173.1

The following tables present the effects of the change in accounting principle to the audited Consolidated Statements of Income for the years ended December 28, 2017 and December 29, 2016 (in millions, except for per share data):

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	Year Ended		
	December 28, 2017		
	As Reported	Change in Accounting Principle	As Adjusted
Accretion of interest on the discounted payable to founding members under the TRA	\$ 18.5	\$ (18.5)	\$ —
Gain on re-measurement of the payable to founding members under the TRA	(103.6)	(88.6)	(192.2)
Total non-operating expenses	(33.8)	(107.1)	(140.9)
INCOME BEFORE INCOME TAXES	187.7	107.1	294.8
Income tax expense	129.0	51.3	180.3
CONSOLIDATED NET INCOME	58.7	55.8	114.5
NET INCOME ATTRIBUTABLE TO NCM, INC.	2.5	55.8	58.3

NET INCOME PER NCM, INC. COMMON SHARE:

Basic	\$ 0.04	\$ 0.85	\$ 0.89
Diluted	\$ 0.02	\$ 0.46	\$ 0.48

	Year Ended		
	December 29, 2016		
	As Reported	Change in Accounting Principle	As Adjusted
Accretion of interest on the discounted payable to founding members under the TRA	\$ 19.6	\$ (19.6)	\$ —
Loss on re-measurement of the payable to founding members under the TRA	1.0	0.2	1.2
Total non-operating expenses	83.5	(19.4)	64.1
INCOME BEFORE INCOME TAXES	89.5	19.4	108.9
Income tax expense	7.5	6.9	14.4
CONSOLIDATED NET INCOME	82.0	12.5	94.5
NET INCOME ATTRIBUTABLE TO NCM, INC.	20.4	12.5	32.9

NET INCOME PER NCM, INC. COMMON SHARE:

Basic	\$ 0.34	\$ 0.21	\$ 0.55
Diluted	\$ 0.34	\$ 0.20	\$ 0.54

The following table presents the effects of the change in accounting principle to the audited Consolidated Statements of Cash Flow for the years ended December 28, 2017 and December 29, 2016 (in millions):

	Year Ended		
	December 28, 2017		
	As Reported	Change in Accounting Principle	As Adjusted
Consolidated net income	\$ 58.7	\$ 55.8	\$ 114.5
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Deferred income tax expense	130.6	51.3	181.9
Accretion of interest on the discounted payable to founding members under the TRA	18.5	(18.5)	—
Non-cash gain on re-measurement of the payable to founding members under the TRA	(103.6)	(88.6)	(192.2)
Net cash provided by operating activities	138.9	—	138.9

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	Year Ended		
	December 29, 2016		
	As Reported	Change in Accounting Principle	As Adjusted
Consolidated net income	\$ 82.0	\$ 12.5	\$ 94.5
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Deferred income tax expense	9.8	6.9	16.7
Accretion of interest on the discounted payable to founding members under the TRA	19.6	(19.6)	—
Non-cash gain on re-measurement of the payable to founding members under the TRA	1.0	0.2	1.2
Net cash provided by operating activities	133.5	—	133.5

The change in accounting principle resulted in a decrease of \$13.9 million and \$0.7 million within the activity and a decrease of \$246.9 million and \$233.0 million in the ending balance of the additional paid in capital (deficit) balance for the years ended December 28, 2017 and December 29, 2016, respectively. These adjustments were within the ‘Income tax and other impacts of NCM LLC ownership changes’ line of the audited Consolidated Statements of Equity included herein.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

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 the Cinema Accelerator digital product. The Company also has a long-term agreement to exhibit the advertising of the founding members’ beverage suppliers.

National and regional advertising, including advertising under the beverage concessionaire and PSA agreements, are sold on a CPM basis. The Company recognizes national and regional advertising over time as impressions (or theater attendees) are delivered. National advertising is also sold to content partners. The content partners provide the Company with original entertainment content segments, typically 90 seconds in length, that are entertaining, informative, or educational in nature in the Noovie pre-show and they make commitments to buy a portion of the Company’s advertising inventory at a specified CPM. The Company recognizes revenue for the content segments ratably over time as the content segments air. Local advertising is sold on a per-screen, per-week basis and to a lesser extent on a CPM basis. The Company recognizes local on-screen advertising revenue over the period in which the advertising airs as dictated by the underlying sales contracts. When sold separately, LEN advertising and lobby promotions are sold based on length and breadth of the promotion. The Company recognizes revenue derived from lobby network and promotions over time when the advertising is displayed in theater lobbies. The Company sells online and mobile advertising on a CPM basis. The Company recognizes revenue from branded entertainment websites and mobile applications over time as the online or mobile impressions are served.

Customer contracts often include multiple advertising services to reach the moviegoer at multiple points during a theater experience. The Company considers each of these advertising services to represent distinct performance obligations of the contract and allocates a portion of the transaction price to each service based upon the standalone selling price of the service, when available. When standalone selling prices are not available or not applicable given the nature of the customer, the Company allocates the transaction price based upon all information that is reasonably available and maximizes the use of observable inputs. Methods utilized include the adjusted market and expected cost-plus margin approaches.

The Company enters into barter transactions that exchange advertising program time for products and services used principally for selling and marketing activities. The Company records barter transactions at the estimated fair value of the products and services received. Revenue for advertising barter transactions are recognized when advertising is provided, and products and services received are charged to expense when used. Revenue from barter transactions for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 was \$5.9 million, \$0.8 million and \$2.5 million, respectively. Expense recorded from barter transactions for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 was \$5.0 million, \$1.4 million and \$2.3 million, respectively.

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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. In rare cases, the Company will make a cash refund of the portion of the contract related to the undelivered impressions. Given the limited history of cash settlements of the make-good provision, the Company recognizes revenue on the guaranteed contracts as the impressions are delivered and no reserve for variable consideration is recorded. 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 Consolidated Balance Sheets. As of December 27, 2018 and December 28, 2017, the Company had a make-good provision of \$8.0 million and \$5.5 million, respectively.

The Company recognizes revenue as the performance obligation for the advertising services is satisfied. Invoices are generated following the processing of each revenue contract and payment is due from the customer within 30 days of the invoice date. Customers select to pay the invoice in full at the start of a contract or through equal monthly installments over the course of the contract. The Company records deferred revenue when cash payments are received, or invoices are issued, in advance of revenue being earned. Deferred revenue is classified as a current liability as it is expected to be earned within the next twelve months.

The Company has certain contracts with two-year terms that are noncancelable following a specified date within the contract period. The estimated revenue expected to be recognized in the future related to these contracted performance obligations that are unsatisfied (or partially unsatisfied) as of December 27, 2018, was \$60.3 million, which is expected to be recognized in 2019. 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 and regional; and beverage concessionaire. This method of disaggregation is in alignment with how revenue is reviewed by management and discussed with and historically disclosed to investors.

The following table summarizes revenue from contracts with customers for the years ended December 27, 2018, December 28, 2017 and December 29, 2016:

	Years ended		
	December 27, 2018	December 28, 2017	December 29, 2016
National advertising revenue	\$ 312.0	\$ 296.3	\$ 311.9
Local and regional advertising revenue	98.0	99.9	107.0
Founding member advertising revenue from beverage concessionaire agreements	31.4	29.9	28.7
Total revenue	<u>\$ 441.4</u>	<u>\$ 426.1</u>	<u>\$ 447.6</u>

Deferred Revenue and Unbilled Accounts Receivable

The changes in deferred revenue for the year ended December 27, 2018 were as follows (in millions):

	Year ended	
	December 27, 2018	
Balance at beginning of period	\$	(7.1)
Performance obligations satisfied		7.1
New contract liabilities		(7.3)
Balance at end of period	<u>\$</u>	<u>(7.3)</u>

Unbilled accounts receivable is classified as a current asset as it is expected to be billed within the next twelve months. As of December 27, 2018 and December 28, 2017, the Company had \$6.0 million and \$10.6 million in unbilled accounts receivable, included within the accounts receivable balance.

Practical Expedients and Exemptions

The Company expenses sales commissions when incurred as the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses in the audited Consolidated Statement of Income.

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The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

3. EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings 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 exchangeable NCM LLC common units using the treasury stock method. The components of basic and diluted earnings per NCM, Inc. share are as follows:

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Net income attributable to NCM, Inc. (in millions)	\$ 29.8	\$ 58.3	\$ 32.9
Net income attributable to NCM, Inc. following conversion of dilutive membership units (net of estimated taxes of \$22.2, \$42.5, and \$0.0)	\$ 58.0	\$ 72.0	\$ 32.9
Weighted average shares outstanding:			
Basic	76,859,087	65,226,817	59,788,026
Add: Dilutive effect of stock options, restricted stock, and exchangeable NCM LLC common membership units	80,544,823	85,840,453	817,544
Diluted	157,403,910	151,067,270	60,605,570
Earnings per NCM, Inc. share:			
Basic	\$ 0.39	\$ 0.89	\$ 0.55
Diluted	\$ 0.37	\$ 0.48	\$ 0.54

The diluted weighted average shares outstanding assumes the conversion of all founding member common units to NCM, Inc. shares for the years ended December 27, 2018 and December 28, 2017. Upon the conversion of all common units, all of consolidated NCM LLC net income would be attributable to NCM, Inc. and thus has been utilized as the numerator of the diluted EPS calculation. Consolidated NCM LLC net income has been tax effected utilizing NCM, Inc.'s effective tax rates of 44.1% and 75.6% for the years ended December 27, 2018 and December 28, 2017, respectively. The effect of the 77,020,686 exchangeable NCM LLC common membership units held by the founding members for the year ended December 29, 2016 was excluded from the calculation of diluted weighted average shares and earnings per NCM, Inc. share as it was antidilutive in that period. NCM LLC common membership units do not participate in dividends paid on NCM, Inc.'s common shares. In addition, there were 2,141,535, 2,583,196 and 16,657 stock options and non-vested (restricted) shares for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively, excluded from the calculation as they were antidilutive, primarily because exercise prices associated with those shares were above the average market value. 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.

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4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation (in millions):

	As of	
	December 27, 2018	December 28, 2017
Equipment, computer hardware and software	\$ 90.8	\$ 92.9
Leasehold improvements	2.4	4.0
Less: Accumulated depreciation	(62.5)	(70.4)
Subtotal	30.7	26.5
Construction in progress	2.9	4.2
Total property and equipment	\$ 33.6	\$ 30.7

For the years ended December 27, 2018, December 28, 2017 and December 29, 2016, the Company recorded depreciation expense of \$12.6 million, \$10.9 million, and \$8.6 million, respectively.

5. INTANGIBLE ASSETS

The Company’s intangible assets consist of contractual rights to provide its services within the theaters of the founding members and network affiliates. The Company records amortization using the straight-line method over the contractual life of the intangibles, corresponding to the term of the ESAs or the term of the contract with the network affiliate. The Company’s intangible assets with the founding members are recorded at the fair market value of NCM, Inc.’s publicly traded stock as of the date on which the common membership units were issued. The NCM LLC common membership units are fully convertible into NCM, Inc.’s common stock. The Company also records intangible assets for upfront fees paid to network affiliates upon commencement of a network affiliate agreement. Pursuant to ASC 350-10—*Intangibles—Goodwill and Other*, 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 contract with the network affiliate.

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.

If an existing on-screen advertising agreement with an alternative provider is in place with respect to any acquired 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 and Rave theaters are subject to an existing on-screen advertising agreement with an alternative provider, AMC and Cinemark 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. 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 ESA additionally entitles NCM LLC to payments related to the founding members’ on-screen advertising commitments under their beverage concessionaire agreements for encumbered theaters (“encumbered theater payments”). These payments are also accounted for as a reduction to the intangible asset. 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.

The following is a summary of the Company’s intangible asset’s activity (in millions) during 2018 and 2017:

	As of December 28, 2017	Additions (1)	Amortization	Integration and other encumbered theater payments (3)	As of December 27, 2018
Gross carrying amount	\$ 862.6	\$ 16.0	\$ —	\$ (21.4)	\$ 857.2
Accumulated amortization	(145.4)	—	(27.3)	—	(172.7)
Total intangible assets, net	\$ 717.2	\$ 16.0	\$ (27.3)	\$ (21.4)	\$ 684.5

	As of December 29, 2016	Additions (2)	Amortization	Integration and other encumbered theater payments (3)	As of December 28, 2017
Gross carrying amount	\$ 679.4	\$ 204.1	\$ —	\$ (20.9)	\$ 862.6
Accumulated amortization	(118.9)	—	(26.5)	—	(145.4)
Total intangible assets, net	\$ 560.5	\$ 204.1	\$ (26.5)	\$ (20.9)	\$ 717.2

(1) During the first quarter of 2018, NCM LLC issued 2,821,710 (3,736,860 issued, net of 915,150 returned) 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 2017 fiscal year and NCM LLC recorded a net intangible asset of \$15.9 million during the first quarter of 2018 as a result of the Common Unit Adjustment.

During 2018, the Company purchased intangible assets for \$0.1 million associated with network affiliate agreements.

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(2) During the first quarter of 2017, NCM LLC issued 2,351,029 common membership units to its founding members for the rights to exclusive access to net new theater screens and attendees added by the founding members to NCM LLC's network during 2016. During the first quarter of 2017, the Company issued 18,425,423 NCM LLC common membership units to AMC in respect of the annual attendance at the acquired Carmike theaters in accordance with the Common Unit Adjustment Agreement. AMC's acquisition of Carmike meets the criteria for a Common Unit Adjustment because it resulted in an extraordinary attendance increase of approximately 9.5%. Further, the Final Judgment required AMC to transfer advertising rights to 17 theaters from NCM LLC to another advertising provider. AMC surrendered 4,657,673 NCM LLC common membership units in respect of such theaters. The 4,657,673 NCM LLC common membership units were comprised of (i) 2,850,453 NCM LLC common membership units pursuant to the adjustment for divested theaters in the Common Unit Adjustment Agreement and (ii) an additional 1,807,220 NCM LLC common membership units valued at \$25.0 million to compensate for NCM LLC's lost operating income for these theaters during the 10-year term of the Final Judgment. NCM LLC recorded a net intangible asset of \$201.8 million in the first quarter of 2017 as a result of these Common Unit Adjustments.

During 2017, the Company purchased intangible assets for \$2.1 million associated with network affiliate agreements.

During 2017, the Company purchased intangible assets for \$0.2 million associated with acquired software.

(3) Carmike and Rave Cinemas had pre-existing advertising agreements for some of the theaters it owned prior to their acquisitions by AMC and Cinemark. As a result, AMC and Cinemark will make integration and other encumbered theater payments over the remaining term of those agreements. During the year ended December 27, 2018 and December 28, 2017, NCM LLC recorded a reduction to net intangible assets of \$21.4 million and \$20.9 million, respectively, related to integration and other encumbered theater payments due from AMC and Cinemark. During the year ended December 27, 2018 and December 28, 2017, AMC and Cinemark paid a total of \$22.7 million and \$12.9 million, respectively, related to integration and other encumbered theater payments.

As of December 27, 2018 and December 28, 2017, the Company's intangible assets related to the founding members, net of accumulated amortization was \$657.6 million and \$687.1 million, respectively with weighted average remaining lives of 18.2 years and 19.2 years as of December 27, 2018 and December 28, 2017, respectively.

As of December 27, 2018 and December 28, 2017, the Company's intangible assets related to the network affiliates, net of accumulated amortization was \$26.9 million and \$30.0 million, respectively with weighted average remaining lives of 10.0 years and 11.0 years as of December 27, 2018 and December 28, 2017, respectively.

As of December 27, 2018 and December 28, 2017, the Company's intangible assets related to acquired software, net of accumulated amortization was \$0.1 million and \$0.1 million, respectively with weighted average remaining lives of 1.5 years and 2.5 years as of December 27, 2018 and December 28, 2017, respectively.

For the years ended December 27, 2018, December 28, 2017 and December 29, 2016, the Company recorded amortization expense of \$27.3 million, \$26.5 million and \$27.0 million, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows (in millions):

Year	Amortization
2018	\$ 27.3
2019	27.1
2020	27.1
2021	26.8
2022	26.4

6. ACCRUED EXPENSES

The following is a summary of the Company's accrued expenses (in millions):

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	As of	
	December 27, 2018	December 28, 2017
Make-good reserve	\$ 8.0	\$ 5.5
Accrued interest	10.3	11.6
Deferred rent	0.2	0.8
Other accrued expenses	3.2	2.0
Total accrued expenses	\$ 21.7	\$ 19.9

7. INCOME TAXES

The Company is subject to taxation in the U.S. and various states. The Company's tax returns for the calendar years 2015 through 2017 remain open to examination by the IRS in their entirety. With respect to state taxing jurisdictions, the Company's tax returns for calendar years ended 2014 through 2017 are eligible for examination by various state revenue services.

Tax Receivable Agreement—On the IPO date, NCM, Inc. and the founding members entered into a TRA. Under the terms of this agreement, NCM, Inc. will make cash payments to the founding members in amounts equal to 90% of NCM, Inc.'s actual tax benefit realized from the tax amortization of the intangible assets described below. For purposes of the TRA, cash savings in income and franchise tax will be computed by comparing NCM, Inc.'s actual income and franchise tax liability to the amount of such taxes that NCM, Inc. would have been required to pay had there been no increase in NCM, Inc.'s proportionate share of tax basis in NCM LLC's tangible and intangible assets and had the TRA not been entered into. The TRA applies to NCM, Inc.'s taxable years up to and including the 30th anniversary date of the offering. The Company paid the founding members \$18.4 million in 2018 for the 2017 tax year, \$18.8 million in 2017 for the 2016 tax year, and \$25.3 million in 2016 (\$2.7 million was net operating loss carrybacks for the 2013 tax year and \$22.6 million for the 2015 tax year).

NCM, Inc. recorded a long-term payable to founding members related to the TRA. Changes in the tax rate each period led to a re-measurement of the payable resulting in decreases of \$3.8 million and \$192.2 million during the years ended December 27, 2018 and December 28, 2017, respectively, and an increase of \$1.2 million during the year ended December 29, 2016. The decrease of \$192.2 million during the year ended December 28, 2017 was related to Tax Reform, as described further below.

Provision for Income Taxes—The Company has provided total income taxes, as follows (in millions):

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Current:			
Federal	\$ (0.3)	\$ (1.6)	\$ (2.5)
State	0.5	—	0.2
Total current income tax (benefit)/expense	\$ 0.2	\$ (1.6)	\$ (2.3)
Deferred:			
Federal	\$ 13.2	\$ 142.1	\$ 15.0
State	10.1	39.8	1.7
Total deferred income tax expense	\$ 23.3	\$ 181.9	\$ 16.7
Total income tax provision on Consolidated Statements of Income	\$ 23.5	\$ 180.3	\$ 14.4

A reconciliation of the provision for income taxes as reported and the amount computed by multiplying income before taxes, less noncontrolling interest, by the U.S. federal statutory rate of 21.0% as of December 27, 2018 and 35.0% as of December 28, 2017 and December 29, 2016 was (in millions):

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	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Provision calculated at federal statutory income tax rate:			
Income before income taxes	\$ 21.8	\$ 102.6	\$ 37.9
Less: Noncontrolling interests	(10.6)	(19.7)	(21.6)
Income attributable to NCM, Inc.	11.2	82.9	16.3
Current year change to enacted federal and state rate (1)	6.5	92.2	(2.2)
State and local income taxes, net of federal benefit	2.6	8.7	2.0
NCM LLC income taxes	0.4	0.2	0.1
Share-based compensation	1.1	0.8	(0.1)
Uncertain tax positions (2)	(0.4)	(1.7)	(2.9)
Change in the valuation allowance	0.5	(4.2)	—
NCM LLC membership unit issuance to NCM, Inc.	0.2	0.5	0.9
Executive compensation	1.4	0.4	0.3
Other	—	0.5	—
Total income tax provision	<u>\$ 23.5</u>	<u>\$ 180.3</u>	<u>\$ 14.4</u>

(1) Refer to the discussion of the impact of the Tax Act within the ‘Tax Reform’ section below.

(2) During the year ended December 31, 2015, the Company established a reserve for material, known tax exposures of \$4.9 million, including accrued interest and penalties. The reserve relates to tax exposures from prior periods (2010 through 2014). During the years ended December 27, 2018, December 28, 2017, and December 29, 2016 the Company reversed approximately \$0.4 million of its reserve (\$0.3 million of unrecognized tax benefits and \$0.1 million of accrued interest and penalties), \$1.7 million of its reserve (\$1.3 million of income tax benefits and \$0.4 million of accrued interest and penalties) and \$2.9 million (\$2.3 million of income tax benefits and \$0.6 million of accrued interest and penalties), respectively, because the statute of limitations expired. Further information is provided below.

Deferred Tax Assets—Significant components of the Company’s deferred tax assets consisted of the following (in millions):

	Years Ended	
	December 27, 2018	December 28, 2017
Deferred tax assets:		
Investment in consolidated subsidiary NCM LLC (1)	\$ 233.5	\$ 266.0
Share-based compensation	3.0	3.7
Net operating losses	15.8	12.7
Accrued bonus	0.5	0.4
Other	1.2	1.3
Total gross deferred tax assets	<u>\$ 254.0</u>	<u>\$ 284.1</u>
Valuation allowance (1)	<u>(80.1)</u>	<u>(98.1)</u>
Total deferred tax assets, net of valuation allowance	<u>\$ 173.9</u>	<u>\$ 186.0</u>

(1) The Company recognized a deferred tax asset in the amount of \$233.5 million and \$266.0 million as of 2018 and 2017, respectively, associated with the basis difference in our investment in NCM LLC. However, a portion of the total basis difference will only reverse upon a sale of the Company’s interest in NCM LLC, which the Company expects would result in a capital loss for which no offsetting capital gain is expected. Therefore, as of December 27, 2018 and December 28, 2017 the Company has a valuation allowance in the amount of \$80.1 million and \$98.1 million, respectively, against the deferred tax asset to which this portion relates. The change in the valuation allowance from

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December 28, 2017 to December 27, 2018 was primarily driven by outside basis differences which do not impact tax expense and thus are not reflected within the rate reconciliation presented above.

During the year ended December 28, 2017, the Company recorded a reduction to its deferred tax assets of approximately \$32.2 million related to the tax affected difference between the tax basis and book basis of the intangible assets recorded for the extraordinary Common Unit Adjustment and offsetting integration payments, as discussed further in Note 5 – *Intangible Assets*, respectively. These items also resulted in a net reduction to additional paid-in capital of approximately \$32.2 million. Further, the Company recognized a deferred tax asset related to a tax basis note receivable of \$27.7 million in connection with the common membership unit redemptions that occurred in the third and fourth quarter of 2017, as discussed further in Note 9 – *Related Party Transactions*. Following the re-measurement of the deferred balances upon the application of the Tax Act, discussed further below, this deferred tax asset decreased to \$18.7 million as of December 28, 2017. The Company recognized an additional deferred tax asset of \$10.3 million in the third quarter of 2018 due to the sale of AMC's remaining LLC membership units to Cinemark and Regal. This increase was partially offset by the receipt of \$3.0 million related to the principal portion of integration payments for tax purposes for a balance as of December 27, 2018 of \$26.0 million.

Tax Reform— On December 22, 2017, the U.S. government enacted the Tax Act which makes broad and complex changes to the U.S. tax code that affected the Company's fiscal year ending December 27, 2018, including, but not limited to, (1) reducing the U.S. federal corporate tax rate, (2) allowing full expensing of qualified property, (3) creating a new limitation on deductible interest expense; (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017, and (5) limiting the amount of compensation that can be deducted for highly compensated officers by terminating the exclusion of performance-based compensation from the \$1 million per employee, per year limitation. Following the enactment of the Tax Act, the SEC staff issued SAB 118 which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. As of December 27, 2018, the Company has recorded the impact of the reduction in the corporate tax rate, bonus depreciation that will allow for immediate expensing of qualified property and the reduction in deductions related to executive compensation. The decrease in the U.S. federal corporate tax rate decreased NCM, Inc.'s blended state and federal rate from 38.58% during the year ended December 28, 2017 to 25.38% during the year ended December 27, 2018.

The Company recorded a \$191.0 million reduction to the 'Payable to founding members under the TRA' related to the reduction of the U.S. federal corporate tax rate. The reduction was recorded as a gain of \$191.0 million within non-operating income within the Consolidated Statements of Income. Additionally, the Company revalued its deferred balances utilizing the lower blended state and federal rate resulting in a reduction of the net deferred tax asset of \$92.2 million. The reduction of the net deferred tax asset was recorded as an increase in deferred tax expense. The expected payments to the founding members under the TRA during 2019, as presented within the current payable to founding members under the TRA balance within the Consolidated Balance Sheet, decreased \$8.1 million due to the decrease in the U.S. federal corporate tax rate under the Tax Act.

