Cinemark Holdings, Inc.
Form 10-Q
May 07, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

Commission File Number: 001-33401

CINEMARK HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5490327**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3900 Dallas Parkway	
Suite 500	
Plano, Texas	**75093**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (972) 665-1000

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

As of April 30, 2012, 114,873,675 shares of common stock were issued and outstanding.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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Cautionary Statement Regarding Forward-Looking Statements

Certain matters within this Quarterly Report on Form 10Q include 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, as amended. The forward-looking statements include our current expectations, assumptions, estimates and projections about our business and our industry. They include statements relating to future revenues, expenses and profitability, the future development and expected growth of our business, projected capital expenditures, attendance at movies generally or in any of the markets in which we operate, the number or diversity of popular movies released and our ability to successfully license and exhibit popular films, national and international growth in our industry, competition from other exhibitors and alternative forms of entertainment and determinations in lawsuits in which we are defendants. Forward-looking statements can be identified by the use of words such as may, should, could, estimates, predicts, potential, continue, anticipates, believes, plans, expects, similar expressions. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. For a description of the risk factors, please review the Risk Factors section or other sections in the Company s Annual Report on Form 10-K filed February 29, 2012 and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such risk factors. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data, unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 528,566	$ 521,408
Inventories	11,273	11,284
Accounts receivable	52,099	54,757
Income tax receivable	7,725	17,786
Deferred tax asset	10,735	10,583
Prepaid expenses and other	8,912	11,300
Total current assets	619,310	627,118
Theatre properties and equipment	2,165,748	2,103,927
Less accumulated depreciation and amortization	908,778	865,077
Theatre properties and equipment, net	1,256,970	1,238,850
Other assets		
Goodwill	1,164,591	1,150,637
Intangible assets - net	336,425	336,907
Investment in NCM	79,235	72,040
Investment in DCIP	14,206	12,798
Investment in marketable securities - RealD	16,508	9,709
Investments in and advances to affiliates	1,532	1,543
Long-term deferred tax asset	22,629	8,826
Deferred charges and other assets - net	63,297	63,980
Total other assets	1,698,423	1,656,440
Total assets	$ 3,574,703	$ 3,522,408
Liabilities and equity		
Current liabilities		
Current portion of long-term debt	$ 12,099	$ 12,145
Current portion of capital lease obligations	9,883	9,639
Income tax payable	22,549	6,506
Accounts payable and accrued expenses	251,279	276,737
Total current liabilities	295,810	305,027
Long-term liabilities		
Long-term debt, less current portion	1,557,230	1,560,076
Capital lease obligations, less current portion	132,833	131,533
Deferred tax liability	176,970	162,449

Liability for uncertain tax positions	20,886	22,411
Deferred lease expenses	35,650	34,466
Deferred revenue - NCM	244,489	236,310
Other long-term liabilities	44,848	46,497
Total long-term liabilities	2,212,906	2,193,742
Commitments and contingencies (see Note 18)		
Equity		
Cinemark Holdings, Inc. s stockholders equity:		
Common stock, $0.001 par value: 300,000,000 shares authorized, 118,325,215 shares issued and 114,811,580 shares outstanding at March 31, 2012 and 117,593,329 shares issued and 114,201,737 shares outstanding at December 31, 2011	118	118
Additional paid-in-capital	1,051,914	1,047,237
Treasury stock, 3,513,635 and 3,391,592 shares, at cost, at March 31, 2012 and December 31, 2011, respectively	(47,919)	(45,219)
Retained earnings	52,386	34,423
Accumulated other comprehensive loss	(1,846)	(23,682)
Total Cinemark Holdings, Inc. s stockholders equity	1,054,653	1,012,877
Noncontrolling interests	11,334	10,762
Total equity	1,065,987	1,023,639
Total liabilities and equity	$ 3,574,703	$ 3,522,408

The accompanying notes are an integral part of the condensed consolidated financial statements.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data, unaudited)