Carryforwards— As of December 27, 2018, the Company had gross federal net operating loss carryforwards of approximately \$59.0 million, which expire in 2035 through 2038. As of December 27, 2018, the Company had gross state net operating loss carryforwards of approximately \$68.0 million, which expire at various dates between 2018 and 2038. As of December 27, 2018, the Company had gross federal and state research and experimentation tax credit carryforwards of approximately \$1.1 million, which expire at various dates between 2029 and 2038.

Uncertain Tax Positions— The Company has established a reserve for material, known tax exposures. As of December 27, 2018 and December 28, 2017, the total amount of the tax reserve was \$0.0 million and \$0.3 million, including accrued interest and penalties, respectively. During the year ended December 27, 2018, the Company reversed approximately \$0.4 million of its contingency reserve (\$0.3 million of unrecognized tax benefits and \$0.1 million of accrued interest and penalties) because the statute of limitations expired.

Unrecognized tax benefits represent the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the audited Consolidated Financial Statements. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows (in millions):

	Years Ended	
	December 27, 2018	December 28, 2017
Balance at beginning of period	\$ 0.3	\$ 1.6
Reductions based on the lapse of applicable statute of limitations	(0.3)	(1.3)
Balance at end of period	\$ —	\$ 0.3

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The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$0.0 million and \$0.3 million as of December 27, 2018 and December 28, 2017, respectively, excluding interest and penalties. The Company has accrued \$0.0 million and \$0.3 million for the payment of interest and penalties as of December 27, 2018 and December 28, 2017, respectively.

The Company recognizes interest and penalties with respect to unrecognized tax benefits in income tax expense in the Consolidated Statements of Income and records the liability in income taxes payable in the Consolidated Balance Sheets in accordance with ASC 740. The Company recognized \$0.0 million, \$0.0 million and \$0.6 million in interest and penalties during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively.

8. EQUITY

As of December 27, 2018, the Company has authorized capital stock of 175,000,000 shares of common stock, par value of \$0.01 per share, and 10,000,000 shares of preferred stock, par value of \$0.01 per share. There were no shares of preferred stock issued or outstanding as of December 27, 2018. There were 76,976,398 shares of common stock issued and outstanding as of December 27, 2018.

The holders of NCM, Inc. common stock are entitled to one vote per share on all matters submitted for action by the NCM, Inc. stockholders. Holders of common stock are entitled to share equally, share for share, in declared dividends.

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. These additional shares may be used for a variety of corporate purposes, including share based compensation, future public offerings to raise additional capital, corporate acquisitions and exchange on a one-for-one basis under the founding members' right to convert their NCM LLC membership units into Company common stock.

NCM LLC's founding members received all proceeds from NCM, Inc.'s IPO and related issuances of debt, except for amounts needed to pay out-of-pocket costs of the financings and other expenses. The ESAs with the founding members were amended and restated in conjunction with the IPO under which NCM LLC became the exclusive provider of advertising services to the founding members for a 30-year term. In conformity with accounting guidance of the SEC concerning monetary consideration paid to promoters, such as the founding members, in exchange for property conveyed by the promoters, the excess over predecessor cost was treated as a special distribution. Because the founding members had no cost basis in the ESAs, nearly all payments to the founding members with the proceeds of the IPO and related debt, have been accounted for as distributions. The distributions by NCM LLC to the founding members made at the date of the IPO resulted in a consolidated stockholders' deficit. As a noncontrolling interest cannot be shown as an asset, the founding members' interest in NCM LLC's members equity is included in distributions in excess of paid in capital in the accompanying Consolidated Balance Sheets.

9. RELATED PARTY TRANSACTIONS

Founding Member Transactions— In connection with NCM, Inc.'s 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. Following the sale of 100.0% of AMC's remaining NCM LLC membership units to Cinemark and Regal, AMC remains a party to the ESA, Common Unit Adjustment Agreement, TRA and certain other original agreements, and AMC will continue to participate in the annual Common Unit Adjustment, receive TRA payments, receive theater access fee payments, and make payments under the beverage concessionaire agreements, among other things. AMC is not currently a member under the terms of the NCM LLC Operating Agreement and will not receive available cash distributions or allocation of earnings and losses in NCM LLC, unless it receives NCM LLC membership units pursuant to a Common Unit Adjustment. Further, the sale does not impact future integration payments and other encumbered theater payments owed to NCM LLC by AMC. AMC is considered a related party through the divestiture date (July 5, 2018) and related party transactions with AMC through this period are included within the disclosures below.

- **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 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 to 60 seconds of advertising included in the *Noovie* pre-show is sold to the 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.
- **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

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construction of new theaters or sale 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 the 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 the founding members, if any.

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

Included in the Consolidated Statements of Income: (1)	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
<u>Revenue:</u>			
Beverage concessionaire revenue (included in advertising revenue) (2)	\$ 28.4	\$ 29.9	\$ 28.7
Advertising inventory revenue (included in advertising revenue) (3)	—	—	0.4
<u>Operating expenses:</u>			
Theater access fee (4)	69.0	76.5	75.1
Purchase of movie tickets and concession products and rental of theater space (included in selling and marketing costs) (5)	1.1	2.1	1.6
Purchase of movie tickets and concession products and rental of theater space (included in advertising operating costs)	0.1	0.1	—
Purchase of movie tickets and concession products and rental of theater space (included in other administrative and other costs)	—	—	0.1
<u>Non-operating expenses:</u>			
Interest income from notes receivable (included in interest income) (6)	0.3	0.6	0.8

- (1) AMC is no longer considered a related party as of July 5, 2018, as described further above. As such, the figures within the table above only include related party activity with AMC for the first six months of 2018.
- (2) For the full years ended December 27, 2018, December 28, 2017 and December 29, 2016, two of the founding members purchased 60 seconds of on-screen advertising time and one founding member purchased 30 seconds (with all three founding members having a right to purchase up to 90 seconds) from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a 30 second equivalent CPM rate specified by the ESA.
- (3) The value of such purchases is calculated by reference to NCM LLC's advertising rate card.
- (4) 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.
- (5) Used primarily for marketing to NCM LLC's advertising clients.
- (6) Refer to the discussion of the Fathom Events sale under AC JV, LLC transactions below.

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Included in the Consolidated Balance Sheets:	As of	
	December 27, 2018	December 28, 2017
Current portion of note receivable (1) (2)	\$ 4.2	\$ 4.2
Long-term portion of note receivable (2)	—	4.1
Interest receivable on notes receivable (included in other current assets) (2)	0.1	—
Common unit adjustments, net of amortization and integration payments (included in intangible assets) (3)	657.6	687.1
Current payable to founding members under the TRA (1) (4) (5)	11.2	19.6
Long-term payable to founding members under the TRA (1) (4) (5)	141.1	212.6

(1) AMC is no longer considered a related party as of July 5, 2018, as described further above. As such, the figures within the table above only include related party activity with AMC for the first six months of 2018.

(2) Refer to the discussion of the Fathom Events sale under AC JV, LLC transactions below.

(3) Refer to Note 5—*Intangible Assets* for further information on common unit adjustments and integration payments.

(4) The Company paid the founding members \$18.4 million in payments pursuant to the TRA during 2018 which was for the 2017 tax year. The Company paid the founding members \$18.8 million in 2017 which was for the 2016 tax year.

(5) These balances have been recast following the adoption of the change in accounting principle discussed within Note 1—*Basis of Presentation and Summary of Significant Accounting Policies*.

At the date of the Company's IPO, NCM LLC was granted a perpetual, royalty-free license from the 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 the founding members, if any.

Pursuant to the terms of the NCM LLC Operating Agreement in place since the completion of the IPO, NCM LLC is required to make mandatory distributions on a proportionate basis to its members of available cash, as defined in the NCM LLC Operating Agreement, on a quarterly basis in arrears. Mandatory distributions for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 are as shown within the table below (in millions). The amount presented within the tables for the distribution paid to AMC for the year ended December 27, 2018 represents only the distribution for the three months ended March 29, 2018 to AMC. AMC's distribution for the three months ended June 28, 2018 was paid to Cinemark and Regal to accommodate agreements between AMC and each of Cinemark and Regal. Further, there was no distribution to AMC for the three months ended September 27, 2018 and December 27, 2018 as they had no ownership in these periods.

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
AMC	\$ 2.2	\$ 27.1	\$ 23.6
Cinemark	34.3	29.1	25.4
Regal	35.8	28.8	26.1
Total founding members	72.3	85.0	75.1
NCM, Inc.	69.1	75.9	57.5
Total	\$ 141.4	\$ 160.9	\$ 132.6

The mandatory distributions of available cash by NCM LLC to its founding members for the quarter ended December 27, 2018 of \$27.9 million, is included in amounts due to founding members in the Consolidated Balance Sheets as of December 27, 2018 and will be made in the first quarter of 2019. The distributions to NCM, Inc. are eliminated in consolidation.

Amounts due to founding members, net as of December 27, 2018 were comprised of the following (in millions):

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	Cinemark	Regal	Total
Theater access fees, net of beverage revenues and other encumbered theater payments	\$ 1.0	\$ 1.5	\$ 2.5
Distributions payable to founding members	13.7	14.2	27.9
Integration payments due from founding members	(0.4)	—	(0.4)
Total amounts due (from) to founding members, net	<u>\$ 14.3</u>	<u>\$ 15.7</u>	<u>\$ 30.0</u>

Amounts due to founding members, net as of December 28, 2017 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theater access fees, net of beverage revenues and other encumbered theater payments	\$ 1.5	\$ 1.0	\$ 1.5	\$ 4.0
Distributions payable to founding members	10.8	13.5	13.3	37.6
Integration payments due from founding members	(8.5)	(0.4)	—	(8.9)
Total amounts due to founding members, net	<u>\$ 3.8</u>	<u>\$ 14.1</u>	<u>\$ 14.8</u>	<u>\$ 32.7</u>

Common Unit Membership Redemption and AMC Mandatory Ownership Divestitures— The NCM LLC Operating Agreement provides a redemption right of the founding members to exchange common membership units of NCM LLC for shares of the Company’s common stock on a one-for-one basis, or at the Company’s option, a cash payment based on the three-day variable weighted average closing price of NCM, Inc.’s common stock prior to the redemption date. In December 2016, AMC agreed to a proposed final judgment in a lawsuit brought by the DOJ in connection with AMC’s acquisition of Carmike. Pursuant to the final judgment, AMC was required to divest the majority of its equity interests in NCM LLC and NCM, Inc., based upon a predetermined schedule so that by June 20, 2019 it owned no more than 4.99% of NCM LLC’s common membership units and NCM, Inc. common stock, taken together, on a fully converted basis (“NCM’s outstanding equity interests”). During the year ended December 28, 2017, AMC exercised the redemption right of an aggregate 15.6 million common membership units for a like number of shares of NCM, Inc.’s common stock. Pursuant to ASC 810-10-45, the Company accounted for the change in its ownership interest in NCM LLC as an equity transaction whereby, the issuance of shares of NCM, Inc. common stock were offset by the purchase of NCM LLC’s (a subsidiary’s) equity within the Consolidated Statement of Equity. Further, no gain or loss was recognized in the Consolidated Statements of Income. During the years ended December 27, 2018 and December 28, 2017, AMC sold 1.0 million and 14.8 million shares of NCM, Inc., respectively. The Company did not receive any proceeds from the sale of its common stock by AMC. During the years ended December 27, 2018, December 28, 2017 and December 29, 2016, AMC received cash dividends of approximately \$0.3 million, \$0.1 million and \$0.2 million, respectively, on its shares of NCM, Inc. common stock. AMC sold the remaining 21,477,480 NCM LLC membership units to Cinemark and Regal in July 2018. As of December 27, 2018, AMC did not own any of NCM’s outstanding equity interests.

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. 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 receivable bear interest at a fixed rate of 5.0% per annum, compounded annually. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing. Future minimum principal payments under the notes receivable as of December 27, 2018 are \$5.6 million which is due in 2019.

NCM LLC’s investment in AC JV, LLC was \$0.9 million and \$1.0 million as of December 27, 2018 and December 28, 2017, respectively. 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. During the years ended December 27, 2018, December 28, 2017 and December 29, 2016, NCM LLC received a cash distribution from AC JV, LLC of \$0.2 million, \$0.3 million and \$0.2 million, respectively. NCM LLC recorded equity in earnings for AC JV, LLC of \$0.2 million, \$0.3 million and \$0.0 million during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively, which are included in other non-operating expense in the audited Consolidated Statements of Income.

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In connection with the sale, NCM LLC entered into a transition services agreement to provide certain corporate overhead services for a fee and reimbursement for the use of facilities and certain services including creative, technical event management and event management for the newly formed limited liability company. In addition, NCM LLC entered into a services agreement with a term coinciding with the ESAs, which grants the newly formed limited liability company advertising on-screen and on the LEN and a pre-feature program prior to Fathom events reasonably consistent with what was previously dedicated to Fathom. NCM LLC has also agreed to provide creative and media production services for a fee. NCM LLC received \$0.2 million, \$0.3 million and \$0.2 million during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively, for these services, which are included as an offset to network costs in the audited Consolidated Statements of Income.

10. BORROWINGS

The following table summarizes NCM LLC's total outstanding debt as of December 27, 2018 and December 28, 2017 and the significant terms of its borrowing arrangements:

Borrowings (\$ in millions)	Outstanding Balance as of		Maturity Date	Interest Rate
	December 27, 2018	December 28, 2017		
Senior secured notes due 2022	\$ 400.0	\$ 400.0	April 15, 2022	6.000%
Revolving credit facility	27.0	12.0	June 20, 2023	(1)
Term loans	269.4	270.0	June 20, 2025	(1)
Senior unsecured notes due 2026	235.0	250.0	August 15, 2026	5.750%
Total borrowings	931.4	932.0		
Less: Debt issuance costs related to term loans and senior notes	(7.8)	(8.7)		
Total borrowings, net	923.6	923.3		
Less: current portion of debt	(2.7)	—		
Carrying value of long-term debt	\$ 920.9	\$ 923.3		

(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 to replace NCM LLC's previous senior secured credit facility, dated as of February 13, 2007, as amended (the "previous facility"). Consistent with the structure of the previous facility, the new agreement consists of a term loan facility and a revolving credit facility. As of December 27, 2018, NCM LLC's new senior secured credit facility consisted of a \$175.0 million revolving credit facility and a \$269.4 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. During the second quarter of 2018, the Company capitalized approximately \$6.5 million of debt issuance costs related to the new revolving credit facility and the term loan. The Company also recognized \$1.2 million in non-operating loss related to the write-off of capitalized debt issuance costs related to the previous facility and recognition of debt issuance costs that did not qualify for capitalization.

Revolving Credit Facility – The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. As of December 27, 2018, NCM LLC's total availability under the \$175.0 million revolving credit facility was \$143.2 million, net of \$27.0 million outstanding and \$4.8 million letters of credit. The unused line fee is 0.50% per annum which is consistent with the previous facility. Borrowings under the revolving credit facility bear interest at NCM LLC's option of either the LIBOR index plus an applicable margin ranging from 1.75% to 2.25% or the base rate plus an applicable margin ranging from 0.75% to 1.25%. The margin changed to the aforementioned range from a fixed margin of LIBOR index plus 2.00% or the base rate plus 1.00%. The applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC (the ratio of secured funded debt less unrestricted cash and cash equivalents of up to \$100.0 million, divided by Adjusted OIBDA). The revolving credit facility will mature on June 20, 2023 contingent upon the refinancing of NCM LLC's Notes due 2022 (defined below, see "Senior Secured Notes due 2022") on or prior to October 30, 2021. If the Notes due 2022 are not refinanced on or prior to October 30, 2021, then the revolving credit facility will instead mature on December 30, 2021. The weighted-average interest rate on the outstanding balance on the revolving credit facility as of December 27, 2018 was 4.9%.

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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 rate increased from LIBOR index plus 2.75% or the base rate plus 1.75%. The weighted-average interest rate on the term loans as of December 27, 2018 was 5.5%. The term loan amortizes at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of December 27, 2018, NCM LLC has paid a principal of \$0.6 million, reducing the outstanding balance to \$269.4 million. The term loan will mature on June 20, 2025 contingent upon the refinancing of the Notes due 2022 on or prior to October 30, 2021. If the Notes due 2022 are not financed on or prior to October 30, 2021, then the term loan will instead mature on December 30, 2021.

The senior secured credit facility contains a number of covenants and financial ratio requirements, including (i) a consolidated net total leverage ratio covenant of 6.25 times for each 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 has occurred and continues to occur under the senior secured credit facility. As of December 27, 2018, the NCM LLC’s consolidated net senior secured leverage ratio was 3.10 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 4.20 times (versus the covenant of 6.25 times).

Senior Secured Notes due 2022 – On April 27, 2012, NCM LLC completed a private placement of \$400.0 million in aggregate principal amount of 6.00% Senior Secured Notes (the “Notes due 2022”). The Notes due 2022 pay interest semi-annually in arrears on April 15 and October 15 of each year, which commenced October 15, 2012. The Notes due 2022 were issued at 100% of the face amount thereof and are senior secured obligations of NCM LLC, rank the same as NCM LLC’s senior secured credit facility, subject to certain exceptions, and share in the same collateral that secures NCM LLC’s obligations under the senior secured credit facility.

NCM LLC may redeem all or any portion of the Notes due 2022, at once or over time, on or after April 15, 2017 at specified redemption prices, plus accrued and unpaid interest, if any, to the redemption date. Upon the occurrence of a Change of Control (as defined in the Indenture), NCM LLC will be required to make an offer to each holder of Notes due 2022 to repurchase all of such holder’s Notes due 2022 for a cash payment equal to 101.00% of the aggregate principal amount of the Notes due 2022 repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indenture contains covenants that, among other things, restrict NCM LLC’s ability and the ability of its restricted subsidiaries, if any, to: (1) incur additional debt; (2) make distributions or make certain other restricted payments; (3) make investments; (4) incur liens; (5) sell assets or merge with or into other companies; and (6) enter into transactions with affiliates. All of these restrictive covenants are subject to a number of important exceptions and qualifications. In particular, NCM LLC has the ability to distribute all of its quarterly available cash as a restricted payment or as an investment, if it meets a minimum net senior secured leverage ratio. NCM LLC was in compliance with these non-maintenance covenants as of December 27, 2018.

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 due 2026 (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 and will be effectively subordinated to all existing and future secured debt, including the Notes due 2022, its senior secured credit facility and any future asset backed loan facility. The Notes due 2026 will rank equally in right of payment with all of NCM LLC’s existing and future senior indebtedness, including the Notes due 2022, NCM LLC’s existing senior secured credit facility, any future asset backed loan facility, in each case, without giving effect to collateral arrangements. The Notes due 2026 will be effectively subordinated to all liabilities of any subsidiaries that NCM LLC may form or acquire in the future, unless those subsidiaries become guarantors of the Notes due 2026. NCM LLC does not currently have any subsidiaries, and the Notes due 2026 will not be guaranteed by any subsidiaries that NCM LLC may form or acquire in the future except in very limited circumstances. During 2018, NCM LLC repurchased and canceled a total of \$15.0 million of the Notes due 2026, reducing the principal amount to \$235.0 million as of December 27, 2018. This repurchase was treated as a partial debt extinguishment and resulted in the realization of a non-operating gain, net of written off debt issuance costs, of \$0.6 million during the year ended December 27, 2018.

NCM LLC may redeem all or any portion of the Notes due 2026 prior to August 15, 2021, at once or over time, at 100% of the principal amount plus the applicable make-whole premium, plus accrued and unpaid interest, if any, to the redemption date. NCM LLC may redeem all or any portion of the Notes due 2026, at once or over time, on or after August 15, 2021 at specified redemption prices, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to August 15, 2019, NCM LLC may on any one or more occasions redeem up to 35% of the original aggregate principal amount of Notes due 2026 from the net proceeds of certain equity offerings at a redemption price equal to 105.750% of the principal

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amount of the Notes due 2026 redeemed, plus accrued and unpaid interest, if any to the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture), NCM LLC will be required to make an offer to each holder of the Notes due 2026 to repurchase all of such holder's Notes due 2026 for a cash payment equal to 101.00% of the aggregate principal amount of the Notes due 2026 repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indenture contains covenants that, among other things, restrict NCM LLC's ability and the ability of its restricted subsidiaries, if any, to: (1) incur additional debt; (2) make distributions or make certain other restricted payments; (3) make investments; (4) incur liens; (5) sell assets or merge with or into other companies; and (6) enter into transactions with affiliates. All of these restrictive covenants are subject to a number of important exceptions and qualifications. In particular, NCM LLC has the ability to distribute all of its quarterly available cash as a restricted payment or as an investment, if it meets a minimum net senior secured leverage ratio. NCM LLC was in compliance with these non-maintenance covenants as of December 27, 2018.

Future Maturities of Borrowings – The scheduled annual maturities on the Senior Secured Credit Facility, Notes due 2022 and Notes due 2026 as of December 27, 2018 are as follows (in millions):

Year	Amount
2019	\$ 2.7
2020	2.7
2021	2.7
2022	402.7
2023	29.7
Thereafter	490.9
Total	\$ 931.4

11. SHARE-BASED COMPENSATION

The NCM, Inc. 2016 Equity Incentive Plan (the "2016 Plan") reserves 4,400,000 shares of common stock available for issuance or delivery under the 2016 Plan, of which 2,812,787 shares remain available for future grants as of December 27, 2018 (assuming 100% achievement of targets on performance-based restricted stock). The Company began issuing shares under the 2016 Plan in the second quarter of 2016, following its approval by NCM, Inc.'s stockholders. The 2016 Plan replaced NCM, Inc.'s 2007 Equity Incentive Plan (the "2007 Plan"), which was set to expire by its terms in February 2017. The shares of common stock that were available for issuance under the 2007 Plan are no longer available for issuance following the approval of the 2016 Plan. Any forfeitures of shares granted pursuant to the 2007 Plan will be cancelled and not available for future grant. The types of awards that may be granted under the 2016 Plan include stock options, stock appreciation rights, restricted stock, restricted stock units or other stock based awards. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the 2007 Plan and the 2016 Plan. Upon vesting of the restricted stock awards or exercise of options, NCM LLC will issue common membership units to the Company equal to the number of shares of the Company's common stock represented by such awards.

Compensation Cost—The Company recognized \$7.8 million, \$11.2 million and \$18.3 million for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively, of share-based compensation expense within network costs, selling and marketing costs and administrative and other costs in the Consolidated Statements of Income as shown in the table below.

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
Share-based compensation costs included in network costs	\$ 0.6	\$ 1.0	\$ 1.1
Share-based compensation costs included in selling and marketing costs	2.5	4.1	6.0
Share-based compensation costs included in administrative and other costs (1)	4.7	6.1	11.2
Total share-based compensation costs	\$ 7.8	\$ 11.2	\$ 18.3

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(1) Includes \$0.0 million, \$0.0 million, and \$2.3 million of expense associated with the modification of certain former executive equity awards during the years ended December 27, 2018, December 28, 2017, and December 29, 2016, respectively, as described further below.

During the years ended December 27, 2018, December 28, 2017 and December 29, 2016, \$0.2 million, \$0.3 million and \$0.5 million was capitalized, respectively, in a corresponding manner to the capitalization of employee's salaries for capitalized labor. The income tax benefit recognized in the income statement for share-based compensation was approximately \$1.7 million, \$3.0 million, and \$2.5 million for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. As of December 27, 2018, there was no unrecognized compensation cost related to unvested options, as stock options were fully vested as of December 27, 2018. As of December 27, 2018, unrecognized compensation cost related to restricted stock and restricted stock units was approximately \$5.2 million, which will be recognized over a weighted average remaining period of 1.6 years.

Stock Options— The Company has not granted stock options since 2012 and as of December 27, 2018 all options are fully vested. Stock options awarded under the 2007 Plan were granted with an exercise price equal to the closing market price of NCM, Inc. common stock on the date the Company's Board of Directors approved the grant. Options have either 10-year or 15-year contractual terms. The intrinsic value of options exercised during the year was \$0.0 million, \$0.1 million and \$0.1 million for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. A summary of option award activity under the 2007 Plan as of December 27, 2018, and changes during the year then ended are presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 28, 2017	2,165,181	\$ 16.47	—	\$ —
Forfeited	(123,953)	\$ 16.94		
Expired	(90,478)	\$ 16.14		
Outstanding as of December 27, 2018	1,950,750	\$ 16.45	2.0	\$ —
Exercisable as of December 27, 2018	1,950,750	\$ 16.45	2.0	\$ —
Vested and expected to vest as of December 27, 2018	1,950,750	\$ 16.45	2.0	\$ —

Restricted Stock and Restricted Stock Units—Under the non-vested stock program, common stock of the Company may be granted at no cost to officers, independent directors and employees, subject to requisite service and/or financial performance targets. As such restrictions lapse, the award vests in that proportion. The participants are entitled to dividend equivalents and to vote their respective shares (in the case of restricted stock), although the sale and transfer of such shares is prohibited and the shares are subject to forfeiture during the restricted period. Additionally, the accrued dividend equivalents are subject to forfeiture during the restricted period should the underlying shares not vest. As of December 27, 2018 and December 28, 2017, accrued dividend equivalents totaled \$1.6 million and \$3.0 million, respectively and during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, the Company paid \$2.1 million, \$2.1 million and \$1.9 million, respectively, for dividend equivalents upon vesting of the restricted stock and restricted stock units. The Company has issued time-based restricted stock to its employees which vests over a three-year period with one-third vesting on each anniversary of the date of grant and performance-based restricted stock which vests following a three-year measurement period to the extent that the Company achieves specified non-GAAP targets at the end of the measurement period. The Company also grants restricted stock units to its non-employee directors that vest after approximately one year. The grant date fair value of restricted stock and restricted stock units is based on the closing market price of NCM, Inc. common stock on the date of grant. An annual forfeiture rate of 2-6% was estimated to reflect the potential separation of employees. The weighted average grant date fair value of non-vested stock was \$6.65, \$14.34 and \$15.03 for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. The total fair value of awards vested was \$15.5 million, \$17.3 million and \$14.7 million during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively.

A summary of restricted stock award and restricted stock unit activity as of December 27, 2018, and changes during the year then ended are presented below:

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	Number of Restricted Shares and Restricted Stock Units	Weighted Average Grant-Date Fair Value
Non-vested balance as of December 28, 2017	2,308,962	\$ 14.70
Granted	1,019,173	\$ 6.65
Vested (1)	(1,067,615)	\$ 14.55
Forfeited	(434,537)	\$ 10.24
Non-vested balance as of December 27, 2018	1,825,983	\$ 11.31

(1) Includes 333,439 vested shares that were withheld to cover tax obligations and were subsequently canceled.

The above table reflects performance-based restricted stock granted at 100% achievement of performance conditions and as such does not reflect the maximum or minimum number of shares of performance-based restricted stock contingently issuable. An additional 535,629 shares of restricted stock could be issued if the performance criteria maximums are met. As of December 27, 2018, the total number of restricted stock and restricted stock units that are ultimately expected to vest, after consideration of expected forfeitures and current projections of estimated vesting of performance-based restricted stock is 1,259,308 shares.

Executive Equity Modification—On January 1, 2016, the Company’s former Chief Executive Officer resigned and in connection with his resignation, NCM, Inc. entered into a Separation and General Release Agreement and a Consulting Agreement, whereby, the executive will continue to perform consulting services through January 31, 2018 and certain modifications were made to the executive’s outstanding stock awards. The executive’s outstanding stock options were modified such that the timeframe to exercise the options was extended to the original expiration date and certain performance-based restricted stock awards were converted to time-based restricted stock, with all restricted stock continuing to vest during the consulting period.

Per ASC Topic 718-10-35-3, a modification of the terms or conditions of an equity award shall be treated as an exchange of the original award for a new award. The effects of a modification should be measured as follows: (a) incremental compensation cost shall be measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, (b) total recognized compensation cost for an equity shall at least equal the fair value of the award at the grant date unless at the date of the modification the performance or service conditions of the original award are not expected to be satisfied and (c) a change in compensation cost for an equity award measured at intrinsic value shall be measured by comparing the intrinsic value of the modified award, if any, with the intrinsic value of the original award, if any, immediately before the modification. These modifications resulted in compensation expense of \$2.3 million during the year ended December 29, 2016. Further, the Company continued to recognize share-based compensation costs on the awards related to service during the consulting period and re-measured the fair value of the outstanding awards at each reporting period during the term of the consulting services, in accordance with ASC Topic 505-50, *Equity-Based Payments to Non-Employees*.

12. EMPLOYEE BENEFIT PLANS

The Company sponsors the NCM 401(k) Profit Sharing Plan (the “Plan”) under Section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of substantially all full-time employees. The Plan provides that participants may contribute up to 20% of their compensation, subject to Internal Revenue Service limitations. Employee contributions are invested in various investment funds based upon election made by the employee. The Company made discretionary contributions of \$1.2 million, \$1.2 million and \$1.3 million during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively.

13. 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 and in aggregate, on its financial position, results of operations or cash flows.

Operating Commitments— The Company leases office facilities for its headquarters in Centennial, Colorado and also in various cities for its sales and marketing and software development personnel. Total lease expense for the years ended December 27, 2018, December 28, 2017 and December 29, 2016, was \$3.8 million, \$2.2 million and \$2.3 million, respectively. During the year ended December 28, 2017, the Company recorded a \$1.8 million of expense for an early lease termination fee. The fee was reimbursed by the landlord of the Company’s new building, which is being treated as a lease incentive and

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amortized over the term of the new lease. Future minimum lease payments under noncancelable operating leases as of December 27, 2018 are as follows (in millions):

Year	Minimum Lease Payments	
2019	\$	3.5
2020		3.3
2021		3.4
2022		3.4
2023		3.4
Thereafter		22.1
Total	\$	39.1

Minimum Revenue Guarantees—As part of the network affiliate agreements entered into in the ordinary course of business under which the Company sells advertising for display in various network affiliate 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 December 27, 2018, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is \$70.8 million over the remaining terms of the network affiliate agreements. These minimum guarantees relate to various affiliate agreements ranging in term from one to twenty years, prior to any renewal periods of which some are at the option of the Company. During the year ended December 27, 2018 and December 28, 2017, the Company paid \$0.7 million and \$0.1 million, respectively, related to these minimum guarantees. As of December 27, 2018 and December 28, 2017, the Company had \$0.1 million and \$0.0 million in liabilities recorded for these obligations, as such guarantees are less than the expected share of revenue paid to the affiliate.

Theater Access Fee Guarantees—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 the next increase taking effect in fiscal year 2022. 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 December 27, 2018 and December 28, 2017, the Company had no liabilities recorded for the minimum payment, as the theater access fee was in excess of the minimum.

14. FAIR VALUE MEASUREMENTS

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

Long-Lived Assets, Intangible Assets, Other Investments and Notes Receivable—As described in Note 1—*Basis of Presentation and Summary of Significant Accounting Policies*, the Company regularly reviews long-lived assets (primarily property, plant and equipment), intangible assets, investments accounted for under the cost or equity method and notes receivable for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When the estimated fair value is determined to be lower than the carrying value of the asset, an impairment charge is recorded to write the asset down to its estimated fair value.

Other investments consisted of the following (in millions):

	As of	
	December 27, 2018	December 28, 2017
Investment in AC JV, LLC (1)	\$ 0.9	\$ 1.0
Other investments (2)	2.1	2.5
Total	\$ 3.0	\$ 3.5

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- (1) Refer to Note 9—*Related Party Transactions*.
- (2) The Company received equity securities in privately held companies as consideration for a portion of advertising contracts. The equity securities were accounted for under the cost method and represent an ownership of less than 20%. The Company does not exert significant influence on these companies' operating or financial activities.

During the years ended December 27, 2018, December 28, 2017 and December 29, 2016, the Company recorded impairment charges of \$0.4 million, \$3.1 million and \$0.7 million, respectively, on certain of its investments due to a significant deterioration in the business prospects of the investee or new information regarding the fair value of the investee, which brought the total remaining value of the respective impaired investments to \$0.0 million as of December 27, 2018 and \$0.1 million as of December 28, 2017. As of December 27, 2018, no other observable price changes or impairments have been recorded as a result of the Company's qualitative assessment of identified events or changes in the circumstances of the remaining investments. The investment in AC JV 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. Refer to Note 1—*Basis of Presentation and Summary of Significant Accounting Policies* for more details. As the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, they have been classified as Level 3 in the fair value hierarchy.

As of December 27, 2018 and December 28, 2017, the Company had notes receivable totaling \$5.6 million and \$8.3 million, respectively, from its founding members related to the sale of Fathom Events, as described in Note 9—*Related Party Transactions*. These notes were initially valued using comparative market multiples. There were no identified events or changes in circumstances that had a significant adverse effect on the fair value of the notes receivable. The notes are classified as Level 3 in the fair value hierarchy as the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs.

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

	As of December 27, 2018		As of December 28, 2017	
	Carrying Value	Fair Value (1)	Carrying Value	Fair Value (1)
Term loans	\$ 269.4	\$ 261.2	\$ 270.0	\$ 270.8
Senior Notes due 2022	400.0	401.8	400.0	407.3
Senior Notes due 2026	235.0	211.0	250.0	235.0

- (1) The Company has estimated the fair value on an average of at least two non-binding broker quotes and the Company's analysis. If the Company were to measure the borrowings in the above table at fair value on the balance sheet they would be classified as Level 2.

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 December 27, 2018	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)	\$ 18.2	\$ 11.2	\$ 7.0	\$ —
Short-term marketable securities (2)	24.0	—	24.0	—
Long-term marketable securities (2)	10.2	—	10.2	—
Total assets	\$ 52.4	\$ 11.2	\$ 41.2	\$ —

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
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	Fair Value As of December 28, 2017	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)	\$ 12.2	\$ 8.2	\$ 4.0	\$ —
Short-term marketable securities (2)	13.1	—	13.1	—
Long-term marketable securities (2)	16.2	—	16.2	—
Total assets	\$ 41.5	\$ 8.2	\$ 33.3	\$ —

- (1) *Cash Equivalents*— The Company’s cash equivalents are carried at estimated fair value. Cash equivalents consist of money market accounts which the Company has classified as Level 1 given the active market for these accounts and commercial paper with original maturities of three months or less, which are classified as Level 2 and are valued as described below.
- (2) *Short-Term and Long-Term Marketable Securities*— The carrying amount and fair value of the marketable securities are equivalent since the Company accounts for these instruments at fair value. The Company’s government agency bonds, commercial paper and certificates of deposit are valued using third party broker quotes. The value of the Company’s government agency bonds and municipal bonds are 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. For the years ended December 27, 2018 and December 28, 2017, there was an inconsequential amount of net realized gains (losses) recognized in interest income and an inconsequential amount of net unrealized holding gains (losses) included in other comprehensive income. Original cost of short term marketable securities is based on the specific identification method. As of December 27, 2018 and December 28, 2017, there was \$0.2 million and \$0.2 million, respectively, of gross unrealized losses related to individual securities of \$11.8 million and \$8.2 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 December 27, 2018 and December 28, 2017 are as follows:

	As of December 27, 2018		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities (1) (in years)
MARKETABLE SECURITIES:			
Short-term U.S. government agency bonds	\$ 3.9	\$ 3.9	0.5
Short-term U.S. government treasury bonds	0.3	0.3	0.5
Short-term certificates of deposit	3.6	3.6	0.6
Short-term municipal bonds	0.5	0.5	0.1
Short-term commercial paper:			
Financial	3.8	3.8	0.1
Industrial	12.0	11.9	0.1
Total short-term marketable securities	24.1	24.0	
Long-term municipal bonds	1.2	1.3	1.5
Long-term U.S. government agency bonds	6.9	6.8	2.1
Long-term certificates of deposit	2.4	2.1	2.9
Total long-term marketable securities	10.5	10.2	
Total marketable securities	\$ 34.6	\$ 34.2	

**NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	As of December 28, 2017		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities (1) (in years)
MARKETABLE SECURITIES:			
Short-term U.S. government agency bonds	\$ 2.3	\$ 2.2	0.9
Short-term commercial paper	0.9	0.9	0.8
Short-term certificates of deposit:			
Financial	6.0	6.0	0.3
Industrial	4.0	4.0	0.3
Total short-term marketable securities	13.2	13.1	
Long-term municipal bonds	1.9	1.9	2.1
Long-term U.S. government agency bonds	10.4	10.2	2.5
Long-term certificates of deposit	4.1	4.1	1.8
Total long-term marketable securities	16.4	16.2	
Total marketable securities	\$ 29.6	\$ 29.3	

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

15. VALUATION AND QUALIFYING ACCOUNTS

The Company's allowance for doubtful accounts and the valuation allowance on deferred tax assets for the years ended December 27, 2018, December 28, 2017 and December 29, 2016 were as follows (in millions):

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Years Ended		
	December 27, 2018	December 28, 2017	December 29, 2016
ALLOWANCE FOR DOUBTFUL ACCOUNTS:			
Balance at beginning of period	\$ 6.0	\$ 6.3	\$ 5.6
Provision for bad debt	1.6	1.1	2.1
Write-offs, net	(1.6)	(1.4)	(1.4)
Balance at end of period	<u>\$ 6.0</u>	<u>\$ 6.0</u>	<u>\$ 6.3</u>
VALUATION ALLOWANCE ON DEFERRED TAX ASSETS:			
Balance at beginning of period	\$ 98.1	\$ 110.3	\$ 110.4
Valuation allowance reversed (1)	(18.0)	(12.2)	(0.1)
Balance at end of period	<u>\$ 80.1</u>	<u>\$ 98.1</u>	<u>\$ 110.3</u>

(1) The changes within the valuation allowance during the years ended December 27, 2018 and December 28, 2017 relate to movement within the underlying residual portion of the Investment in NCM LLC deferred tax asset due primarily to timing differences between the recognition of available cash distributions for book and tax purposes.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents selected information from the Company's unaudited quarterly Consolidated Statements of Income for the years ended December 27, 2018 and December 28, 2017 (in millions, except per share data):

2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 80.2	\$ 113.7	\$ 110.1	\$ 137.4
Operating expenses	69.2	73.5	67.8	76.6
Operating income	11.0	40.2	42.3	60.8
Consolidated net (loss) income (1)	(3.5)	17.0	25.7	41.0
(Loss) Net income attributable to NCM, Inc. (1)	(1.9)	4.2	11.2	16.3
(Loss) Earnings per NCM, Inc. share, basic (1) (2)	(0.03)	0.05	0.15	0.21
(Loss) Earnings per NCM, Inc. share, diluted (1) (2)	(0.03)	0.05	0.14	0.21
2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 71.9	\$ 97.1	\$ 116.4	\$ 140.7
Operating expenses	66.8	68.8	66.1	70.5
Operating income	5.1	28.3	50.3	70.2
Consolidated net (loss) income (1)	(5.8)	14.6	36.2	69.5
(Loss) Net income attributable to NCM, Inc. (1)	(1.3)	5.2	13.7	40.7
(Loss) Earnings per NCM, Inc. share, basic (1) (2)	(0.02)	0.09	0.21	0.54
(Loss) Earnings per NCM, Inc. share, diluted (1) (2)	(0.02)	0.09	0.21	0.30

(1) These balances have been adjusted to reflect the adoption of a change in accounting principle in the first quarter of 2018 as discussed within Note 1 - Basis of Presentation and Summary of Significant Accounting Policies.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
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- (2) Earnings per share in each quarter is computed using the weighted-average number of common shares outstanding during that quarter while earnings per share for the full year is computed using the weighted average number of common shares outstanding during the year.

17. SUBSEQUENT EVENT

On February 21, 2019, the Company declared a cash dividend of \$0.17 per share (approximately \$13.1 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 March 5, 2019 to be paid on March 19, 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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 in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), performed an evaluation of the effectiveness of the Company’s disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) of the Exchange Act as of December 27, 2018, the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, the CEO and the CFO concluded that the Company’s disclosure controls and procedures were effective.

Management’s Annual Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management evaluated the design and operating effectiveness of the Company’s internal control over financial reporting based on the framework in *Internal Control- Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the Company’s management concluded that the Company’s internal control over financial reporting as of December 27, 2018 was 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.

Remediation of Previously Disclosed Material Weakness. During the year ended December 27, 2018, the Company enhanced the design of certain controls over accounting for income taxes under ASC 740 in accordance with the remediation plan of the material weakness disclosed in our annual report on Form 10-K for the fiscal year ended December 28, 2017 and enhanced within the Form 10-Q for the quarter ended June 28, 2018. As the additional control activities were effectively implemented in the first and second quarter of 2018, respectively, and the operating effectiveness of the resulting controls has been tested by internal audit for a sufficient period of time, the Company has concluded that the previously disclosed material weakness has been remediated.

Attestation Report of the Registered Public Accounting Firm. The effectiveness of our internal control over financial reporting as of December 27, 2018 has been attested by the Company’s registered independent public accounting firm, Deloitte & Touche LLP, as stated in its report, which appears herein.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the quarter ended December 27, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
National CineMedia, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of National CineMedia, Inc. and subsidiary (the “Company”) as of December 27, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 27, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 27, 2018, of the Company and our report dated February 21, 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Denver, Colorado
February 21, 2019

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to our directors is incorporated herein by reference from the Proxy Statement under the heading “Proposal 1- Election of Directors.”

The information required by this item regarding our executive officers is set forth in Part I of this Annual Report on Form 10-K under the heading “Executive Officers of the Registrant and is incorporated herein by this reference.”

Information regarding compliance with Section 16(a) of the Exchange Act by our directors and executive officers and holders of ten percent of a registered class of our equity securities is incorporated in this item by reference from the Proxy Statement under the heading “Section 16(a) Beneficial Ownership Reporting Compliance.”

Our Board adopted a Code of Business Conduct and Ethics that applies to all of our employees, including our Board of Directors, Chief Executive Officer and principal financial officer. The Code of Business Conduct and Ethics sets forth the Company’s conflict of interest policy, records retention policy, insider trading policy and policies for protection of the Company’s property, business opportunities and proprietary information. Our Code of Business Conduct and Ethics is available free of charge on our website at *ncm.com* under the tab “Investor Relations– Corporate Governance.” We intend to post on our website any amendments to, or waivers from our Code of Business Conduct and Ethics applicable to senior financial executives.

Item 11. Executive Compensation

The information required by this item regarding compensation of executive officers and directors is incorporated herein by reference from the Proxy Statement under the headings “Compensation of Executive Officers,” “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation”.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information with respect to the security ownership of directors, executive officers and holders of more than 5% of a class of our voting securities, refer to the Proxy Statement under the heading “Beneficial Ownership,” which information is incorporated herein by reference.

For Equity Incentive Plan information, refer to the Proxy Statement under the heading “Equity Compensation Plan”, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information with respect to certain relationships and related transactions, refer to the Proxy Statement under the heading “Certain Relationships and Related Party Transactions,” which information is incorporated herein by reference.

For information with respect to director independence, refer to the Proxy Statement under the heading “Proposal 1- Election of Directors,” which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item with respect to principal accounting fees and services is incorporated herein by reference from the Proxy Statement under the heading “Fees Paid to Independent Auditors.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) and (a) (2) Financial statements and financial statement schedules

Refer to Index to Financial Statements on page 46.

(b) Exhibits

Refer to Exhibit Index, beginning on page 89.

(c) Financial Statement Schedules

Financial Statement Schedules not included herein have been omitted because they are either not required, not applicable, or the information is otherwise included herein.

INDEX TO EXHIBITS

Exhibit	Ref.	Description	Incorporation by Reference		
			Form	SEC File No.	Filing Date
3.1		Second Amended and Restated Certificate of Incorporation.	8-K	001-33296	3.1 7/6/2018
3.2	*	The Bylaws, as amended January 23, 2019			
4.1		Indenture, dated as of April 27, 2012, by and between National CineMedia, LLC and Wells Fargo Bank, National Association, as trustee.	8-K	001-33296	4.1 4/30/2012
4.2		Form of 6.000% Senior Secured Notes due 2022 (included in Exhibit 4.1).	8-K	001-33296	4.1 4/30/2012
4.3		Indenture, dated as of August 19, 2016, by and between National CineMedia, LLC and Wells Fargo Bank, National Association, as trustee.	8-K	001-33296	4.1 8/19/2016
4.4		Form of 5.750% Senior Secured Notes due 2026 (included in Exhibit 4.1).	8-K	001-33296	4.1 8/19/2016
10.1		National CineMedia, LLC Third Amended and Restated Limited Liability Company Operating Agreement dated as of February 13, 2007, by and among American Multi-Cinema, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC and National CineMedia, Inc.	8-K	001-33296	10.1 2/16/2007
10.1.1		First Amendment to Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated as of March 16, 2009, by and among American Multi-Cinema, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC and National CineMedia, Inc.	10-Q	001-33296	10.1.1 8/7/2009
10.1.2		Second Amendment to Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated as of August 6, 2010, by and among American Multi-Cinema, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC and National CineMedia, Inc.	8-K	001-33296	10.1 8/10/2010
10.1.3		Third Amendment to the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated September 3, 2013, by and among American Multi-Cinema, Inc., AMC ShowPlace Theatres, Inc., Cinemark Media, Inc., Regal CineMedia Holdings, LLC, Regal Cinemas, Inc. and National CineMedia, Inc.	8-K	001-33296	10.1.3 9/9/2013
10.1.4	*	Fourth Amendment to the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC dated January 23, 2019, by and among Cinemark Media, Inc., Cinemark USA, Inc., Regal Cinemedia Holdings, LLC, Regal Cinemas, Inc., and National CineMedia, Inc.			
10.2		Amended and Restated Exhibitor Services Agreement dated as of December 26, 2013, by and between National CineMedia, LLC and American Multi-Cinema, Inc. (Portions omitted pursuant to request for confidential treatment and filed separately with the Commission.)	10-K	001-33296	10.2.4 2/21/2014

<u>Exhibit</u>	<u>Ref.</u>	<u>Description</u>	<u>Incorporation by Reference</u>			
			<u>Form</u>	<u>SEC File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>
10.3		<u>Amended and Restated Exhibitor Services Agreement dated as of December 26, 2013, by and between National CineMedia, LLC and Cinemark USA, Inc. (Portions omitted pursuant to request for confidential treatment and filed separately with the Commission.)</u>	10-K	001-33296	10.3.4	2/21/2014
10.3.1		<u>Waiver of Section 12.06 of the Exhibitor Services Agreement dated as of March 14, 2017, by and between National CineMedia, LLC and Cinemark USA, Inc.</u>	8-K	001-33296	10.3	3/15/2017
10.4		<u>Amended and Restated Exhibitor Services Agreement dated as of December 26, 2013, by and between National CineMedia, LLC and Regal Cinemas, Inc. (Portions omitted pursuant to request for confidential treatment and filed separately with the Commission.)</u>	10-K	001-33296	10.4.4	2/21/2014
10.4.1		<u>First Amendment to Amended and Restated Exhibitor Services Agreement dated as of March 9, 2017, by and between National CineMedia, LLC and Regal Cinemas, Inc.</u>	8-K	001-33296	10.2	3/15/2017
10.5		<u>Common Unit Adjustment Agreement dated as of February 13, 2007, by and among National CineMedia, Inc., National CineMedia, LLC, Regal CineMedia Holdings, LLC, American Multi-Cinema, Inc., Cinemark Media, Inc., Regal Cinemas, Inc. and Cinemark USA, Inc. (Confidential treatment granted as to certain portions, which portions were omitted and filed separately with the Commission.)</u>	8-K	001-33296	10.6	2/16/2007
10.5.1		<u>First Amendment to Amended and Restated Exhibitor Services Agreement dated as of March 9, 2017, by and between National CineMedia, LLC and American Multi-Cinema, Inc.</u>	8-K	001-33296	10.1	3/15/2017
10.6		<u>Tax Receivable Agreement dated as of February 13, 2007, by and among National CineMedia, Inc., National CineMedia, LLC, Regal CineMedia Holdings, LLC, Cinemark Media, Inc., Regal Cinemas, Inc., American Multi-Cinema, Inc. and Cinemark USA, Inc.</u>	8-K	001-33296	10.7	2/16/2007
10.6.1		<u>Second Amendment to Tax Receivable Agreement effective as of April 29, 2008, by and by and among NCM, Inc. and National CineMedia, LLC and the Founding Members and the ESA Parties, amending the Tax Receivable Agreement dated as of February 13, 2007 and as first amended by the First Amendment to the Tax Receivable Agreement effective as of August 7, 2007.</u>	8-K	001-33296	10.1	5/5/2008
10.7		<u>First Amended and Restated Loews Screen Integration Agreement by and between National CineMedia, LLC and American Multi-Cinema, Inc. (Confidential treatment granted as to certain portions, which portions were omitted and filed separately with the Commission.)</u>	8-K	001-33296	10.8	2/16/2007

Exhibit	Ref.	Description	Incorporation by Reference		
			Form	SEC File No.	Filing Date
10.8		Second Amended and Restated Software License Agreement dated as of February 13, 2007, by and among American Multi-Cinema, Inc., Regal CineMedia Corporation, Cinemark USA, Inc., Digital Cinema Implementation Partners, LLC and National CineMedia, LLC.	8-K	001-33296	10.9 2/16/2007
10.9		Director Designation Agreement dated as of February 13, 2007, by and among National CineMedia, Inc., American Multi-Cinema, Inc., Cinemark Media, Inc. and Regal CineMedia Holdings, LLC.	8-K	001-33296	10.10 2/16/2007
10.10		Registration Rights Agreement dated as of February 13, 2007, by and among National CineMedia, Inc., American Multi-Cinema, Inc., Regal CineMedia Holdings, LLC and Cinemark Media, Inc.	8-K	001-33296	10.11 2/16/2007
10.11		Management Services Agreement dated as of February 13, 2007, by and among National CineMedia, Inc. and National CineMedia, LLC.	8-K	001-33296	10.12 2/16/2007
10.12		Credit Agreement dated as of June 20, 2018 among National CineMedia LLC, certain lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	8-K	001-33296	10.1 6/25/2018
10.13		Letter agreement, dated June 1, 2018, between National CineMedia, Inc. and Standard General L.P.	8-K	001-33296	10.1 6/1/2018
10.14		Employment Agreement dated as of December 31, 2015, by and between National CineMedia, Inc. and Andrew J. England. ±	8-K	001-33296	10.1 1/5/2016
10.15	*	Separation Agreement dated as of November 15, 2018, by and between National CineMedia, Inc. and Andrew J. England. ±			
10.16		Employment Agreement dated as of May 8, 2015, by and among National CineMedia, Inc., National CineMedia LLC and Clifford E. Marks. ±	10-Q	001-33296	10.1 5/12/2015
10.17		Employment Agreement dated August 11, 2016, between the Company and Katherine L. Scherping. ±	8-K	001-33296	10.1 8/11/2016
10.18		Amended and Restated Employment Agreement December 20, 2018, between the Company and Katherine L. Scherping. ±	8-K	001-33296	10.1 12/21/2018
10.19		Employment Agreement dated as of February 13, 2007, by and among National CineMedia, Inc., National CineMedia, LLC and Ralph E. Hardy. ±	8-K	001-33296	10.18 2/16/2007
10.19.1		First Amendment to Employment Agreement effective as of January 1, 2009, by and among National CineMedia, Inc., National CineMedia, LLC and Ralph E. Hardy. ±	10-K	001-33296	10/18/2001 3/6/2009
10.19.2		Separation, General Release and Consulting Agreement dated as of November 6, 2017, by and between National CineMedia, Inc., National CineMedia, LLC and Ralph E. Hardy. ±	8-K	001-33296	10.1 11/7/2017

Exhibit	Ref.	Description	Incorporation by Reference		
			Form	SEC File No.	Filing Date
10.20	*	Employment Agreement dated as of April 3, 2017, by and among National CineMedia, Inc. and Scott D. Felenstein. +			
10.21	*	Employment Agreement dated as of January 12, 2018 by and among National CineMedia, Inc. and Sarah Kinnick Hilty. +			
10.22		Form of Indemnification Agreement. +	8-K	001-33296	10.1 2/13/2007
10.23		Form of Indemnification Agreement (August 2018) +	10-Q	001-33296	10.3 8/7/2018
10.24		National CineMedia, Inc. 2007 Equity Incentive Plan. +	8-K	001-33296	10.2 5/2/2013
10.25		National CineMedia, Inc. 2016 Equity Incentive Plan. +	S-8	001-33296	4.1 4/29/2016
10.26		Form of Option Substitution Award. +	S-8	001-33296	4.4 2/13/2007
10.27		Form of Stock Option Agreement. +	S-8	001-33296	4.6 2/13/2007
10.27.1		Form of 2009 Stock Option Agreement. +	10-K	001-33296	10.22.1 3/6/2009
10.27.2		Form of 2010 Stock Option Agreement. +	10-K	001-33296	10.22.2 3/9/2010
10.27.3		Form of 2011 Stock Option Agreement. +	10-K	001-33296	10.22.3 2/25/2011
10.27.4		Form of 2012 Stock Option Agreement. +	10-K	001-33296	10.22.4 2/24/2012
10.28.1		Form of 2016 Restricted Stock Agreement (Time Based). +	10-K	001-33296	10.23.7 2/26/2016
10.28.2		Form of 2016 Restricted Stock Agreement (Performance Based). +	10-K	001-33296	10.23.8 2/26/2016
10.28.3		Form of 2016 Restricted Stock Agreement under the National CineMedia, Inc. 2016 Equity Incentive Plan (Time Based).	S-8	001-33296	4.2 4/29/2016
10.28.4		Form of 2016 Restricted Stock Agreement under the National CineMedia, Inc. 2016 Equity Incentive Plan (Performance Based).	S-8	001-33296	4.3 4/29/2016
10.28.5		Form of 2017 Restricted Stock Agreement (Time Based). +	10-K	001-33296	10.26.9 2/24/2017
10.28.6		Form of 2017 Restricted Stock Agreement (Performance Based). +	10-K	001-33296	10.26.10 2/24/2017
10.28.7	(1)	Form of 2018 Restricted Stock Agreement (Time Based). +	10-K	333-176056	10.24.9 3/14/2018
10.28.8	(1)	Form of 2018 Restricted Stock Agreement (Performance Based). +	10-K	333-176056	10.24.10 3/14/2018
10.28.9	*	Form of 2019 Restricted Stock Agreement (Time Based). +			
10.28.10	*	Form of 2019 Restricted Stock Agreement (Performance Based). +			
10.29		Form of Restricted Stock Unit Agreement. +	10-K	001-33296	10.34 3/6/2009

<u>Exhibit</u>	<u>Ref.</u>	<u>Description</u>	<u>Incorporation by Reference</u>			
			<u>Form</u>	<u>SEC File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>
10.29.1		Form of Restricted Stock Unit Agreement under the National CineMedia, Inc. 2016 Equity Plan.	S-8	001-33296	4.4	4/29/2016
10.29.2		Form of Restricted Stock Unit Agreement under the National CineMedia, Inc. 2016 Equity Plan, amended.	10-K	001-33296	10.27.2	2/24/2017
21.1	*	List of Subsidiaries.				
23.1	*	Consent of Deloitte & Touche LLP.				
24.1	*	Powers of Attorney of National CineMedia, Inc.				
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.				
31.2	*	Rule 13a-14(a) Certification of Chief Financial Officer.				
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.				
32.2	**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.				
101.INS	*	XBRL Instance Document.				
101.SCH	*	XBRL Taxonomy Extension Schema Document.				
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document.				

* Filed herewith.

** Furnished herewith.

+ Management contract.

(1) Incorporated by reference to the exhibit listed from NCM LLC's Annual Report on Form 10-K.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 21, 2019

/s/ Clifford E. Marks

Clifford E. Marks

Interim Chief Executive Officer and President

(Principal Executive Officer)

Date: February 21, 2019

/s/ Katherine L. Scherping

Katherine L. Scherping

Chief Financial Officer

(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 21st day of February, 2019.

<u>Signature</u>	<u>Title</u>
<u>/s/ Clifford E. Marks</u> Clifford E. Marks	<i>Interim Chief Executive Officer and President (Principal Executive Officer)</i>
<u>/s/ Katherine L. Scherping</u> Katherine L. Scherping	<i>Chief Financial Officer (Principal Financial and Accounting Officer)</i>
*	<i>Chairman</i>
<u>Thomas F. Lesinski</u>	
*	<i>Director</i>
<u>Andrew P. Glaze</u>	
*	<i>Director</i>
<u>Lawrence A. Goodman</u>	
*	<i>Director</i>
<u>David R. Haas</u>	
*	<i>Director</i>
<u>Kurt C. Hall</u>	
*	<i>Director</i>
<u>Lee Roy Mitchell</u>	
*	<i>Director</i>
<u>Mark Segall</u>	
*	<i>Director</i>
<u>Renana Teperberg</u>	
<u>*By: /s/ Sarah Kinnick Hilty</u> Sarah Kinnick Hilty	<i>Attorney-in-fact</i>

**AMENDED AND RESTATED
BYLAWS
OF
NATIONAL CINEMEDIA, INC.**
As amended January 23, 2019

**INDEX TO AMENDED AND RESTATED BYLAWS
OF
NATIONAL CINEMEDIA, INC.**

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**AMENDED AND RESTATED BYLAWS
OF
NATIONAL CINEMEDIA, INC.**

**ARTICLE I
Offices**

Section 1.01 Business Offices. National CineMedia, Inc. (the “Corporation”) may have such offices, either within or outside Delaware, as the board of directors of the Corporation (the “Board”) may from time to time determine or as the business of the Corporation may require.

Section 1.02 Registered Office. The registered office of the Corporation required by the General Corporation Law of the State of Delaware (the “DGCL”) to be maintained in Delaware shall be as set forth in the certificate of incorporation of the Corporation (the “Certificate of Incorporation”), unless changed as provided by law.

**ARTICLE II
Stockholders**

Section 2.01 Annual Meeting. An annual meeting of the stockholders of the Corporation shall be held on such date as may be determined by the Board, for the purpose of electing directors and for the transaction of such other business as may come before such meeting. If the election of directors of the Corporation shall not be held on the day designated for any such meeting, or at any adjournment thereof, the Board shall cause the election to be held at a meeting of the stockholders of the Corporation as soon thereafter as conveniently may be held. Failure to hold an annual meeting of the stockholders of the Corporation as required by these Bylaws shall not invalidate any action taken by the Board or by the officers of the Corporation.

Section 2.02 Special Meetings. Special meetings of the stockholders of the Corporation, for any purpose or purposes, unless otherwise prescribed by law or the Certificate of Incorporation, may be called only by the Board pursuant to a resolution approved by the affirmative vote of a majority of the directors of the Corporation then in office. Such resolution of the Board shall state the purpose or purposes of such proposed meeting. Business transacted at any special meetings of the stockholders shall be limited to the purpose or purposes stated in the notice.

Section 2.03 Place of Meeting. Each meeting of the stockholders of the Corporation shall be held at such place, either within or outside Delaware, as may be designated in the notice of such meeting, or, if no place is designated in such notice, at the principal office of the Corporation. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any time, but may instead be held solely by means of remote communications in accordance with the DGCL.

Section 2.04 Notice of Meetings. Except as otherwise required herein, by the Certificate of Incorporation or by law and whenever stockholders are required or permitted to take any action at a meeting, notice in writing or by electronic transmission of each meeting of the stockholders of the Corporation stating the place, if any, day and hour of such meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting and, in the case of a special meeting of the stockholders of the Corporation, the purpose or purposes for which such meeting is called, shall be given, either personally (including delivery by private courier) or by first class, certified or registered mail, or by electronic transmission, to each stockholder of record entitled to notice of such meeting, not less than 10 nor more than 60 days before the date of such meeting. Such notice shall be deemed to be given, if personally delivered, when delivered to the stockholder, and, if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation, and if by electronic transmission, when posted on an electronic network or directed to the stockholder at an electronic mail address at which the stockholder has consented to receive notice. An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or any other agent of the Corporation that the notice has been given by personal delivery, by mail or by a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the

facts stated therein. If notice of two consecutive annual meetings of the stockholders of the Corporation and all notices of other meetings of the stockholders of the Corporation to any stockholder during the period between such two consecutive annual meetings, or all, and at least two, payments (if sent by first class mail) of dividends or interest on securities of the Corporation during a 12 month period, have been mailed to such person at his address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required until another address for such person is delivered to the Corporation. When a meeting of the stockholders of the Corporation is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At such adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting of the stockholders of the Corporation. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for such adjourned meeting, notice of such adjourned meeting shall be given to each stockholder of record of the Corporation entitled to vote at the meeting in accordance with the foregoing provisions of this Section 2.04.

Section 2.05 Fixing Date for Determination of Stockholders of Record. For the purpose of determining the stockholders of the Corporation entitled to notice of or to vote at any meeting of the stockholders of the Corporation or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of capital stock of the Corporation or for any other lawful action, the Board may fix, in advance, a date as the record date for any such determination of stockholders, which date shall not precede the date upon which the record date is adopted by the Board, and which shall not be more than 60 nor less than 10 days before the date of such meeting, and not more than 60 days prior to any other action. If no record date is fixed then the record date shall be, for determining the stockholders of the Corporation entitled to notice of or to vote at a meeting of such stockholders, the close of business on the day next preceding the day on which notice is given, or, if notice is waived, the close of business on the day next preceding the day on which such meeting is held, or, for determining stockholders of the Corporation for any other purpose, the close of business on the day on which the Board adopts the resolution relating thereto. A determination of the stockholders of record of the Corporation entitled to notice of or to vote at a meeting of such stockholders shall apply to any adjournment of such meeting; *provided, however,* that the Board may fix a new record date for the adjourned meeting.

Section 2.06 Voting List. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare, or cause to be prepared, at least 10 days before every meeting of the stockholders of the Corporation, a complete list of such stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each such stockholder and the number of shares of capital stock of the Corporation registered in the name of each such stockholder. Nothing contained in this Section 2.06 shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder of the Corporation, for any purpose germane to such meeting, for a period of at least 10 days prior to such meeting, either (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of such meeting, or (b) during ordinary business hours, at the principal place of business of the corporation. If the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If such meeting is to be held at a place, the list shall also be produced and kept at the time and place of such meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present. If such meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder of the Corporation during the whole time of such meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of such meeting. Except as otherwise provided by law, the list of stockholders shall be the only evidence as to which stockholders are entitled to examine to determine the stockholders entitled to vote in person or by proxy at any meeting of the stockholders.

Section 2.07 Proxies. Each stockholder of the Corporation entitled to vote at a meeting of stockholders of the Corporation may authorize another person or persons to act for him, her or it by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Except as otherwise provided by law, a proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it

is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date.

Section 2.08 Quorum and Manner of Acting. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, at a meeting of stockholders of the Corporation, a majority of the combined voting power of the outstanding shares of capital stock of the Corporation entitled to vote at such meeting, represented in person or by proxy, shall constitute a quorum. If a quorum is present, at all meetings of stockholders for the election of directors, the directors of the Corporation will be elected by the plurality of the votes cast by the holders of shares of Common Stock (as defined in the Certificate of Incorporation). Unless otherwise provided by the Certificate of Incorporation, these Bylaws, the rules or regulations of any stock exchange applicable to the Corporation or applicable law or pursuant to any regulation applicable to the Corporation or its securities, if a quorum is present, the affirmative vote of a majority of the votes held by such shares represented at such meeting at which a quorum is present and entitled to vote on the subject matter shall be the act of such stockholders. In the absence of a quorum, a majority of the shares of capital stock of the Corporation so represented may adjourn such meeting from time to time in accordance with Section 2.04, until a quorum shall be present or represented.

Section 2.09 Nominations for the Election of Directors. Except as otherwise provided in the Certificate of Incorporation, nominations for election to the Board must be made by the Board or by a committee appointed by the Board for such purpose or by any stockholder of any outstanding shares of capital stock of the Corporation entitled to vote for the election of directors of the Corporation. Except as otherwise provided in the Certificate of Incorporation, nominations by the stockholders of the Corporation must be preceded by timely notice in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of the stockholders of the Corporation; *provided, however*, that in the event that the date of such meeting is advanced more than 30 days prior to, or delayed by more than 70 days after, the anniversary of the preceding year's annual meeting of the stockholders of the Corporation, a stockholder's notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of the first annual meeting of stockholders of the Corporation held following the date of these Bylaws, the first anniversary of such annual meeting shall be deemed to be the third Wednesday of May of the following year. Such stockholder's notice shall set forth:

- (a) as to each person whom the stockholder proposes to nominate as a director:
 - (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and
 - (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and
- (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made:
 - (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner,
 - (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner,

(iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose nomination, and

(iv) a representation regarding whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee and/or (B) otherwise to solicit proxies from stockholders in support of such nomination.

The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed director nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

The presiding officer of the annual meeting of the stockholders of the Corporation shall have the authority to determine and declare to such meeting that a nomination not preceded by notification made in accordance with the foregoing procedure shall be disregarded.

Section 2.10 Other Stockholder Proposals. For business other than the nomination for election of directors to the Board to be properly brought before any meeting by a stockholder of the Corporation, such stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of the stockholders of the Corporation; *provided, however*, that in the event that the date of such meeting is advanced more than 30 days prior to, or delayed by more than 70 days after, the anniversary of the preceding year's annual meeting of the stockholders of the Corporation, a stockholder's notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of the first annual meeting of stockholders of the Corporation held following the date of these Bylaws, the first anniversary of such annual meeting shall be deemed to be the third Wednesday of May of the following year. Such stockholder's notice shall set forth:

(a) as to any business that the stockholder proposes to bring before the meeting:

(i) a brief description of the business desired to be brought before the meeting,

(ii) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), and

(iii) the reasons for conducting such business at the meeting; and

(b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made:

(i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner,

(ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner,

- (iii) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made as to each matter such stockholder proposes to bring before such meeting,
- (iv) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and
- (v) a representation regarding whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (B) otherwise to solicit proxies from stockholders in support of such proposal.

Section 2.11 Stockholder Action by Written Consent Without a Meeting. Except as provided in any preferred stock designation adopted in accordance with the Certificate of Incorporation and the DGCL (a "Preferred Stock Designation"), after the Corporation first has a class of securities registered under Section 12(g) of the Exchange Act or its equivalent, any action required or permitted to be taken by the stockholders of the Corporation must be taken at a duly called annual or special meeting of the stockholders and may not be taken by consent in writing or otherwise.

Section 2.12 Conduct of Business. The chairman of each annual and special meeting of stockholders shall be the chairman of the Board or, in the absence (or inability or refusal to act) of the chairman of the Board, the chief executive officer (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the chief executive officer or if the chief executive officer is not a director, the president (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the president or if the president is not a director, such other person as shall be appointed by the Board. The secretary of each annual and special meeting of stockholders shall be the secretary or, in the absence (or inability or refusal to act) of the secretary, an assistant secretary so appointed to act by the chairman of the meeting. In the absence (or inability or refusal to act) of the secretary and all assistant secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the presiding officer of the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with these Bylaws or such rules and regulations as adopted by the Board, the presiding officer of the meeting of stockholders shall have the right and authority to convene the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding officer, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding officer of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer of the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding officer should so determine, such presiding officer shall so declare to the meeting, and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the presiding officer of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.13 Inspector of Elections. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation or otherwise serve the Corporation in other capacities, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering

upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting in person or by proxy and the validity of proxies and ballots, (iii) count all votes and ballots and report the results, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE III Board of Directors

Section 3.01 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided in the DGCL or the Certificate of Incorporation.

Section 3.02 Number, Tenure and Qualifications. The number of directors of the Corporation, other than those who may be elected by the holders of one or more series of preferred stock of the Corporation ("Preferred Stock") voting separately by class or series, shall be eight (8). However, in the event that either an Investor Nominee (as such term is defined in the letter agreement, dated June 1, 2018, by and between the Corporation and Standard General L.P. (the "Settlement Agreement")) is not nominated, appointed or elected to the Board under circumstances in which the Corporation is required to nominate or appoint such individual in accordance with the terms of the Settlement Agreement, then the number of directors of the Corporation may be increased only by that number necessary to permit the Investor Nominee(s) to be appointed as directors, and may not be increased to more than nine (9) directors for any other purpose, but in no event shall the number of directors be increased to more than eleven (11). Each director of the Corporation shall hold office until his or her successor shall be qualified and elected, subject, however, to such director's earlier death, resignation, retirement or removal. Any newly created directorship or vacancy shall be filled as set forth in the Certificate of Incorporation. Directors of the Corporation need not be residents of Delaware or stockholders of the Corporation. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director, except as may be provided for in a Preferred Stock Designation with respect to any additional director elected by the holders of the applicable series of Preferred Stock.

Section 3.03 Resignation. Any director of the Corporation may resign at any time by giving notice to the Corporation in writing or by electronic transmission. A director's resignation shall take effect upon receipt or, if a different time of effectiveness is specified therein, at the time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04 Regular Meetings. Regular meetings of the Board may be held at such time and at such place, if any (either within or outside Delaware), as shall from time to time be determined by the Board.

Section 3.05 Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the chairman of the Board, by the chief executive officer or by a majority of the directors of the Corporation. Any such special meeting may take place at any place either within or outside Delaware.

Section 3.06 Meetings by Telephone. Unless otherwise restricted by the Certificate of Incorporation, the directors of the Corporation may participate in a meeting of the Board by means of conference telephone or other communications equipment by means of which all persons participating in such meeting can hear each other, and such participation in such meeting in such manner shall constitute presence in person at such meeting.

Section 3.07 Notice of Meetings. Notice of each meeting of the Board (except those regular meetings for which notice is not required) stating the place, if any, day and hour of such meeting shall be given to each director of the Corporation at least two days prior thereto by the mailing of written notice by first class, certified or registered mail, or at least one day prior thereto by personal delivery (including delivery by private courier) of written notice or by telephone, telegram, telex, cablegram, electronic transmission (including email) or other similar method, except that in the case of a meeting of the Board to be held pursuant to Section 3.06 notice may be given by telephone at any time prior thereto. The method of notice need not be the same to each director of the Corporation. Notice shall be deemed to be given when deposited in the United States mail, with postage thereon prepaid, addressed to such director at his business or residence address, when delivered or communicated to such director or when the telegram, telex, cablegram, electronic transmission (including email) or other form of notice is personally delivered to such director or delivered to the last address of such director furnished by him to the Corporation for such purpose. Notice may be waived pursuant to Section 7.02 hereof. Neither the business to be transacted at, nor the purpose of, any meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 3.08 Quorum and Manner of Acting. Except as otherwise may be required by law, the Certificate of Incorporation or these Bylaws, a majority of the number of directors of the Corporation fixed in accordance with these Bylaws, present at the meeting, shall constitute a quorum for the transaction of business at any meeting of the Board, and the vote of a majority of the directors of the Corporation present at a meeting of the Board at which a quorum is present shall be the act of the Board. If less than a quorum is present at a meeting of the Board, the directors of the Corporation present may adjourn such meeting from time to time without further notice other than announcement at such meeting, until a quorum shall be present. Subject to the terms of the Certificate of Incorporation, a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 3.09 Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if all members of the Board or committee thereof entitled to vote thereon, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of the Board or committee thereof, as the case may be.

Section 3.10 Executive and Other Committees. The Board may designate by resolution one or more committees of the Board, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of such committee, and may dissolve any such committee. In the absence or disqualification of a member of a committee of the Board, the member or members present at any meeting of such committee of the Board and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Except as otherwise provided in the charter of such committee or as otherwise required by the corporation governance rules and listing standards of any national securities exchange or automated quotation system upon which the Corporation's securities are then listed, any such committee shall present its findings and recommendations to the Board, as set forth in the applicable Board resolution. The Board shall delegate certain of its powers and authority to any such committee as set forth in the charters of such committee or by resolution of the Board in the Board's discretion or as otherwise required by the corporation governance rules and listing standards of any national securities exchange or automated quotation system upon which the Corporation's securities are then listed. To the extent the Board does not establish other procedures, and subject to the immediately preceding sentence, each such committee shall be governed by the procedures set forth in Sections 3.04 (except as they relate to an annual meeting), 3.05 through 3.09, 7.01 and 7.02 as if such committee were the Board. Each such committee shall keep regular minutes of its meetings, which shall be reported to the Board when required and submitted to the secretary of the Corporation for inclusion in the corporate records of the Corporation.

Section 3.11 Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board shall have the authority to fix the compensation of directors of the Corporation. Such directors may be paid their expenses, if any, of attendance at each meeting of the Board and each meeting of any committee of the Board of which he or she is a member and may be paid a fixed sum for attendance at each such meeting or a stated salary or both a fixed sum and a stated salary. No such payment shall preclude any such director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.12 Removal of Directors; Vacancies. The removal of directors of the Corporation and the filling of vacancies on the Board shall be as provided in the Certificate of Incorporation.

ARTICLE IV Officers

Section 4.01 Number and Qualifications. The officers of the Corporation shall consist of a chairman of the Board, a chief executive officer, a president, a chief operating officer, a chief financial officer, a secretary and such other officers, including a vice-chairman or vice-chairmen of the Board, one or more vice-presidents, a treasurer and a controller, as may from time to time be elected or appointed by the Board. In addition, the Board or the chief executive officer of the Corporation may elect or appoint such assistant and other subordinate officers, including assistant vice-presidents, assistant secretaries and assistant treasurers, as it or he shall deem necessary or appropriate. Any number of offices of the Corporation may be held by the same person, except that no person may simultaneously hold the offices of president and secretary of the Corporation.

Section 4.02 Election and Term of Office. Except as provided in the Certificate of Incorporation and Sections 4.01 and 4.06 of these Bylaws, the officers of the Corporation shall be elected by the Board. If such election shall not be held as provided herein, such election shall be held as soon thereafter as may be convenient. Each officer of the Corporation shall hold office until his or her successor shall be elected and shall qualify or until the expiration of his or her term in office if elected or appointed for a specified period of time, subject, however, to prior death, resignation, retirement or removal.

Section 4.03 Compensation. Officers of the Corporation shall receive such compensation for their services as may be authorized or ratified by the Board or a compensation committee of the Board, and no such officer shall be prevented from receiving compensation by reason of the fact that he or she is also a director of the Corporation. Election or appointment as an officer of the Corporation shall not of itself create a contract or other right to compensation for services performed by such officer.

Section 4.04 Resignation. Any officer of the Corporation may resign at any time, subject to any rights or obligations under any existing contracts between such officer and the Corporation, by giving notice to the Corporation in writing or by electronic transmission. Such officer's resignation shall take effect upon receipt or, if a different time of effectiveness is specified therein, at the time stated therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.05 Removal. Unless otherwise provided in the Certificate of Incorporation, any officer of the Corporation may be removed with or without cause at any time by the Board, or, in the case of assistant and other subordinate officers of the Corporation, by the chief executive officer of the Corporation, whenever in its, his or her judgment, as the case may be, the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer of the Corporation shall not in itself create contract rights.

Section 4.06 Vacancies. Except as otherwise provided in the Certificate of Incorporation, a vacancy occurring in any office of the Corporation by death, resignation, retirement, removal or otherwise may be filled by the Board.

Section 4.07 Authority and Duties. The officers of the Corporation shall have the authority and shall exercise the powers and perform the duties specified below and as may be additionally specified by the chief executive officer of the Corporation, the Board or these Bylaws (and in all cases where the duties of any officer of the

Corporation are not prescribed by these Bylaws or the Board, such officer shall follow the orders and instructions of the chief executive officer of the Corporation), except that in any event each such officer shall exercise such powers and perform such duties as may be required by law:

(a) Chairman of the Board. The chairman of the Board of the Corporation, who shall be elected from among the directors of the Corporation, shall preside, when present, at all meetings of the Corporation's stockholders and the Board and perform such other duties as may be assigned to him or her from time to time by the Board.

(b) Chief Executive Officer. The chief executive officer of the Corporation shall, subject to the direction and supervision of the Board, (i) have general and active control of the affairs of the Corporation and general supervision of its officers, agents and employees; (ii) in the absence of the chairman of the Board of the Corporation, preside, when present, at all meetings of the Corporation's stockholders and the Board; (iii) see that all orders and resolutions of the Board are carried into effect; and (iv) perform all other duties incident to the office of chief executive officer and as from time to time may be assigned to him or her by the Board.

(c) President. The president of the Corporation shall, subject to the direction and supervision of the Board, perform all duties incident to the office of president and as from time to time may be assigned to him by the Board. At the request of the chief executive officer of the Corporation or in his or her absence or in the event of his or her inability or refusal to act, the president of the Corporation shall perform the duties of the chief executive officer of the Corporation, and when so acting shall have all the powers and be subject to all the restrictions of the chief executive officer of the Corporation.

(d) Chief Operating Officer. The chief operating officer of the Corporation shall, subject to the direction and supervision of the Board, supervise the day to day operations of the Corporation and perform all other duties incident to the office of chief operating officer as from time to time may be assigned to him or her by the chairman of the Board of the Corporation, the Board or the chief executive officer of the Corporation. At the request of the president of the Corporation, or in his or her absence or inability or refusal to act, the chief operating officer of the Corporation shall perform the duties of the president of the Corporation, and when so acting shall have all the power of and be subject to all the restrictions upon the president of the Corporation.

(e) Chief Financial Officer. The chief financial officer of the Corporation shall: (i) be the principal financial officer and treasurer of the Corporation and have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Corporation and deposit the same in accordance with the instructions of the Board; (ii) receive and give receipts and acquittances for moneys paid in on account of the Corporation, and pay out of the funds on hand all bills, payrolls and other just debts of the Corporation of whatever nature upon maturity; (iii) unless there is a controller of the Corporation, be the principal accounting officer of the Corporation and as such prescribe and maintain the methods and systems of accounting to be followed, keep complete books and records of account, prepare and file all local, state and federal tax returns, prescribe and maintain an adequate system of internal audit and prepare and furnish to the chief executive officer of the Corporation and the Board statements of account showing the financial position of the Corporation and the results of its operations; (iv) upon request of the Board, make such reports to it as may be required at any time; and (v) perform all other duties incident to the office of chief financial officer and treasurer and such other duties as from time to time may be assigned to him or her by the Board or by the chief executive officer of the Corporation. Assistant treasurers of the Corporation, if any, shall have the same powers and duties, subject to the supervision by the chief financial officer of the Corporation. If there is no chief financial officer of the Corporation, these duties shall be performed by the secretary or chief executive officer of the Corporation or other person appointed by the Board.

(f) Vice-Presidents. The vice-president of the Corporation, if any (or if there is more than one then each such vice-president), shall assist the chief executive officer of the Corporation and shall perform such duties as may be assigned to him or her by the chief executive officer of the Corporation or the Board. Assistant vice-presidents of the Corporation, if any, shall have such powers and perform such duties as may be assigned to them by the chief executive officer of the Corporation or by the Board.

(g) Secretary. The secretary of the Corporation shall: (i) keep the minutes of the proceedings of the stockholders of the Corporation, the Board and any committees of the Board; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be custodian of the corporate records and seal of the Corporation; (iv) keep at the Corporation's registered office or principal place of business within or outside Delaware a record containing the names and addresses of all stockholders of the Corporation and the number and class of shares held by each, unless such a record shall be kept at the office of the Corporation's transfer agent or registrar; (v) have general charge of the stock books of the Corporation, unless the Corporation has a transfer agent; and (vi) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the chief executive officer of the Corporation or the Board. Assistant secretaries of the Corporation, if any, shall have the same duties and powers, subject to supervision by the secretary of the Corporation.

Section 4.08 Surety Bonds. The Board may require any officer or agent of the Corporation to execute to the Corporation a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his or her duties and for the restoration to the Corporation of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

ARTICLE V Stock

Section 5.01 Issuance of Shares. Except as otherwise may be provided by law or in the Certificate of Incorporation, the issuance or sale by the Corporation of any shares of its authorized capital stock of any class, including treasury shares, shall be made only upon authorization by the Board. Every issuance of shares of authorized capital stock of the Corporation shall be recorded on the books of the Corporation maintained for such purpose by or on behalf of the Corporation.

Section 5.02 Transfer of Shares. Upon presentation and surrender to the Corporation or to a transfer agent of the Corporation of a certificate of stock of the Corporation duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, payment of all transfer taxes, if any, and the satisfaction of any other requirements of law, including inquiry into and discharge of any adverse claims of which the Corporation has notice, the Corporation or its transfer agent shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction on the books maintained for such purpose by or on behalf of the Corporation. No transfer of shares of authorized capital stock of the Corporation shall be effective until it has been entered on such books. The Corporation or its transfer agent may require a signature guaranty or other reasonable evidence that any signature is genuine and effective before making any transfer. Transfers of uncertificated shares of authorized capital stock of the Corporation shall be made in accordance with applicable provisions of law.

Section 5.03 Registered Holders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares of authorized capital stock of the Corporation to inspect for any proper purpose the stock ledger and the other books and records, to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of such shares, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by applicable law.

Section 5.04 Transfer Agents, Registrars and Paying Agents. The Board may at its discretion appoint one or more transfer agents, registrars and agents for making payment upon any class of stock, bond, debenture or other security of the Corporation. Such agents and registrars may be located either within or outside Delaware. They shall have such rights and duties and shall be entitled to such compensation as may be agreed.

Section 5.05 Lost, Stolen or Destroyed Certificates. Except as provided in this Section 5.05, no new certificate representing shares of the Corporation's authorized capital stock shall be issued to replace a previously issued certificate representing such shares unless the previously issued certificate is surrendered to the Corporation and immediately cancelled. The Corporation may issue a new certificate representing shares of its authorized capital

stock or uncertificated shares in the place of any certificate theretofore issued by it that is alleged by a stockholder to have been lost, stolen or destroyed, and the Corporation may require such stockholder, or such stockholder's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

ARTICLE VI Indemnification

Section 6.01 Right to Indemnification. The Corporation shall indemnify and pay the expenses of directors, officers and individuals who have agreed to serve as directors or officers of the Corporation as provided in the Certificate of Incorporation and, if applicable, in any indemnification agreement between the Corporation and such individuals. The Corporation has the right, but not the obligation, to indemnify and pay the expenses of other persons authorized by a majority of the Board as provided in the Certificate of Incorporation.

Section 6.02 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of any of its affiliates or another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

ARTICLE VII Miscellaneous

Section 7.01 Notice by Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Certificate of Incorporation or these Bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom such notice is given. Any such consent shall be revocable by such stockholder by written notice to the Corporation.

(a) Any such consent shall be deemed revoked if:

- (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and
- (ii) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent of the Corporation, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting of the stockholders of the Corporation or other action by the Corporation.

(b) Any notice given pursuant to this Section 7.01 shall be deemed given:

- (i) if by facsimile telecommunication, when directed to a number at which the stockholder of the Corporation has consented to receive notice;
- (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder of the Corporation has consented to receive notice;
- (iii) if by a posting on an electronic network together with separate notice to the stockholder of the Corporation of such specific posting, upon the later of such posting and the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder of the Corporation.

An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) An “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(d) Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

Section 7.02 Waivers of Notice. Whenever notice is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a written waiver thereof, signed by the person entitled to such notice or a waiver by electronic transmission by the person entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting or (in the case of a stockholder of the Corporation) by proxy shall constitute a waiver of notice of such meeting, except when the person attends such meeting for the express purpose of objecting, at the beginning of such meeting, to the transaction of any business because such meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting need be specified in any written waiver of notice or waiver of notice by electronic transmission unless required by these Bylaws to be included in the notice of such meeting.

Section 7.03 Presumption of Assent. A director or stockholder of the Corporation who is present at a meeting of the Board or stockholders of the Corporation at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of such meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of such meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of such meeting. Such right to dissent shall not apply to a director or stockholder of the Corporation who voted in favor of such action.

Section 7.04 Voting of Securities by the Corporation. Unless otherwise provided by resolution of the Board, on behalf of the Corporation the chairman of the Board, chief executive officer, chief operating officer, chief financial officer, president, secretary, treasurer or any vice-president of the Corporation shall attend in person or by substitute appointed by him or her, or shall execute written instruments appointing a proxy or proxies to represent the Corporation at, all meetings of the stockholders of any other corporation, association or other entity in which the Corporation holds any stock or other securities, and may execute written waivers of notice with respect to any such meetings. At all such meetings and otherwise, the chairman of the Board, chief executive officer, chief operating officer, chief financial officer, president, secretary, treasurer or any vice-president of the Corporation, in person or by substitute or proxy as aforesaid, may vote the stock or other securities so held by the Corporation and may execute written consents and any other instruments with respect to such stock or securities and may exercise any and all rights and powers incident to the ownership of said stock or securities, subject, however, to the instructions, if any, of the Board.

Section 7.05 Authorized Signatories. The Board may authorize any officer or officers of the Corporation, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or restricted to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer of the Corporation, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or to pledge its credit or to render it liable for any purpose or for any amount

Section 7.06 Seal. The corporate seal of the Corporation shall be in such form as adopted by the Board, and any officer of the Corporation may, when and as required, affix or impress the seal, or a facsimile thereof, to or on any instrument or document of the Corporation.

Section 7.07 Fiscal Year. The fiscal year of the Corporation shall be as established by resolution of the Board.

Section 7.08 Amendments. These Bylaws may be amended or repealed only in the manner set forth in the Certificate of Incorporation.

SEPARATION AGREEMENT

This SEPARATION AGREEMENT (this “Agreement”) is entered into, as of the “Effective Date” (as defined in Section 7 below), by and between Andrew J. England (“Executive”) and National CineMedia, Inc. (the “Company”). Executive and the Company are each individually referred to herein as a “Party” and are collectively referred to as the “Parties”.

W I T N E S S E T H

WHEREAS, Executive was employed by the Company pursuant to an Employment Agreement, dated December 31, 2015, between the Company and Executive (the “Employment Agreement”);

WHEREAS, Executive’s employment with the Company terminated on November 2, 2018 (the “Separation Date”), and such termination of employment is being treated as an “Involuntary Termination” under the Employment Agreement and the Equity Awards (defined below);

WHEREAS, Executive holds certain shares of “Initial Equity” (as defined in the Employment Agreement) and has received from the Company certain other equity incentive awards previously granted to Executive with respect to the Company (the “Equity Awards”); and

WHEREAS, the Parties wish to resolve all matters that Executive may have related to his employment and the termination of his employment.

NOW, THEREFORE, in consideration of the premises and the releases, representations, covenants and obligations herein contained, the Parties, intending to be legally bound, hereby agree as follows:

1. **Separation**

(a) Executive’s employment with the Company and all of its “Affiliates” (as defined in the Employment Agreement) terminated on the Separation Date. Pursuant to Section 4(a) of the Employment Agreement, Executive is deemed to have resigned from the Board of Directors of the Company and all other positions with the Company and any of its Affiliates that Executive held as of the date immediately preceding the Separation Date. Executive agrees to promptly execute such additional documentation as requested by the Company to effectuate such resignations.

(b) Pursuant to Section 4(b) of the Employment Agreement, Executive shall cease to have any rights to salary, bonus or other benefits, other than (i) the earned but unpaid portion of Executive’s “Base Salary” (as defined below) through the Separation Date, (ii) any annual, long-term, or other incentive award that relates to a completed fiscal year or performance period, as applicable, and is payable (but not yet paid) on or before the Separation Date, which shall be paid in accordance with the terms of such award, (iii) a lump-sum payment in respect of accrued but unused vacation days at the Executive’s per-business-day Base Salary rate, (iv) any unpaid expense or other reimbursements due to Executive (subject to Section 1(e) below), and (v) any other amounts or benefits required to be paid or provided by law or under any plan, program, policy or practice of the Company, provided that Executive shall not be entitled to any payment or benefit under any Company severance plan, or any replacement or successor plan.

(c) All amounts paid to Executive under this Agreement will be less applicable withholdings and authorized or required deductions.

(d) Executive will receive under separate cover information regarding his rights under the Consolidated Omnibus Budget Reconciliation Act and, if applicable, any state continuation coverage laws (collectively, “COBRA”).

(e) Executive shall submit for reimbursement any outstanding business-related expenses for reimbursement under Company policy within ten (10) days following the Separation Date.

2. **Severance**

Provided that Executive complies with Section 6 (Restrictive Covenants) of the Employment Agreement at all times, and subject to Section 4(d) (No Excise Tax Gross-Up; Possible Reduction in Payments), Section 15 (Code Section 409A) and Section 16 (Clawbacks) of the Employment Agreement, the Company shall comply with Section 4(c) of the Employment Agreement as follows:

(a) the Company shall pay Executive on January 2, 2019, a lump-sum cash payment in an amount equal to \$2,625,000, which is comprised of (i) \$1,750,000, which is 200% of Executive's base salary of \$875,000 (the "Base Salary"); and (ii) \$875,000, which is 100% of Executive's "Target Bonus" (as defined in the Employment Agreement);

(b) the Company shall pay Executive an annual cash bonus for 2018, payable at the same time as annual cash bonuses are paid to senior management, based on actual achievement of performance targets (as if Executive had remained employed through the end of the applicable performance period), subject, however, to proration based on the number of days in the applicable performance period that had elapsed prior to the date of termination, which is 308 days, or 84.615%;

(c) the Initial Equity shall vest in full; and

(d) for a period up to eighteen (18) months, the Company (or its successor-in-interest) shall pay Executive monthly an amount equal to 150% of the monthly premium paid by the Executive for COBRA coverage elected by Executive (as may be applicable to Executive, Executive's spouse and dependents) under the Company's group health and dental plans.

3. **Treatment of Equity Awards**

With respect to the Equity Awards, all rights will be determined under the terms and conditions of the National CineMedia, Inc. 2016 Equity Incentive Plan or the National CineMedia, Inc. 2007 Equity Incentive Plan, as applicable (the "Equity Plans") and the award agreements and other documents governing the applicable Equity Awards. Appendix A to this Agreement sets forth the Equity Awards currently held by Executive under the Equity Plans and the impact of Executive's termination of employment on the Separation Date on such Equity Awards.

4. **Legal Expenses**

The Company agrees to reimburse Executive for the costs and expenses incurred by Executive with respect to legal representation in respect of this Agreement, up to \$25,000, with such amount to be paid directly to the Employee's attorney within thirty (30) days of submission of the invoice for such services

5. **Release**

(a) Executive, hereby waives, releases and forever discharges the Company and any of its predecessors, parents, subsidiaries, affiliates and related companies including but not limited to NCM Inc., NCM LLC, and all its and their respective past and present parents, subsidiaries and affiliates and all of their past and present employees, directors, officers, members, attorneys, representatives insurers, agents, shareholders, successors and assigns (individually and collectively "Company Releasees"), from and with respect to any and all legally waivable claims, grievances, injuries, controversies agreements, covenants, promises, debts, accounts, actions, causes of action, suits, arbitrations, sums of money, attorneys' fees, costs, damages or any right to monetary recovery or any other personal relief, whether known or unknown, in law or equity, by contract, tort or pursuant to federal state or local statute, regulation, ordinance, or common law, which Executive now has, ever had, or may hereafter have, based upon or arising from any fact or set of facts, whether known or unknown to Executive, from the beginning of time until the date of this Agreement with respect to Executive's employment with the Company and the termination of such employment. Without limiting the generality of the foregoing, this waiver, release, and discharge includes any claim or right which could have been asserted against the Company by Executive, and/or based upon or arising

under any contract or any federal, state or local tort, fair employment practices, equal opportunity or wage and hours laws including but not limited to the common law of the State of Colorado, Title VII of the Civil Rights Act of 1964, the Colorado Anti-Discrimination Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, 42 U.S.C Section 1981, the Fair Labor Standards Act, the Colorado Wage Act, and the Employee Retirement Income Security Act, including all amendments thereto.

(b) Notwithstanding the generality of the foregoing, nothing herein constitutes a waiver by Executive of: (1) any claim or right that may arise after the date of this Agreement; (2) any vested benefits due to Executive pursuant to the terms and conditions of any Company employee benefit plan in which Executive was a participant on or prior to the Separation Date; (3) any claim or right Executive may have pursuant to indemnification, advancement, defense, or reimbursement pursuant to any applicable D&O policies, any similar insurance policies, the Company's amended and restated by-laws as amended or applicable law, or as provided in Section 18 of the Employment Agreement, and (4) any claim which by law cannot be waived.

(c) Nothing in this Agreement is intended to prohibit or restrict Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment; provided that Executive hereby waives the right to recover any monetary damages or other relief against any Released Parties; provided, however, that nothing in this Agreement shall prohibit Executive from receiving any monetary award to which Executive becomes entitled pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

6. **Return of Company Property**

Executive acknowledges that he has reasonably searched for all "Proprietary or Confidential Information" (as defined in the Employment Agreement) and all other property belonging to the Company Entities or which Executive prepared or obtained during the course of his employment with the Company Entities, including, but not limited to, phones, computers, keys, access cards, security devices, network access devices, electronic devices, office equipment, records, identification cards, files, data, manuals, reports, books, compilations, work product, email messages, recording, tapes, removable storage devices, hard drives, computer disks, rolodexes, credit cards, electronic passwords and documents containing the Company Entities' confidential or business information, whether in hard copy or electronic format, and has returned to the Company all such found property. If Executive discovers any Proprietary or Confidential Information or property belonging to the Company Entities after the Separation Date, Executive shall promptly return them to the Company. The foregoing provisions of this Section 6, shall exclude all compensation plans, programs, and agreements, and all other personnel related materials relating to Executive's employment with the Company.

7. **Consultation; Voluntary Agreement**

Executive acknowledges that the Company has advised Executive to consult with an attorney prior to executing this Agreement. Executive has carefully read and fully understands all of the provisions of this Agreement. Executive is entering into this Agreement, knowingly, freely and voluntarily in exchange for good and valuable consideration to which Executive would not be entitled in the absence of executing and not revoking this Agreement.

8. **Consideration and Revocation Period**

Executive acknowledges that he has twenty-one (21) calendar days to consider this Agreement, although he may sign it sooner. Executive has seven (7) calendar days after the date on which Executive executes this Agreement to revoke his consent to the Agreement. Such revocation must be in writing and must be emailed to Kirkland & Ellis LLP, Richard Kidd, Esq., at richard.kidd@kirkland.com. Notice of such revocation must be received within the seven (7) calendar days referenced above. In the event of such

revocation by Executive, this Agreement shall be null and void in its entirety. Provided that Executive does not revoke his execution of this Agreement within such seven (7) day period, the "Effective Date" shall occur on the eighth (8th) calendar day after the date on which he initially signs it. If the Effective Date does not occur, this Agreement is null and void and neither the Company nor Executive shall have any rights or obligations under this Agreement.

9. **Permitted Disclosures; Defend Trade Secrets Act**

Nothing in this Agreement, the Employment Agreement or any policies or procedures of the Company shall prohibit or restrict Executive or his attorneys from: (a) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to this Agreement, or as required by law or legal process, including with respect to possible violations of law; (b) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (c) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation. Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company or its subsidiaries or affiliates that (A) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to Executive's attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Executive does not need the prior authorization of the Company to engage in conduct protected by this Section 8, and Executive does not need to notify the Company that Executive has engaged in such conduct, has received a subpoena or responded to a subpoena.

10. **Cooperation; No Cooperation with Non-Governmental Third Parties**

To the extent not contrary to Executive's legal interests (as determined in Executive's reasonable discretion), Executive agrees that, at the Company's request, and consistent with Executive's business and personal schedule, Executive shall provide reasonable assistance to, and cooperate with, the Company with regard to any internal or external claims, charges, audits, investigations, contractual disputes and/or lawsuits involving Executive, or of which Executive may have knowledge, or in which Executive may be a witness with respect to events occurring on or prior to the Separation Date. Such cooperation includes meeting with Company representatives and counsel to disclose such facts as Executive may know; preparing for any deposition, trial, hearing, or other proceedings; attending any deposition, trial, hearing or other proceeding to provide truthful testimony; and providing other assistance to the Company and its counsel in the defense or prosecution of litigation as may, in their sole judgment, be necessary. To the extent permitted by applicable law, the Company shall pay Executive at an hourly rate of \$1,000 per hour, with such compensation to be paid in increments of four (4) hours for all approved time cooperating without the need to subpoena Executive and shall reimburse Executive for all reasonable business expenses incurred with respect to such cooperation (including, if Executive reasonably needs counsel, the reasonable legal fees for counsel selected by Executive in his reasonable discretion). Executive shall not knowingly encourage, counsel or assist any non-governmental attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges or complaints by any non-governmental third party against any of the Released

Parties relating to events occurring on or prior to the Separation Date, in each case, only where Executive would be precluded by Section 5 of this Agreement from taking such action on his own behalf.

11. **No Admission of Wrongdoing**

The Parties agree that neither this Agreement, nor the furnishing of the consideration for this Agreement, shall be deemed or construed at any time to be an admission by either Party of any improper or unlawful conduct.

12. **Surviving Provisions of Employment Agreement**

The Parties acknowledge and agree that the following sections of the Employment Agreement shall remain in full force and effect: Section 5 (Definitions); Section 6 (Restrictive Covenants); Section 7 (Survival); Section 8 (Notices); Section 9 (Entire Agreement) (subject to this Agreement being part of the entire agreement between the Parties); Section 11 (Successors and Assigns); Section 15 (Code Section 409A), Section 16 (Clawbacks), and Section 18 (Indemnification).

13. **Savings Clause**

If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision of this Agreement is invalid, illegal or unenforceable, this Agreement shall be enforceable as closely as possible to its original intent, which is to provide the Company Releasees with a full release of all legally releasable claims as provided herein.

14. **Counterparts**

This Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument. A faxed, .pdf-ed or electronic signature shall operate the same as an original signature.

15. **Amendment and Waiver**

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

16. **Successors and Assigns; Third-Party Beneficiaries**

This Agreement shall inure to the benefit of and be enforceable by Executive and his heirs, executors and personal representatives, and the Company and its successors and assigns. Any successor or assignee of the Company shall assume the liabilities of the Company hereunder. The Company Releasees are expressly intended to be third-party beneficiaries of the releases set forth in Section 4 above, and it may be enforced by each of them.

17. **No Oral Modifications**

This Agreement may not be modified or amended unless mutually agreed to in writing by the Parties.

18. **Governing Law, Alternative Dispute Resolution**

This Agreement and the surviving provisions of the Employment Agreement shall be governed by the internal laws (as opposed to the conflicts of law provisions) of the State of Colorado. The Parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement and the surviving provisions of the Employment Agreement (other than with respect to Section 6 of the Employment Agreement) shall be submitted to JAMS, (Denver, Colorado office) or its successor, for mediation. Either Party may commence mediation by providing to JAMS and the other Party a written request for mediation, setting forth

the subject of the dispute and the relief requested. The Parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The Parties agree that they will participate in the mediation in good faith and that all mediation costs will be borne by the Company. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

19. ***Entire Agreement***

This Agreement, the surviving provisions of the Employment Agreement, the Equity Awards, Equity Plans and the award agreements and other documents governing the applicable Equity Awards constitute the entire agreement and understanding between the Parties with respect to their subject matter and supersede and preempt any prior understandings, agreements or representations by or between the Parties, written or oral, which may have related in any manner to their subject matter.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the below-indicated dates.

EXECUTIVE

By: /s/ Andrew J. England
Andrew J. England

Date: November 15, 2018

NATIONAL CINEMEDIA, INC.

By: /s/ Clifford E. Marks
Name: Clifford E. Marks
Title: Interim Chief Executive Officer and President

Date: November 14, 2018

APPENDIX A TO SEPARATION AGREEMENT

National CineMedia, Inc.

Potential Value of Shares to Vest upon Involuntary Termination without Cause for CEO

For the avoidance of doubt, the estimated calculations below assume that the performance conditions for the performance-based restricted stock awards at the end of the three-year performance period are achieved at target; however, all of the Executive's performance-based restricted stock awards will pro-rata vest based on actual (not target) achievement of the applicable performance conditions at the end of the three-year performance period. Target is being assumed below for performance-based restricted stock awards solely for illustrative and modeling purposes and does not reflect the actual (or expected) achievement of such awards (or the actual amounts that the Executive may receive) at the end of the applicable three-year performance period. This Appendix A is in no way intended to supersede or override any of the terms and conditions of the Equity Awards pursuant to the Equity Plans and applicable award agreements, and the Equity Plans and the award agreements will continue to govern the Equity Awards following the Separation Date.

Grant Detail	Grant Date	Number of Shares		Vesting Date	Proration Ratio ⁽²⁾	Shares to Vest Upon Termination			
		Granted	Unvested ⁽¹⁾			# of Shares Vesting	Current Value of Shares ⁽³⁾	Accrued Dividends	Total Value
2016 (Initial TBRS)⁽⁴⁾	1/1/2016	48,109	16,037	1/1/2019	1.00	16,037	\$138	\$36	\$174
2016 (Annual TBRS of 24,983 Total Shares)	1/20/2016								
<i>1st tranche (vests 1 year from grant date)</i>		8,327	0	1/20/2017	0	0	0	0	0
<i>2nd tranche (vests 2 years from grant date)</i>		8,328	0	1/20/2018	0	0	0	0	0
<i>3rd tranche (vests 3 years from grant date)</i>		8,328	8,328	1/20/2019	0.93	7,728	\$67	\$18	\$84
2016 (Annual PBRs)⁽⁵⁾	1/20/2016	74,950	74,950	2/25/2019 ⁽⁶⁾	0.90	67,336	\$580	\$153	\$733
2017 (Annual TBRS of 25,338 Total Shares)	1/19/2017								
<i>1st tranche (vests 1 year from grant date)</i>		8,446	0	1/19/2018	0	0	0	0	0
<i>2nd tranche (vests 2 years from grant date)</i>		8,446	8,446	1/19/2019	0.89	7,544	\$65	\$10	\$75
<i>3rd tranche (vests 3 years from grant date)</i>		8,446	8,446	1/19/2020	0.60	5,029	\$43	\$7	\$50
2017 (Annual PBRs)⁽⁵⁾	1/19/2017	76,013	76,013	2/24/2020 ⁽⁶⁾	0.58	43,820	\$377	\$61	\$438
2018 (Annual TBRS of 56,818 Total Shares)	1/24/2018								
<i>1st tranche (vests 1 year from grant date)</i>		18,939	18,939	1/24/2019	0.77	14,632	\$126	\$7	\$133
<i>2nd tranche (vests 2 years from grant date)</i>		18,939	18,939	1/24/2020	0.39	7,316	\$63	\$4	\$67
<i>3rd tranche (vests 3 years from grant date)</i>		18,940	18,940	1/24/2021	0.26	4,873	\$42	\$2	\$44
2018 (Annual PBRs)⁽⁵⁾	1/24/2018	170,455	170,455	3/1/2021 ⁽⁶⁾	0.25	42,463	\$366	\$22	\$387
Total		476,666	419,493			216,778	\$1,866	\$321	\$2,187

Note: TBRS = Time-Based Restricted Stock, PBRs = Perf-Based Restricted Stock

(1) Number of shares unvested prior to termination date

(2) Assumes an Involuntary Termination without Cause on November 2, 2018. Proration ratio is calculated as the number of days from grant to termination, divided by the number of days from grant to vesting

- (3) Current value of shares is based on the closing stock price on November 2, 2018 (\$8.61)
- (4) Initial sign-on equity grant (vesting 1/3rd per year) subject to accelerated vesting in the event of an Involuntary Termination without Cause, per Employment Agreement
- (5) PBRS vest based upon achievement of performance targets at the end of a 3-year measurement period; for modeling purposes above, amount shown is illustrative with performance assumed at target
- (6) For purposes of calculating the proration ratio, the vesting date for the PBRS is 60th day following the last day of the applicable Measuring Period, per the CEO's Award Agreements

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “Agreement”) by and between National CineMedia, Inc. (the “Company” or “Employer”), and Scott Felenstein (“Executive”, and together with the Company or Employer, the “Parties”), is entered into as of April 3, 2017 (the “Execution Date”). In consideration of the covenants and agreements contained herein, the Parties agree as follows:

1. Employment. The Employer agrees to employ Executive and Executive agrees to be employed by the Employer, beginning as of April 24, 2017 (the “Effective Date”) and Executive’s employment under this Agreement shall terminate on the earlier of (i) April 30, 2020 or (ii) the termination of Executive’s employment under this Agreement. The period from the Effective Date until the termination of Executive’s employment under this Agreement is referred to as the “Employment Period.” To the extent Executive remains employed by the Company after the expiration of the Employment Period, such employment will be subject to the terms and conditions to which the Company and Executive at that time will agree.

2. Positions and Authority. Executive shall serve in the position of Executive Vice President, Chief Revenue Officer of the Employer, reporting to the President of the Company, or in such other positions as the Parties may agree.

Executive agrees to serve in the position referred to in this Section 2 and to perform diligently and to the best of his abilities the duties and services appertaining to such offices as assigned to him from time to time, as well as such additional duties and services appropriate to such offices that the Parties may agree upon from time to time.

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

3. Compensation and Benefits.

(a) Sign-On Compensation. In consideration of the commencement of Executive’s employment hereunder the Executive will receive a time-based restricted share award granted effective on the commencement of employment, with a grant date fair market value equal to \$175,000, the number of shares to be determined by dividing such amount by the average closing share price of the Company’s common stock as reported on the NASDAQ for the 30 days immediately prior to the Execution Date, with vesting to occur in three equal installments on each of the first three anniversaries of the grant date subject to continued employment through each applicable vesting date (the “Initial Equity”). The Initial Equity shall be (i) issued under the National CineMedia, Inc. 2016 Equity Incentive Plan (as amended from time to time, the “EIP”), and (ii) be subject to the Company’s standard form of time-based restricted share award agreement under the EIP, provided, however, that the Initial Equity shall vest in full in the event of Executive’s death, Disability (defined below), an Involuntary Termination (defined below), or a Change in Control (defined below).

(b) Base Salary. As compensation for Executive’s performance of Executive’s duties hereunder, Company shall pay to Executive an initial Base Salary of \$500,000 per year, payable in accordance with the normal payroll practices of the Company (but not less frequently than monthly), less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. The Base Salary shall be reviewed for increases but not decreases by the Compensation Committee of the Board (the “Compensation Committee”) in good faith, based upon Executive’s performance and the Company’s pay philosophy, not less often than annually. The term “Base Salary” shall refer to the Base Salary as may be in effect from time to time.

(c) Annual Incentive Compensation. During the Employment Period, Executive shall be eligible to participate in an annual cash bonus program maintained for senior executive officers of the Company (the “Annual Incentive Program” or the “Plan”), with a minimum target annual bonus equal to 75% of Base Salary (the “Target Bonus”) for each year during the Employment Period in which Executive participates in the Annual Incentive Program; provided, however, that Executive’s bonus in respect to calendar year 2017 shall be no less than \$300,000. The actual amount of the annual bonus earned by and payable to Executive for any year or portion of a year, as applicable, shall be determined upon the satisfaction of goals and objectives established by the Compensation Committee pursuant to the Plan, and shall be subject to such other terms and conditions of the Annual Incentive

Program as in effect from time to time. Each bonus paid under the Annual Incentive Program shall be paid to Executive no later than March 15th of the calendar year following the calendar year for which the bonus is earned.

(d) Long-Term Incentive Grants. The Company shall provide to Executive, on an annual basis during the Employment Period, the opportunity to receive a long-term incentive award in such amount and pursuant to such terms as may be determined in the sole discretion of the Compensation Committee, delivered through vehicles and designs, and in such amounts, that are generally consistent with those awarded to the Company's other senior executive officers in each year ("Annual LTI Awards"). In 2017, in consideration of the commencement of Executive's employment hereunder, the Executive will receive an Annual LTI Award in the form of a restricted share award (50% time-based; 50% performance-based) granted effective on the commencement of employment, with a grant date fair market value equal to \$525,000, the number of shares to be determined by dividing such amount by the average closing share price of the Company's common stock as reported on the NASDAQ for the 30 days immediately prior to the Execution Date (the "2017 Equity"). The time-based restricted stock awards in the 2017 Equity will vest in three equal installments on each of the first three anniversaries of the grant date subject to Executive's continued employment through each applicable vesting date. The performance-based restricted stock awards in the 2017 Equity will vest following a three-year measurement period and will vest based upon the Company's achievement of certain targets set forth by the Compensation Committee (in 2017 these targets are 75% three-year free cash flow and 25% fiscal year 2019 digital revenue) and subject to Executive's continued employment through the vesting date. The 2017 Equity shall be (i) issued under the EIP, and (ii) be subject to the Company's standard form of performance-based and time-based restricted share award agreement under the EIP.

(e) Other Benefits.

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

(ii) Welfare Benefit Plans. Except as otherwise limited by applicable law, Executive and/or his eligible dependents shall be eligible to participate in and shall receive all benefits under the Company's welfare benefit plans and programs applicable generally to other senior executive officers of the Company in accordance with the terms of the plans, as may be amended from time to time.

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

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

4. Termination of Employment.

(a) Executive's employment under this Agreement shall terminate upon the earliest to occur of: (i) the expiration and non-renewal of the term of this Agreement at the end of the Employment Period, pursuant to Section 1 hereof; (ii) termination due to Disability; (iii) termination of Executive's employment by the Company for any reason other than termination due to Disability; (iv) Executive's death; or (v) termination of Executive's employment by Executive for any reason. Upon the termination of Executive's employment with the Company for any reason, Executive shall be deemed to have resigned from the Board if a member at such time and all other positions with the Employer or any of its Affiliates (defined below) held by Executive as of the date immediately preceding his termination of employment.

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

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

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

(ii) if Executive's spouse and eligible dependents, as applicable, were covered under the Employer's medical plan or plans immediately prior to the termination of Executive's employment, and timely elect continued coverage under such medical plan or plans pursuant to COBRA, Employer will pay the applicable premium required for COBRA continuation coverage for Executive's spouse and eligible dependents, as applicable, until the first anniversary of the date of Executive's death.

Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or of a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed to refer to his beneficiary, and if Executive shall not have designated a beneficiary, his estate or legal representative (as the case may be).

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

(i) the Company shall pay Executive an amount equal to 50% of Base Salary, offset by any payments that Executive may receive under the Company's long-term disability plan and any supplement thereto, whether funded or unfunded, that is adopted or provided by the Company for Executive's benefit, payable in a lump sum on the first payroll date that occurs after the 55th day following the effective date of his termination;

(ii) Executive shall be permitted to continue participation in all employee benefit plans or programs as in effect from time to time in which Executive was participating on the effective date of his termination until the date he receives equivalent coverage in benefits, but in no event for a period longer than 12 months, provided that (i) Executive and/or his eligible dependents shall be eligible to participate in continued coverage under Employer's medical plan or plans for the maximum period required by COBRA or any applicable state continuation coverage law and (ii) in the event that, under the terms of any employee benefit plan or program referred to in this paragraph, Executive may not continue his participation, he shall be paid the after-tax cost that would be incurred by Executive in obtaining such benefit on the lowest available individual basis, of the benefits provided under any plan or program in which he is unable to participate for the period specified in this paragraph.

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

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

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

(ii) the Initial Equity shall vest in full, to the extent issued and outstanding but unvested on the date of the Involuntary Termination;

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

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

(g) Voluntary Resignation by Executive. Executive may voluntarily terminate his employment with the Company at any time with or without notice and with or without reason. Such voluntary termination by Executive shall include, without limitation, Executive's decision not to renew this Agreement upon expiration of the Employment Period if the Company offers to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year. In the event Executive voluntarily terminates his employment, Executive's salary shall cease on the termination date and Executive will not be entitled to severance pay, pay in lieu of notice, or any other compensation other than payment of the Accrued Benefits.

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

(i) No Mitigation; No Offset. In the event of any termination of employment under this Section 4, Executive shall be under no obligation to seek other employment, and except as provided in Section 4(d)(iii) or Section 4(f)(iii), he shall have no obligation to offset or repay any payments he receives under this Agreement by any payments he receives from a subsequent employer; provided, however, that (without limiting any rights of the Company for any breach of this Agreement under law, equity or otherwise), if Executive violates any provision of Section 6, any obligation of Employer to make payments to Executive under Section 4 of this Agreement (other than the Accrued Benefits) shall immediately cease.

5. Definitions.

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

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

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

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

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

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

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

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning

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

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

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

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

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

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

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

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

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

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

(ii) a material reduction in the Executive's annual salary, Target Bonus, long-term incentive award value, or material reduction to the Executive's aggregate benefits, or other compensation plans;

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

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

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

Notwithstanding the foregoing, prior to the Executive's voluntary resignation for Good Reason, the Executive must give the Company written notice of the existence of any condition set forth in clause (i) - (v) above within 90 days of such initial existence and the Company shall have 30 days from the date of such notice in which to cure the condition giving rise to Good Reason, if curable. If, during such 30-day period, the Company cures the condition giving rise to Good Reason, no benefits shall be due under Section 4 of this Agreement with respect to such occurrence. If, during such 30-day period, the Company fails or refuses to cure the condition giving rise to Good Reason and it is determined such Good Reason does exist, the Executive shall be entitled to benefits under Section 4 of this Agreement upon such Termination; provided such Termination occurs within twelve (12) months of such initial existence of the applicable condition, but not later than the end of the Employment Period.

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

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

(ii) By Executive for Good Reason, effective upon Executive providing the Company with written notice of the termination for Good Reason (for the avoidance of doubt, such written notice of termination shall be in addition to the 90 day written notice required in Section 5(e)); or

(iii) By reason of the Company's refusal to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year at the end of the Employment Period (as extended by any prior renewals).

(g) "Severance Amount" shall mean:

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

(ii) for an Involuntary Termination occurring during a Covered Period even if such Covered Period extends beyond the expiration of the Employment Period, an amount equal to 100% of Base Salary, plus 100% of Target Bonus, payable in equal installments within a 12-month period starting on the date of Involuntary Termination, commencing on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination.

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

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

was learned, discovered, developed, conceived, originated, or prepared during Executive's employment with the Company, and the competitive use or disclosure of which would be harmful to the business prospects, financial status, or reputation of the Company or its Affiliates at the time of any disclosure by Executive.

The relationship between Executive and the Company and its Affiliates is and shall continue to be one in which the Company and its Affiliates repose special trust and confidence in Executive, and one in which Executive has and shall have a fiduciary relationship to the Company and its Affiliates. As a result, the Company and its Affiliates shall, in the course of Executive's duties to the Company, entrust Executive with, and disclose to Executive, Proprietary or Confidential Information. Executive recognizes that Proprietary or Confidential Information has been developed or acquired, or will be developed or acquired, by the Company and its Affiliates at great expense, is proprietary to the Company and its Affiliates, and is and shall remain the property of the Company and its Affiliates. Executive acknowledges the confidentiality of Proprietary or Confidential Information and further acknowledges that Executive could not competently perform Executive's duties and responsibilities in Executive's position with the Company and/or its Affiliates without access to such information. Executive acknowledges that any use of Proprietary or Confidential Information by persons not in the employ of the Company and its Affiliates would provide such persons with an unfair competitive advantage which they would not have without the knowledge and/or use of the Proprietary or Confidential Information and that this would cause the Company and its Affiliates irreparable harm. Executive further acknowledges that because of this unfair competitive advantage, and the Company's and its Affiliates' legitimate business interests, which include their need to protect their goodwill and the Proprietary or Confidential Information, Executive has agreed to the post-employment restrictions set forth in this Section 6. Nothing in this Section 6(a) is intended, or shall be construed, (i) to limit the protection of any applicable law or policy of the Company or its Affiliates that relates to the protection of trade secrets or confidential or proprietary information or (ii) to limit Executive's ability to initiate communications directly with, or to respond to any inquiry from, or provide testimony before, the SEC, FINRA, any other self-regulatory organization or any other state or federal regulatory authority.

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

(d) Non-Competition.

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

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

(e) Non-Solicitation of Business Partners. Executive acknowledges that, by virtue of his employment by the Company or its Affiliates, Executive has gained or will gain knowledge of the identity, characteristics, and preferences of the Company's Business Partners, among other Proprietary or Confidential Information, and that Executive would inevitably have to draw on such information if he were to solicit or service the Company's Business Partners on behalf of a Competitor. Accordingly, during

the Employment Period and the Coverage Period, Executive agrees not to, directly or indirectly, solicit the business of or perform any services of the type he performed or sell any products of the type he sold during his employment with the Company for or to actual or prospective Business Partners of the Company (i) as to which Executive performed services, sold products or as to which employees or persons under Executive's supervision or authority performed such services, or had direct contact, or (ii) as to which Executive had accessed Proprietary or Confidential Information during the course of Executive's employment by the Company, or in any manner encourage or induce any such actual or prospective Business Partner to cease doing business with or in any way interfere with the relationship between the Company and its Affiliates and such actual or prospective Business Partner. Executive further agrees that during the Employment Period and the Coverage Period, Executive will not encourage or assist any Competitor to solicit or service any actual or prospective Business Partners or otherwise seek to encourage or induce any Business Partners to cease doing business with, or reduce the extent of its business dealings with the Company.

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

(g) Non-Disparagement. The Parties agree during and following the Employment Period not to make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written, directly or indirectly) that (i) accuses or implies that the other Party or its Affiliates, as may be applicable, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business, management, or operations of the Company or its Affiliates, as may be applicable, or otherwise of either Party, or (ii) disparages, impugns, or in any way reflects adversely upon the business or reputation of the other Party or their subsidiaries or affiliates, as may be applicable. Nothing herein will be deemed to preclude either Party from providing truthful testimony or information pursuant to subpoena, court order, or similar legal process, instituting and pursuing legal action, or engaging in other legally protected speech or activities.

(h) Breach. Executive acknowledges that the restrictions contained in this Agreement are fair, reasonable, and necessary for the protection of the legitimate business interests of the Company, that the Company will suffer irreparable harm in the event of any actual or threatened breach by Executive, and that it is difficult to measure in money the damages which will accrue to the Company by reason of a failure by Executive to perform any of Executive's obligations under this Section 6. Accordingly, if the Company or any of its subsidiaries or Affiliates institutes any action or proceeding to enforce their rights under this Section 6, to the extent permitted by applicable law, Executive hereby waives the claim or defense that the Company or its Affiliates has an adequate remedy at law, Executive shall not claim that any such remedy at law exists, and Executive consents to the entry of a restraining order, preliminary injunction, or other preliminary, provisional, or permanent court order to enforce this Agreement, and expressly waives any security that might otherwise be required in connection with such relief. Executive also agrees that any request for such relief by the Company shall be in addition and without prejudice to any claim for monetary damages and/or other relief which the Company might elect to assert. In the event Executive violates any provision of this Section 6. In the event Executive violates any provision of this Section 6, and the Company is the completely prevailing party in such action, the Company shall be entitled to recover all costs and expenses of enforcement, including reasonable attorneys' fees, and the time periods set forth above shall be extended for the period of time Executive remains in violation of the provisions. Conversely, in the event that Executive is the completely prevailing party in any action brought by the Company with respect to this Section 6, then Executive shall be entitled to recover all costs and expenses of defense, including reasonable attorneys' fees and shall thereafter be relieved of all restrictions contained in this Section 6. In the event any provision of this Section is found to be unenforceable by a court of competent jurisdiction it is agreed the remaining and other provisions shall be enforced and the provision so found unenforceable shall be reformed so as to be enforceable to the maximum extent allowed by law.

(i) Release. Executive's execution of a complete and general release of any and all of his potential claims (other than for benefits and payments described in this Agreement or any other vested benefits with the Employees and/or their affiliates) against the Employer, any of its affiliated companies, and their respective successors and any officers, employees, agents, directors, attorneys, insurers, underwriters, and assigns of the Employer or its affiliates and/or successors, in a form provided by Employer (which form shall be generally consistent with the form severance agreement and general release then used by Employer for senior executives), and any legally required revocation period applicable to such release having expired without Executive revoking such release, is an express condition of Executive's right to receive termination payments, vesting, and benefits under this Agreement. Executive shall be required to execute, within 45 days after Executive's termination of employment, a general waiver and release agreement which documents the release required under this section 6(i).

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

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

If to the Company :

Gene Hardy
Executive Vice President, General Counsel and Secretary
National CineMedia, Inc.
9110 E. Nichols Avenue
Suite 200
Centennial, Colorado 80112

If to Executive:

To the most recent address on file with the Company

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

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

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

12. Governing Law; Alternative Dispute Resolution. This Agreement shall be governed by the internal laws (as opposed to the conflicts of law provisions) of the State of Colorado. The Parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement other than with respect to Section 6 shall be submitted to JAMS, (Denver Colorado office) or its successor, for mediation. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the dispute and the relief requested. The Parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The Parties agree that they will participate in the mediation in good faith and that all mediation costs will be borne by the Company. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

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

14. Withholding. All payments and benefits under this Agreement are subject to withholding of all applicable taxes.

15. Code Section 409A. This Agreement is intended to be exempt from, or comply with, the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). For purposes of Section 409A of the Code, Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series

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

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

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

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

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

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “Agreement”) by and between National CineMedia, Inc. (the “Company or Employer”), and Sarah Hilty (“Executive”, and together with the Company or Employer, the “Parties”), is entered into as of January 12, 2018 (the “Execution Date”). In consideration of the covenants and agreements contained herein, the Parties agree as follows:

1. Employment. The Employer agrees to employ Executive and Executive agrees to be employed by the Employer, beginning as of February 12, 2018 (the “Effective Date”) and Executive’s employment under this Agreement shall terminate on the earlier of (i) December 31, 2020 or (ii) the termination of Executive’s employment under this Agreement. The period from the Effective Date until the termination of Executive’s employment under this Agreement is referred to as the “Employment Period.” To the extent Executive remains employed by the Company after the expiration of the Employment Period, such employment will be subject to the terms and conditions to which the Company and Executive at that time will agree.

2. Positions and Authority. Executive shall serve in the position of Senior Vice President-General Counsel of the Employer, reporting to the Chief Executive Officer of the Company, or in such other positions as the Parties may agree.

Executive agrees to serve in the position referred to in this Section 2 and to perform diligently and to the best of her abilities the duties and services appertaining to such offices as assigned to her from time to time, as well as such additional duties and services appropriate to such offices that the Parties may agree upon from time to time.

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

3. Compensation and Benefits.

(a) Sign-On Compensation. In consideration of the commencement of Executive’s employment hereunder the Executive will receive a time-based restricted share award granted effective on the commencement of employment, with a grant date fair market value equal to \$75,000, the number of shares to be determined by dividing such amount by the average closing share price of the Company’s common stock as reported on the NASDAQ for the 30 days immediately prior to the Execution Date, with vesting to occur in three equal installments on each of the first three anniversaries of the grant date (the “Initial Equity”), subject to Executive’s continued employment through each applicable vesting date. The Initial Equity shall (i) be issued under the National CineMedia, Inc. 2016 Equity Incentive Plan (as amended from time to time, the “EIP”) and (ii) be subject to the Company’s standard form of time-based restricted share award agreement under the EIP. Additionally, the Executive will also receive a one-time sign-on cash bonus in the amount of \$25,000 to be paid no later than 30 days after the commencement of employment.

(b) Base Salary. As compensation for Executive’s performance of Executive’s duties hereunder, Company shall pay to Executive an initial Base Salary of \$310,000 per year, payable in accordance with the normal payroll practices of the Company (but not less frequently than monthly), less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. The Base Salary shall be reviewed for increases not decreases by the Board of Directors of the Company (the “Board”) in good faith not less often than annually. The term “Base Salary” shall refer to the Base Salary as may be in effect from time to time.

(c) Annual Incentive Compensation. During the Employment Period, Executive shall be eligible to participate in an annual cash bonus program maintained for senior executive officers of the Company (the “Annual Incentive Program” or the “Plan”), with a minimum target annual bonus equal to 50% of Base Salary (the “Target Bonus”) for each year during the Employment Period in which Executive participates in the Annual Incentive Program; provided, however, that any bonus related to calendar year 2018 (i) shall be prorated for the period between the Effective Date and December 31, 2018, and (ii) shall not be less than the full amount of the bonus for the prorated period, as calculated per the terms of the Company’s existing Performance Bonus Plan. The actual amount of the annual bonus earned by and payable to Executive for any year or portion of a year, as applicable, shall be determined upon the satisfaction of goals and objectives established by the Compensation Committee pursuant to the Plan, and shall be subject to such other terms and conditions of the Annual Incentive Program as in effect from time to time, provided that all awards shall be designed in a manner such that the annual bonus will be treated as “qualified performance-based compensation” within the meaning of Section 162(m) of the Internal Revenue Code, as amended (the “Code”). Each bonus paid

under the Annual Incentive Program shall be paid to Executive no later than March 15th of the calendar year following the calendar year for which the bonus is earned.

(d) Long-Term Incentive Grants. The Company shall provide to Executive, on an annual basis during the Employment Period, the opportunity to receive a long-term incentive award in such amount and pursuant to such terms as may be determined in the sole discretion of the Board, delivered through vehicles and designs that are generally consistent with those awarded to the Company's other senior executive officers in each year. In consideration of the commencement of Executive's employment hereunder, the Executive will receive a restricted share award (75% time-based; 25% performance based) granted effective on the commencement of employment, with a grant date fair market value equal to \$201,500, the number of shares to be determined by dividing such amount by the average closing share price of the Company's common stock as reported on the NASDAQ for the 30 days immediately prior to the Execution Date (the "2018 Equity"). The time-based restricted stock awards will vest in three equal installments on each of the first three anniversaries of the grant date subject to the Executive's continued employment through each applicable vesting date. The performance-based restricted stock awards will vest following a three-year measurement period and will vest based upon the Company's achievement of certain targets set forth by the Compensation Committee (in 2017 these targets are 75% three-year free cash flow and 25% fiscal year 2019 digital revenue) and subject to the Executive's continued employment through the vesting date. The 2018 Equity shall be (i) issued under the EIP, and (ii) be subject to the Company's standard form of performance-based and time-based restricted share award agreement under the EIP.

(e) Other Benefits.

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

(ii) Welfare Benefit Plans. Except as otherwise limited by applicable law, Executive and/or her eligible dependents shall be eligible to participate in and shall receive all benefits under the Company's welfare benefit plans and programs applicable generally to other senior executive officers of the Company in accordance with the terms of the plans, as may be amended from time to time.

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

(iv) Other Benefits. Executive shall receive such other benefits as are then customarily provided generally to the other senior officers of the Company and of its subsidiaries, as determined from time to time by the Board or the Chief Executive Officer, including, without limitation, four weeks of paid vacation.

4. Termination of Employment.

(a) Executive's employment under this Agreement shall terminate upon the earliest to occur of: (i) the expiration and non-renewal of the term of this Agreement at the end of the Employment Period, pursuant to Section 1 hereof; (ii) termination due to Disability; (iii) termination of Executive's employment by the Company for any reason other than termination due to Disability; (iv) Executive's death; or (v) termination of Executive's employment by Executive for any reason. Upon the termination of Executive's employment with the Company for any reason, Executive shall be deemed to have resigned from the Board if a member at such time and all other positions with the Employer or any of its Affiliates (defined below) held by Executive as of the date immediately preceding her termination of employment.

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

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

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

(ii) the Initial Equity shall vest in full, to the extent issued and outstanding but unvested on the date of Executive's death; and

(iii) if Executive's spouse and eligible dependents, as applicable, were covered under the Employer's medical plan or plans immediately prior to the termination of Executive's employment, and timely elect continued coverage under such medical plan or plans pursuant to COBRA, Employer will pay the applicable premium required for COBRA continuation coverage for Executive's spouse and eligible dependents, as applicable, until the first anniversary of the date of Executive's death.

Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or of a judicial determination of her incompetence, reference in this Agreement to Executive shall be deemed to refer to her beneficiary, and if Executive shall not have designated a beneficiary, her estate or legal representative (as the case may be).

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

(i) the Company shall pay Executive an amount equal to 50% of Base Salary, offset by any payments that Executive may receive under the Company's long-term disability plan and any supplement thereto, whether funded or unfunded, that is adopted or provided by the Company for Executive's benefit, payable in a lump sum on the first payroll date that occurs after the 55th day following the effective date of her termination;

(ii) the Initial Equity shall vest in full, to the extent issued and outstanding but unvested on the effective date of Executive's termination;

(iii) To the extent permitted by the terms of the applicable benefit plans or programs, Executive shall be permitted to continue participation in all employee benefit plans or programs as in effect from time to time in which Executive was participating on the effective date of her termination until the date she receives equivalent coverage in benefits, but in no event for a period longer than 12 months, provided that (i) Executive and/or her eligible dependents shall be eligible to participate in continued coverage under Employer's medical plan or plans for the maximum period required by COBRA or any applicable state continuation coverage law and (ii) in the event that, under the terms of any employee benefit plan or program referred to in this paragraph, Executive may not continue her participation, she shall be paid the after-tax cost that would be incurred by Executive in obtaining such benefit on the lowest available individual basis, of the benefits provided under any plan or program in which she is unable to participate for the period specified in this paragraph.

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

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

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

(ii) the Initial Equity shall vest in full, to the extent issued and outstanding but unvested on the date of the Involuntary Termination;

(iii) Until the Executive receives equivalent coverage in benefits, for a period up to twelve months, the Company (or its successor-in-interest) shall pay Executive monthly an amount equal to 100% of the monthly premium paid by the Executive

for COBRA coverage elected by Executive (as may be applicable to Executive, Executive's spouse and dependents) under the Company's group health and dental plans; and

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

(g) Voluntary Resignation by Executive. Executive may voluntarily terminate her employment with the Company at any time with or without notice and with or without reason. Such voluntary termination by Executive shall include, without limitation, Executive's decision not to renew this Agreement upon expiration of the Employment Period if the Company offers to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year. In the event Executive voluntarily terminates her employment, Executive's salary shall cease on the termination date and Executive will not be entitled to severance pay, pay in lieu of notice, or any other compensation other than payment of the Accrued Benefits.

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

(i) No Mitigation; No Offset. In the event of any termination of employment under this Section 4, Executive shall be under no obligation to seek other employment, and except as provided in Section 4(d)(iii) or Section 4(f)(iii), she shall have no obligation to offset or repay any payments she receives under this Agreement by any payments she receives from a subsequent employer; provided, however, that (without limiting any rights of the Company for any breach of this Agreement under law, equity or otherwise), if Executive violates any provision of Section 6, any obligation of Employer to make payments to Executive under Section 4 of this Agreement (other than the Accrued Benefits) shall immediately cease.

5. Definitions.

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

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

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

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

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

No act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Employer; and provided further that no act or omission by the Executive shall constitute Cause hereunder unless the Employer has given detailed written notice thereof to the Executive, and the Executive has failed to remedy such act or omission. By way

of clarification, but not limitation, for purposes of this definition of the term Cause, materiality shall be determined relative to this Agreement and Executive's employment, rather than the financial status of the Company as a whole.

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

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

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

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

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

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

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

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

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

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

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

(ii) a material reduction in the Executive's annual salary, Target Bonus, long-term incentive award value, or material reduction to the Executive's aggregate benefits, or other compensation plans;

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

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

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

Notwithstanding the foregoing, prior to the Executive's voluntary resignation for Good Reason, the Executive must give the Company written notice of the existence of any condition set forth in clause (i) - (v) above within 90 days of such initial existence and the Company shall have 30 days from the date of such notice in which to cure the condition giving rise to Good Reason, if curable. If, during such 30-day period, the Company cures the condition giving rise to Good Reason, no benefits shall be due under Section 4 of this Agreement with respect to such occurrence. If, during such 30-day period, the Company fails or refuses to cure the condition giving rise to Good Reason and it is determined such Good Reason does exist, the Executive shall be entitled to benefits under Section 4 of this Agreement upon such Termination; provided such Termination occurs within twelve (12) months of such initial existence of the applicable condition, but not later than the end of the Employment Period.

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

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

(ii) By Executive for Good Reason, effective upon Executive providing the Company with written notice of the termination for Good Reason (for the avoidance of doubt, such written notice of termination shall be in addition to the 90 day written notice required in Section 5(e)); or

(iii) By reason of the Company's refusal to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year at the end of the Employment Period.

(g) "Severance Amount" shall mean:

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

(ii) for an Involuntary Termination occurring during a Covered Period, an amount equal to 100% of Base Salary, plus 100% of Target Bonus, payable in equal installments within a 12-month period starting on the date of Involuntary Termination, commencing on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination.

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

(a) Confidentiality. Executive shall at all times hold in strict confidence any Proprietary or Confidential Information related to the Company or any of its affiliates (which shall mean any entity that, directly or indirectly, is controlled by, controls or is under common control with the Company and/or any entity in which the Company has a significant equity interest, in either case as determined by the Board, hereinafter "Affiliates") (including without limitation AMC, Cinemark, Regal and NCM, LLC), except that Executive may disclose such information as required by law or by court order, regulation, or similar order provided Executive shall first have notified the Company (if legally permissible) of the pendency of such proceeding and afforded the Company an opportunity to intervene and defend against disclosure. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all non-public information relating to the Company or any of its Affiliates (including but not limited to all marketing, alliance, social media, advertising, and sales plans and strategies; pricing information; financial,

advertising, and product development plans and strategies; compensation and incentive programs for employees; alliance agreements, plans, and processes; plans, strategies, and agreements related to the sale of assets; third party provider agreements, relationships, and strategies; business methods and processes used by the Company and its employees; all personally identifiable information regarding Company employees, contractors, and applicants; lists of actual or potential Business Partners; and all other business plans, trade secrets, or financial information of strategic importance to the Company or its Affiliates) that is not generally known in the Company's industry, that was learned, discovered, developed, conceived, originated, or prepared during Executive's employment with the Company, and the competitive use or disclosure of which would be harmful to the business prospects, financial status, or reputation of the Company or its Affiliates at the time of any disclosure by Executive.

The relationship between Executive and the Company and its Affiliates is and shall continue to be one in which the Company and its Affiliates repose special trust and confidence in Executive, and one in which Executive has and shall have a fiduciary relationship to the Company and its Affiliates. As a result, the Company and its Affiliates shall, in the course of Executive's duties to the Company, entrust Executive with, and disclose to Executive, Proprietary or Confidential Information. Executive recognizes that Proprietary or Confidential Information has been developed or acquired, or will be developed or acquired, by the Company and its Affiliates at great expense, is proprietary to the Company and its Affiliates, and is and shall remain the property of the Company and its Affiliates. Executive acknowledges the confidentiality of Proprietary or Confidential Information and further acknowledges that Executive could not competently perform Executive's duties and responsibilities in Executive's position with the Company and/or its Affiliates without access to such information. Executive acknowledges that any use of Proprietary or Confidential Information by persons not in the employ of the Company and its Affiliates would provide such persons with an unfair competitive advantage which they would not have without the knowledge and/or use of the Proprietary or Confidential Information and that this would cause the Company and its Affiliates irreparable harm. Executive further acknowledges that because of this unfair competitive advantage, and the Company's and its Affiliates' legitimate business interests, which include their need to protect their goodwill and the Proprietary or Confidential Information, Executive has agreed to the post-employment restrictions set forth in this Section 6. Nothing in this Section 6(a) is intended, or shall be construed, (i) to limit the protection of any applicable law or policy of the Company or its Affiliates that relates to the protection of trade secrets or confidential or proprietary information or (ii) to limit Executive's ability to initiate communications directly with, or to respond to any inquiry from, or provide testimony before, the SEC, FINRA, any other self-regulatory organization or any other state or federal regulatory authority.

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

(c) Non-Competition.

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

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

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

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

(f) Non-Disparagement. The Parties agree during and following the Employment Period not to make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written, directly or indirectly) that (i) accuses or implies that the other Party or its Affiliates, as may be applicable, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business, management, or operations of the Company or its Affiliates, as may be applicable, or otherwise of either Party, or (ii) disparages, impugns, or in any way reflects adversely upon the business or reputation of the other Party or their subsidiaries or affiliates, as may be applicable. Nothing herein will be deemed to preclude either Party from providing truthful testimony or information pursuant to subpoena, court order, or similar legal process, instituting and pursuing legal action, or engaging in other legally protected speech or activities.

(g) Breach. Executive acknowledges that the restrictions contained in this Agreement are fair, reasonable, and necessary for the protection of the legitimate business interests of the Company, that the Company will suffer irreparable harm in the event of any actual or threatened breach by Executive, and that it is difficult to measure in money the damages which will accrue to the Company by reason of a failure by Executive to perform any of Executive's obligations under this Section 6. Accordingly, if the Company or any of its subsidiaries or Affiliates institutes any action or proceeding to enforce their rights under this Section 6, to the extent permitted by applicable law, Executive hereby waives the claim or defense that the Company or its Affiliates has an adequate remedy at law, Executive shall not claim that any such remedy at law exists, and Executive consents to the entry of a restraining order, preliminary injunction, or other preliminary, provisional, or permanent court order to enforce this Agreement, and expressly waives any security that might otherwise be required in connection with such relief. Executive also agrees that any request for such relief by the Company shall be in addition and without prejudice to any claim for monetary damages and/or other relief which the Company might elect to assert. In the event Executive violates any provision of this Section 6, and the Company is the completely prevailing party in such action, the Company shall be entitled to recover all costs and expenses of enforcement, including reasonable attorneys' fees, and the time periods set forth above shall be extended for the period of time Executive remains in violation of the provisions. Conversely, in the event that Executive is the completely prevailing party in any action brought by the Company with respect to this Section 6, then Executive shall be entitled to recover all costs and expenses of defense, including reasonable attorneys' fees and shall thereafter be relieved of all restrictions contained in this Section 6. In the event any provision of this Section is found to be unenforceable by a court of competent jurisdiction it is agreed the remaining and other provisions shall be enforced and the provision so found unenforceable shall be reformed so as to be enforceable to the maximum extent allowed by law.

(h) Release. Executive's execution of a complete and general release of any and all of her potential claims (other than for benefits and payments described in this Agreement or any other vested benefits with the Employees and/or their affiliates) against the Employer, any of its affiliated companies, and their respective successors and any officers, employees, agents, directors, attorneys, insurers, underwriters, and assigns of the Employer or its affiliates and/or successors, in a form provided by Employer (which form shall be generally consistent with the form of severance agreement and general release then used by Employer for senior executives), and any legally required revocation period applicable to such release having expired without Executive revoking such release, is an express condition of Executive's right to receive termination payments, vesting, and benefits under this Agreement. Executive shall be required to execute within 45 days after Executive's termination of employment a general waiver and release agreement which documents the release required under this Section 6(h).

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

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

If to the Company :

Chief Executive Officer
National CineMedia, Inc.
9110 E. Nichols Avenue
Suite 200
Centennial, Colorado 80112

If to Executive

To the most recent address on file with the Company.

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

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

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

12. Governing Law; Alternative Dispute Resolution. This Agreement shall be governed by the internal laws (as opposed to the conflicts of law provisions) of the State of Colorado. The Parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement other than with respect to Section 6 shall be submitted to JAMS, (Denver Colorado office) or its successor, for mediation. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the dispute and the relief requested. The Parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The Parties agree that they will participate in the mediation in good faith and that all mediation costs will be borne by the Company. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

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

14. Withholding. All payments and benefits under this Agreement are subject to withholding of all applicable taxes.

15. Code Section 409A. This Agreement is intended to be exempt from, or comply with, the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). For purposes of Section 409A of the Code, Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series

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

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

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

18. Indemnification. The Company agrees to indemnify Executive to the fullest extent permitted by applicable law consistent with the Articles of Incorporation and By-Laws of the Company as in effect on the effective date of this Agreement with respect to any acts or non-acts she may have committed while she was an officer, director and/or employee (i) of the Company or any subsidiary thereof, or (ii) of any other entity if her service with such entity was at the request of the Company.

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

NATIONAL CINEMEDIA, INC.

By: /s/ Andrew J. England
Name: Andrew J. England
Title: Chief Executive Officer

SARAH HILTY

By: /s/ Sarah Kinnick Hilty
Name: Sarah Kinnick Hilty
Title: SVP, General Counsel

**FOURTH AMENDMENT TO THE
THIRD AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
NATIONAL CINEMEDIA, LLC**

This Fourth Amendment to the Third Amended and Restated Limited Liability Company Operating Agreement (this "**Amendment**") of National CineMedia, LLC, a Delaware limited liability company (the "**Company**"), is made and entered into as of January 23, 2019, by and among each of the parties hereto and amends the Third Amended and Restated Limited Liability Company Operating Agreement of National CineMedia, LLC, dated as of February 13, 2007 (the "**Third Amended Agreement**"), as amended by the First Amendment to the Third Amended Agreement, dated as of March 16, 2009 (the "**First Amendment**"), the Second Amendment to the Third Amended Agreement, dated as of August 6, 2010, and the Third Amendment to the Third Amended Agreement, dated as of September 3, 2013 (the "**Third Amendment**", and together with the Third Amended Agreement, the First Amendment and the Second Amendment, the "**LLC Agreement**").

RECITALS

WHEREAS, Cinemark Media, Inc., a Delaware corporation ("**Cinemark Media**"), Cinemark USA, Inc., a Texas corporation ("**Cinemark USA**") and together with Cinemark Media, the "**Cinemark Founding Member**", Regal Cinemedia Holdings, LLC, a Delaware limited liability company ("**Regal**"), Regal Cinemas, Inc., a Tennessee corporation ("**RCI**") and together with Regal, the "**Regal Founding Member**", and National CineMedia, Inc., a Delaware corporation ("**NCM Inc.**") are parties to the LLC Agreement;

WHEREAS, the Cinemark Founding Member, the Regal Founding Member and NCM Inc. desire to amend the LLC Agreement pursuant to the terms and conditions hereof; and

NOW, THEREFORE, the parties hereto agree as follows:

1. Section 6.2 of the LLC Agreement shall be amended and restated as follows:

“6.2. Certain Tax Matters.

(a) The Company shall make the TEFRA Election for all taxable years of the Company. The “tax matters partner” for purposes of Section 6231(a)(7) of the Code shall be NCM Inc. (the “Tax Matters Member”). The Tax Matters Member shall have all the rights, duties, powers and obligations provided for in Sections 6221 through 6232 of the Code with respect to the Company. The Tax Matters Member shall inform each other Member of all significant matters that may come to its attention in its capacity as such by giving notice thereof within ten (10) days after becoming aware thereof and, within such time, shall forward to each other Member copies of all significant written communications it may receive in such capacity. This provision is not intended to authorize the Tax Matters Member to take any action left to the determination of an individual Member under Sections 6222 through 6231 of the Code. All references to Code Sections in this Section 6.2(a) (including in the definition of TEFRA) are to such Sections as they existed prior to the enactment of the Bipartisan Budget Act of 2015, Pub. L No. 114-74. This Section 6.2(a) shall

apply only with respect to taxable years of the Company that end on or before December 27, 2018, regardless of the year in which an audit or other tax proceeding with respect to such taxable year may arise.

(b) This Section 6.2(b) shall apply with respect to taxable years of the Company beginning on or after December 28, 2018 (other than with respect to an audit or other tax proceeding for a taxable year described in Section 6.2(a) above). All references to Code Sections in this Section 6.2(b) are to such Code Sections as they existed following the enactment of the Bipartisan Budget Act of 2015, Pub. L No. 114-74, as the same may be amended from time to time. The Company shall make an election under Code Section 6221(b) on its federal income tax return for each taxable year in which the Company is eligible to make such an election. For any taxable year for which the Company does not make such election or the election is otherwise inapplicable:

(i) The Company will designate NCM Inc. as its “partnership representative” within the meaning of Code Section 6223 (and NCM Inc. shall serve in any similar capacity under state, local or foreign law) by making such designation on its respective federal income tax return for each taxable year in which the Company is in existence or otherwise in a manner consistent with the Code and the regulations promulgated thereunder (the “Partnership Representative”). NCM Inc. shall remain the Partnership Representative until it is replaced by a successor Partnership Representative designated by a unanimous vote of the Members in accordance with the procedures set forth in the Code and the regulations promulgated thereunder; provided, however, NCM Inc. (or any successor Partnership Representative) may resign, in its sole discretion, as the Partnership Representative in accordance with the procedures set forth in the Code and the regulations promulgated thereunder. The Partnership Representative (in the case of a Partnership Representative other than an individual) shall further designate an individual to act on behalf of the Partnership Representative (the “Designated Individual”), which Designated Individual may be removed and replaced by the Partnership Representative, in its sole discretion, in a manner consistent with the Code and the regulations promulgated thereunder. Subject to the provisions of this Section 6.2(b), the Partnership Representative shall be authorized to undertake all actions on behalf of the Company specified under Code Sections 6221 through 6231 and the regulations promulgated thereunder.

(ii) If an audit or tax proceeding results in an imputed underpayment under Code Section 6225, then the Partnership Representative shall cause the Company to make an election under Code Section 6226(a) no later than forty five (45) days after the date of the notice of final partnership adjustment. The Partnership Representative shall cause the Company to furnish to each Member for any portion of the year or years audited a statement reflecting the Member’s allocable share of the adjusted items as determined in the notice of final partnership adjustment and each such Member shall take such adjustments into account as required under Code Section 6226(b) and shall be liable for any related interest, penalty, addition to tax or additional amount.

(iii) The Partnership Representative shall inform each Member of all material matters that may come to its attention in its capacity as the Partnership Representative in connection with an audit or other proceeding involving the Internal Revenue Service or other applicable taxing authority, by giving notice thereof within ten (10) days after becoming aware of such material matter and, within such time, shall forward to each Member copies of all material written communications it may receive in such capacity. The Members shall have the right to review and comment on any material submissions to the Internal Revenue Service or other taxing authority, which the Partnership Representative shall deliver in draft form to the Members no later than ten

(10) days prior to the due date for such submission, and the Partnership Representative shall consider in good faith any comments provided by the Members with respect to such submissions, provided that such comments are delivered to the Partnership Representative at least five (5) days prior to the due date for such submission. The Members shall have the right, subject to applicable law and any limitations imposed by the Internal Revenue Service or other taxing authority, to attend and jointly participate in any material meetings or conferences with the Internal Revenue Service or other applicable taxing authority at their own expense. Prior to undertaking any material action (other than an action expressly provided for hereunder) in connection with any such audit or other proceeding, as determined by the Partnership Representative in its good faith discretion, the Partnership Representative shall deliver written notification to the Members of its proposed course of action (the "Notification of Proposed Action"), which Notification of Proposed Action shall be delivered to the Members no later than ten (10) days prior to the date for undertaking such action. Within five (5) days of the receipt of the Notification of Proposed Action by the Members, the Members shall vote on whether to approve such action as proposed by the Partnership Representative or to approve an alternative course of action proposed by the Members. For purposes of the preceding sentence, approval shall mean: (A) for so long as the Company has four Members, an affirmative vote of NCM Inc. and two of the other three Members or (B) at any time in which the Company has three Members, an affirmative vote of NCM Inc. and one of the other two Members. If the Members fail to timely vote on such matter, or if the proposed course of action set forth in the Notification of Proposed Action and any alternative course of action proposed by the Members fails to obtain approval by the requisite voting threshold described above, then the Partnership Representative shall be entitled to take such action as it reasonably determines in good faith to be in the best interest of the Members, taking into account the potential impact to each Member, the Interest of each Member and all other factors deemed to be relevant by the Partnership Representative.

(iv) Each Member agrees to cooperate with reasonable requests by the Partnership Representative for information regarding such Member as may be necessary or appropriate in connection with any tax audit or related proceeding, and to provide such information (which may be freely disclosed to the Internal Revenue Service or other relevant taxing authorities) that is either (a) related to such Member's investment in the Company if such information can be obtained or prepared by such Member using commercially reasonable efforts or (b) unrelated to such Member's investment in the Company if the Member elects, in its sole discretion, to provide such information, which shall be deemed to be the Confidential Information of such Member.

(v) All reasonable costs and expenses incurred by the Partnership Representative in its capacity as such during the course of an audit or other tax proceeding shall be borne pro rata by the Members in accordance with their Interest."

2. The introductory clause to Section 10.3 of the LLC Agreement shall be deleted and replaced with the following:
"During the term of this Agreement, and for a period of three years after the earlier of (x) the dissolution of the Company and the termination of this Agreement or (y) the date upon which such Member ceases to be a Member of the Company:"
3. No Other Changes. Except as expressly modified hereby, all terms, conditions and provisions of the LLC Agreement shall continue in full force and effect. This Amendment shall be deemed to be and construed as part of the LLC Agreement, and the LLC Agreement shall be deemed to be and be construed as part of this Amendment; provided, however, that in the event of any inconsistency or

conflict between the LLC Agreement and this Amendment, the terms, conditions and provisions of this Amendment shall govern and control.

4. Counterparts. This Amendment may be executed in one or more counterparts and by different parties on separate counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument. The parties agree that this Amendment shall be legally binding upon the electronic transmission, including by facsimile or email, by each party of a signed signature page hereof to the other party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the undersigned has executed this Amendment or caused this Amendment to be executed on its behalf as of the date first written above.

CINEMARK MEDIA, INC.

By: /s/ Michael Cavalier
Name: Michael Cavalier

Executive Vice President - General
Title: Counsel

CINEMARK USA, INC.

By: /s/ Michael Cavalier
Name: Michael Cavalier

Executive Vice President - General
Title: Counsel

**REGAL CINEMEDIA
HOLDINGS, LLC**

By: /s/ Vincent Fusco
Name: Vincent Fusco

Title: Senior Vice President

REGAL CINEMAS, INC.

By: /s/ Vincent Fusco

Name: Vincent Fusco

Title: Senior Vice President

NATIONAL CINEMEDIA, INC.

By: /s/Clifford E. Marks

Name: Clifford E. Marks

Title: Interim Chief Executive Officer and
President

NATIONAL CINEMEDIA, INC.

2016 EQUITY INCENTIVE PLAN

2019 RESTRICTED STOCK AGREEMENT

Performance Period: Fiscal Year 2019 - Fiscal Year 2021

The Compensation Committee of the Board of Directors of National CineMedia, Inc., a Delaware corporation (the “**Company**”), granted shares of Restricted Stock to be issued under the National CineMedia, Inc. 2016 Equity Incentive Plan, as amended (the “**Plan**”), as well as the possible right to be issued additional shares of Stock (the “**Additional Shares**”), to the Grantee named below. This Restricted Stock Agreement (the “**Agreement**”) evidences the terms of the Company’s grant of Restricted Stock, and the possible issuance of Additional Shares, to Grantee. 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 shares of Restricted Stock (calculated at 100% of the Free Cash Flow Target):

Grant Date:

Vesting Schedule of Restricted Stock: Except as provided otherwise in this Agreement or the Plan (including but not limited to Section 14.2 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 provided herein, the Restricted Stock shall vest and the restrictions set forth in Section 2 of this Agreement shall lapse in accordance with the following provisions. The Restricted Stock shall vest if, and only to the extent that, the Company achieves specified cumulative “Free Cash Flow” (defined as OIBDA, subject to certain adjustments as set forth in the Plan (including, without limitation, a pre-determined adjustment for any acquisition completed during the Measuring Period), minus capital)) (“**Free Cash Flow**”) targets (the “**Free Cash Flow Target**”) at the end of the three-year period ending on the last day of the Company’s 2021 fiscal year (the “**Measuring Period**”). Note, however, that the Company’s Compensation Committee may in its discretion reduce or eliminate (but not increase) the amount of the Award otherwise payable.

The Restricted Stock shall vest as follows:

<u>Free Cash Flow - % of Free Cash Flow Target</u>	<u>Vesting % of Free Cash Flow Restricted Stock</u>
<85%	None
85%	25%
92%	60%
93%	68%
94%	72.5%
95%	77.5%
96%	85%
97%	92%
98%	98%
99%	99%
100%	100%

If the actual Free Cash Flow at the end of the Measuring Period is between any of the thresholds set forth above, Grantee shall vest in the number of shares of Restricted Stock by interpolating the percentage of Free Cash Flow actually achieved as it relates to the difference between the number of shares of Flow Restricted Stock that vest at the higher and lower end of each threshold. By way of example, if the actual cumulative Free Cash Flow achieved is at 90% of Free Cash Flow Target, Grantee would vest in 50% of the Restricted Stock. The extent to which the Company achieves the Free Cash Flow Target shall be determined by the Compensation Committee.

Vesting Schedule of Additional Shares of Stock: Except as provided otherwise in this Agreement or the Plan (including but not limited to Section 14.2 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 provided herein, Additional Shares of Stock shall be granted and shall vest and the restrictions set forth in Section 2 of this Agreement shall lapse in accordance with the following provisions.

If the actual cumulative Free Cash Flow achieved at the end of the Measuring Period is in excess of 100% of Free Cash Flow Target, Grantee (if otherwise vested) shall vest in a number of shares of Additional Shares of Restricted Stock as shown below.

<u>Free Cash Flow - % of Free Cash Flow Target</u>	<u>Vesting % of Free Cash Flow Restricted Stock</u>
100%	100%
104%	112%
105%	125%
110%	150%
>110%	150%

If the actual cumulative Free Cash Flow at the end of the Measuring Period is between any of the thresholds set forth above, Grantee shall vest in the number of shares of Restricted Stock by interpolating the percentage of Free Cash Flow actually achieved as it relates to the difference between the number of shares of Restricted Stock that vest at the higher and lower end of each threshold. By way of example, if the actual cumulative Free Cash Flow achieved is 107% of the Free Cash Flow Target, Grantee would vest in 135% of the Restricted Stock. The extent to which the Company achieves the Free Cash Flow Target shall be determined by the

Compensation Committee. Note, however, that the Company's Compensation Committee may in its discretion reduce or eliminate (but not increase) the amount of the Award otherwise payable.

Grantee shall have no rights as a stockholder of the Company until Grantee becomes the holder of record of any shares of Additional Shares. If Grantee terminates Service prior to the Vesting Date, Grantee shall be entitled to receive a portion of the Additional Shares otherwise issuable, under the same circumstances and determined in the same manner as the number of shares of Retained Shares which vest upon the Vesting Date as set forth below in Section 3.

Time of Vesting of Restricted Stock and Additional Shares: If the actual cumulative Free Cash Flow at the end of the Measuring Period is at least 85% of Free Cash Flow Target, the number of shares of Restricted Stock shall vest as described above on the 60th day (the "**Vesting Date**") following the last day of the applicable Measuring Period. Any Additional Shares shall vest as described above. The Additional Shares shall be issued to Grantee on or as soon as practicable after the applicable Vesting Date and in all events no later than March 15, 2022.

B. RESTRICTED STOCK AGREEMENT

1. **Grant and Issuance of Stock.** Subject to the terms and conditions of this Agreement and the Plan, the Company granted to Grantee, the number of shares of Restricted Stock and the right to receive the Additional Shares 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. 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. **Forfeiture Restrictions.** Grantee shall not sell, transfer, assign, pledge or otherwise encumber or dispose of, by operation of law or otherwise, the Restricted Stock or Additional Shares for the period commencing on the Grant Date and ending on the Vesting Date (the "**Restriction Period**"). Upon vesting on the Vesting Date, the restrictions in this Section 2 shall lapse and Grantee may transfer the shares of Stock in accordance with applicable securities law requirements and the Company's policies and procedures.

3. **Vesting; Lapse of Restrictions.** Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 14.2 of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), the Restricted Stock and Additional Shares shall vest as set forth on the Vesting Schedules in the Notice of Grant. Grantee shall forfeit the unvested portion of the Restricted Stock and Additional Shares.

4. **Termination of Service.** If Grantee terminates Service prior to the Vesting Date on account of death, Disability, or termination by the Company other than for Cause, Grantee shall be entitled to retain a percentage of the Restricted Stock (the "**Retained Shares**") 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 Shares of Restricted Stock shall vest in accordance with the Vesting Schedules set forth in the Notice of Grant as though the Retained Shares were the number of shares of Restricted Stock set forth in the Notice of Grant and the remaining shares of Restricted Stock shall be forfeited upon Grantee's termination of Service. If Grantee terminates Service prior to the Vesting Date as a result of termination by the Company for Cause or voluntary termination by Grantee, all shares of Restricted Stock and Additional Shares shall be forfeited upon Grantee's termination of Service and Grantee shall have no right to receive any Additional Shares of Stock. Upon forfeiture of the shares of Restricted Stock, Grantee shall have no further rights with respect to such shares, including but not limited to any right to vote the shares or any right to receive dividends. Section 14.2 of the Plan provides for accelerated vesting with respect to certain terminations in connection with a Change in Control.

5. **Leave of Absence.** For purposes of the Restricted Stock and Additional Shares, 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 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 Restriction Period, regular and special or extraordinary cash dividends declared and paid with respect to shares of Restricted Stock and Additional Shares shall be retained by the Company and shall be subject to the same vesting requirements as specified in the Notice of Grant above. Any retained dividends to which Grantee becomes entitled upon vesting on the Vesting Date following the end of the Measuring Periods shall be paid to Grantee on the Vesting Date, but in no event later than March 15, 2022.

7. **Purchase and Delivery of Shares.** Grantee shall be required, to the extent required by applicable law, to purchase the shares of Restricted Stock and Additional Shares from the Company at the aggregate par value of the shares of Stock represented by such Restricted Stock and Additional Shares (the "**Purchase Price**"). The Purchase Price shall be payable in cash or in cash equivalents acceptable to the Company. Upon the expiration or termination of the Restriction Period, and the Grantee having properly paid the Purchase Price, the restrictions applicable to Restricted Stock and Additional Shares shall lapse, and, a certificate for such shares of Stock shall be delivered, free of all such restrictions, to Grantee or Grantee's beneficiary or estate, as the case may be. Notwithstanding anything in this Agreement to the contrary, the Company may elect to satisfy any requirement for the delivery of stock certificates hereunder through the use of book-entry.

8. **Enforcement of Restrictions.** All certificates representing shares of Stock shall include applicable restrictive legends regarding restrictions on transfer and compliance with securities law requirements, as determined by the Committee.

9. **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 Stock or dividends. By accepting this Agreement, Grantee hereby authorizes the Company to withhold from fully vested shares of Stock otherwise deliverable to Grantee a number of whole shares of Stock necessary to satisfy the Company's required tax withholding with respect to the Award and to deduct any remaining amount due from any payments due to Grantee.

Notwithstanding the foregoing, in lieu of share withholding, Grantee may irrevocably elect to satisfy the required tax withholding obligation by delivering: (a) a cashier's check or other check acceptable to the Company; or (b) whole shares of Stock already owned by Grantee, in the amount determined by the Company to satisfy the required tax withholding obligation. Any election to deliver a check or shares 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.

Any shares delivered 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 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.

10. **Effect of Prohibited Transfer.** If any transfer of shares is made or attempted to be made contrary to the terms of this Agreement, the Company shall have the right to acquire for its own account, without the payment of any consideration, such shares from the owner thereof or his transferee, at any time before or after 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 shares contrary to the provisions of this Agreement as a stockholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

11. **Investment Representations.** The Committee may require Grantee (or Grantee'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.

12. **Continued Service.** Neither the grant of shares of Restricted Stock and Additional Shares 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.

13. **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.

14. **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.

15. **Tax Treatment; Section 83(b); Section 409A.** Grantee may incur tax liability as a result of the vesting of shares of Restricted Stock and Additional Shares, the payment of dividends or the disposition of shares of Stock. Grantee should consult his or her own tax adviser for tax advice.

Grantee hereby acknowledges that Grantee has been informed that he or she may file with the Internal Revenue Service, within 30 days of the Grant Date, an irrevocable election pursuant to Section 83(b) of the Code to be taxed as of the Grant Date on the amount by which the Fair Market Value of the Restricted Stock on that date exceeds the Purchase Price. If Grantee chooses to file an election under Section 83(b) of the Code, Grantee hereby agrees to promptly deliver a copy of any such election to the Chief Financial Officer of the Company (or his designee).

Grantee acknowledges that the Committee, in the exercise of its sole discretion and without Grantee's consent, may amend or modify this Agreement in any manner and delay the payment of any amounts payable pursuant to this Agreement to the minimum extent necessary to satisfy the requirements of Section 409A of the Code. The Company will provide Grantee with notice of any such amendment or modification.

16. **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 Section 16 of the Plan regarding Section 409A of the Code and any other provision set forth in the Plan.

17. **2016 Equity Incentive Plan.** The shares of Stock and payment of dividends 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 2016 Equity Incentive Plan shall also be provided to Grantee.

NATIONAL CINEMEDIA, INC.

By: /s/ Sarah Kinnick Hilty

Sarah Kinnick Hilty

Senior Vice President, General Counsel and
Secretary

Date: February 21, 2019

NATIONAL CINEMEDIA, INC.

2016 EQUITY INCENTIVE PLAN

2019 RESTRICTED STOCK AGREEMENT

The Compensation Committee of the Board of Directors of National CineMedia, Inc., a Delaware corporation (the “**Company**”), granted shares of Restricted Stock to be issued under the National CineMedia, Inc. 2016 Equity Incentive Plan, as amended (the “**Plan**”), to the Grantee named below. This Restricted Stock Agreement (the “**Agreement**”) evidences the terms of the Company’s grant of Restricted Stock. 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 shares of Restricted Stock:

Grant Date:

Vesting Schedule: Except as provided otherwise in this Agreement or the Plan (including but not limited to Section 14.2 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, the Restricted Stock shall vest, and the restrictions set forth in Section 2 of this Agreement shall lapse as follows:

Service Vesting Date	Percentage of Shares that Vest	Number of Shares that Vest
	33.3 %	
	33.3 %	
	33.4 %	

B. RESTRICTED STOCK AGREEMENT

1. **Grant and Issuance of Restricted Stock.** Subject to the terms and conditions of this Agreement and the Plan, the Company granted to Grantee, the number of shares of Restricted Stock 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. 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. **Forfeiture Restrictions.** Grantee shall not sell, transfer, assign, pledge or otherwise encumber or dispose of, by operation of law or otherwise, the Restricted Stock for the period commencing on the Grant Date and ending on the Service Vesting Date (the “**Restriction Period**”). Upon vesting on the Service

Vesting Date, the restrictions in this Section 2 shall lapse and Grantee may transfer the shares of Stock in accordance with applicable securities law requirements and the Company's policies and procedures.

3. **Vesting; Lapse of Restrictions.** Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 14.2 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 since the Grant Date, the Restricted Stock shall vest as set forth on the Vesting Schedule in the Notice of Grant. Grantee shall forfeit the unvested portion of the Restricted Stock.

4. **Termination of Service.** If Grantee terminates Service prior to the Service Vesting Date on account of death, Disability, or termination by the Company other than for Cause, Grantee shall be entitled to retain a percentage of the Restricted Stock (the "**Retained Shares**") 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 Shares of Restricted Stock shall immediately vest on the date Grantee terminates Service and the remaining shares of Restricted Stock 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 shares of Restricted Stock shall be forfeited upon Grantee's termination of Service. Upon forfeiture of the shares of Restricted Stock, Grantee shall have no further rights with respect to such shares, including but not limited to any right to vote the shares or any right to receive dividends. Section 14.2 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, 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 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 Restriction Period, regular and special or extraordinary cash dividends declared and paid with respect to shares of Restricted Stock shall be retained by the Company and shall be subject to the same vesting requirements as specified in the Notice of Grant above. Any retained dividends to which Grantee becomes entitled upon vesting on the Service Vesting Date shall be paid to Grantee on the Service Vesting Date, but in no event later than March 15 of the year following the calendar year when the shares vest.

7. **Purchase and Delivery of Shares.** Grantee shall be required, to the extent required by applicable law, to purchase the shares of Restricted Stock from the Company at the aggregate par value of the shares of Stock represented by such Restricted Stock (the "**Purchase Price**"). The Purchase Price shall be payable in cash or in cash equivalents acceptable to the Company. Upon the expiration or termination of the Restriction Period, and the Grantee having properly paid the Purchase Price, the restrictions applicable to Restricted Stock shall lapse, and, a certificate for such shares of Stock shall be delivered, free of all such restrictions, to Grantee or Grantee's beneficiary or estate, as the case may be. Notwithstanding anything in this Agreement to the contrary, the Company may elect to satisfy any requirement for the delivery of stock certificates hereunder through the use of book-entry.

8. **Enforcement of Restrictions.** All certificates representing shares of Restricted Stock shall include applicable restrictive legends regarding restrictions on transfer and compliance with securities law requirements, as determined by the Committee.

9. **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 Stock or dividends. By accepting this Agreement, Grantee hereby authorizes the Company to withhold from fully vested shares of Stock otherwise deliverable to Grantee a number of whole shares of Stock necessary to satisfy the Company's required tax

withholding with respect to the Award and to deduct any remaining amount due from any payments due to Grantee.

Notwithstanding the foregoing, in lieu of share withholding, Grantee may irrevocably elect to satisfy the required tax withholding obligation by delivering: (a) a cashier's check or other check acceptable to the Company; or (b) whole shares of Stock already owned by Grantee, in the amount determined by the Company to satisfy the required tax withholding obligation. Any election to deliver a check or shares 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.

Any shares delivered 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 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.

10. **Effect of Prohibited Transfer.** If any transfer of shares is made or attempted to be made contrary to the terms of this Agreement, the Company shall have the right to acquire for its own account, without the payment of any consideration, such shares from the owner thereof or his transferee, at any time before or after 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 shares contrary to the provisions of this Agreement as a stockholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

11. **Investment Representations.** The Committee may require Grantee (or Grantee'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.

12. **Continued Service.** Neither the grant of shares of Restricted Stock 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.

13. **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.

14. **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.

15. **Tax Treatment; Section 83(b); Section 409A.** Grantee may incur tax liability as a result of the vesting of shares of Restricted Stock, the payment of dividends or the disposition of shares of Stock. Grantee should consult his or her own tax adviser for tax advice.

Grantee hereby acknowledges that Grantee has been informed that he or she may file with the Internal Revenue Service, within 30 days of the Grant Date, an irrevocable election pursuant to Section 83(b) of the Code to be taxed as of the Grant Date on the amount by which the Fair Market Value of the Restricted Stock on that date exceeds the Purchase Price. If Grantee chooses to file an election under Section

83(b) of the Code, Grantee hereby agrees to promptly deliver a copy of any such election to the Chief Financial Officer of the Company (or his designee).

Grantee acknowledges that the Committee, in the exercise of its sole discretion and without Grantee's consent, may amend or modify this Agreement in any manner and delay the payment of any amounts payable pursuant to this Agreement to the minimum extent necessary to satisfy the requirements of Section 409A of the Code. The Company will provide Grantee with notice of any such amendment or modification.

16. **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 Section 16 of the Plan regarding Section 409A of the Code and any other provision set forth in the Plan.

17. **2016 Equity Incentive Plan.** The shares of Restricted Stock and payment of dividends 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 2016 Equity Incentive Plan shall also be provided to Grantee.

NATIONAL CINEMEDIA, INC.

By: /s/ Sarah Kinnick Hilty
Sarah Kinnick Hilty

Senior Vice President, General Counsel and
Secretary

Date: February 21, 2019

SUBSIDIARIES OF NATIONAL CINEMEDIA, INC.

National CineMedia, LLC, a Delaware limited liability company (a wholly owned subsidiary of National CineMedia, Inc.)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-224219 on Form S-3 and in Registration Statement No. 333-210996 on Form S-8 of our reports dated February 21, 2019, relating to the consolidated financial statements of National CineMedia, Inc. and subsidiary, and the effectiveness of National CineMedia, Inc. and subsidiary's internal control over financial reporting, appearing in this Annual Report on Form 10-K of National CineMedia, Inc. for the year ended December 27, 2018.

Denver, Colorado
February 21, 2019

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Sarah K. Hilty, Clifford E. Marks and Katherine L. Scherping, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign National CineMedia, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 27, 2018, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

<u>/s/ Clifford E. Marks</u> Clifford E. Marks, Interim Chief Executive Officer and President <i>(Principal Executive Officer)</i>	Date: <u>February 21, 2019</u>
<u>/s/ Katherine L. Scherping</u> Katherine L. Scherping, Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	Date: <u>February 21, 2019</u>
<u>/s/ Thomas F. Lesinski</u> Thomas F. Lesinski, Chairman	Date: <u>February 13, 2019</u>
<u>/s/ Andrew P. Glaze</u> Andrew P. Glaze, Director	Date: <u>February 13, 2019</u>
<u>/s/ Lawrence A. Goodman</u> Lawrence A. Goodman, Director	Date: <u>February 14, 2019</u>
<u>/s/ David R. Haas</u> David R. Haas, Director	Date: <u>February 13, 2019</u>
<u>/s/ Kurt C. Hall</u> Kurt C. Hall, Director	Date: <u>February 18, 2019</u>
<u>/s/ Lee Roy Mitchell</u> Lee Roy Mitchell, Director	Date: <u>February 13, 2019</u>
<u>/s/ Mark Segall</u> Mark Segall, Director	Date: <u>February 13, 2019</u>
<u>/s/ Renana Teperberg</u> Renana Teperberg, Director	Date: <u>February 14, 2019</u>

CERTIFICATIONS

I, Clifford E. Marks, certify that:

1. I have reviewed this Annual Report on Form 10-K 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:

February 21, 2019 /s/ Clifford E. Marks

Clifford E. Marks
Interim Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATIONS

I, Katherine L. Scherping, certify that:

1. I have reviewed this Annual Report on Form 10-K 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:

February 21, 2019 /s/ Katherine L. Scherping

Katherine L. Scherping
Chief Financial Officer
(Principal Financial and Accounting 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 Annual Report on Form 10-K for the period ending December 27, 2018 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Clifford E. Marks, the Interim Chief Executive Officer and President 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:

February 21, 2019 /s/ Clifford E. Marks

Clifford E. Marks
Interim Chief Executive Officer and President
(Principal Executive Officer)

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

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

In connection with the Annual Report on Form 10-K for the period ending December 27, 2018 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Katherine L. Scherping, the Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 21, 2019 /s/ Katherine L. Scherping

Katherine L. Scherping
Chief Financial Officer
(Principal Financial and Accounting Officer)

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