	Three months ended March 31, 2012	2011
Revenues		
Admissions	$ 373,793	$ 311,692
Concession	179,820	146,681
Other	25,205	24,763
Total revenues	578,818	483,136
Cost of operations		
Film rentals and advertising	195,415	165,153
Concession supplies	28,451	23,282
Salaries and wages	58,492	50,079
Facility lease expense	68,562	66,426
Utilities and other	66,509	59,827
General and administrative expenses	34,064	28,986
Depreciation and amortization	36,890	38,922
Amortization of favorable/unfavorable leases	(74)	218
Impairment of long-lived assets	185	1,015
Loss on sale of assets and other	836	472
Total cost of operations	489,330	434,380
Operating income	89,488	48,756
Other income (expense)		
Interest expense	(32,133)	(29,290)
Interest income	1,767	1,769
Foreign currency exchange gain	1,865	823
Distributions from NCM	8,031	9,863
Equity in income of affiliates	1,790	2,438
Total other expense	(18,680)	(14,397)
Income before income taxes	70,808	34,359
Income taxes	27,932	9,037
Net income	$ 42,876	$ 25,322
Less: Net income attributable to noncontrolling interests	772	359
Net income attributable to Cinemark Holdings, Inc.	$ 42,104	$ 24,963
Weighted average shares outstanding		
Basic	112,825	112,542
Diluted	113,368	112,899

Earnings per share attributable to Cinemark Holdings, Inc. s common stockholders

Basic	$	0.37	$	0.22
Diluted	$	0.37	$	0.22
Dividends declared per common share	$	0.21	$	0.21

The accompanying notes are an integral part of the condensed consolidated financial statements.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, unaudited)

	Three months ended March 31, 2012	2011
Net income	$ 42,876	$ 25,322
Other comprehensive income, net of tax		
Unrealized gain due to fair value adjustments on interest rate swap agreements, net of taxes of $375 and $1,936	710	2,716
Unrealized gain due to fair value adjustments on available-for-sale securities, net of taxes of $2,550 and $729	4,249	1,323
Amortization of accumulated other comprehensive loss on terminated interest rate swap agreement	988	1,158
Foreign currency translation adjustment	15,799	7,350
Total other comprehensive income, net of tax	21,746	12,547
Total comprehensive income, net of tax	64,622	37,869
Comprehensive income attributable to noncontrolling interests	(682)	(260)
Comprehensive income attributable to Cinemark Holdings, Inc.	$ 63,940	$ 37,609

The accompanying notes are an integral part of the condensed consolidated financial statements.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

	Three months ended March 31, 2012	2011
Operating activities		
Net income	$ 42,876	$ 25,322
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	35,787	38,033
Amortization of intangible and other assets and favorable/unfavorable leases	1,029	1,107
Amortization of long-term prepaid rents	534	667
Amortization of debt issue costs	1,197	1,184
Amortization of deferred revenues, deferred lease incentives and other	(2,212)	(2,339)
Amortization of accumulated other comprehensive loss related to interest rate swap agreement	988	1,158
Fair value change in interest rate swap agreements not designated as hedges	(268)	
Amortization of bond discount	226	206
Impairment of long-lived assets	185	1,015
Share based awards compensation expense	3,315	2,013
Loss on sale of assets and other	836	472
Deferred lease expenses	1,123	780
Deferred income tax expenses	(2,358)	(4,770)
Equity in income of affiliates	(1,790)	(2,438)
Tax benefit related to stock option exercises and restricted stock vesting	3,930	1,854
Distributions from equity investees	2,658	2,420
Changes in assets and liabilities	9,684	(5,642)
Net cash provided by operating activities	97,740	61,042
Investing activities		
Additions to theatre properties and equipment	(46,984)	(35,769)
Proceeds from sale of theatre properties and equipment	39	485
Acquisition of theatre in U.S.	(14,080)	
Investment in DCIP and other	(309)	(572)
Net cash used for investing activities	(61,334)	(35,856)
Financing activities		
Proceeds from stock option exercises	2	348
Payroll taxes paid as a result of restricted stock withholdings	(2,700)	(494)
Dividends paid to stockholders	(23,982)	(23,897)
Repayments of long-term debt	(3,034)	(2,709)
Payments on capital leases	(2,277)	(1,722)
Other	(227)	(184)
Net cash used for financing activities	(32,218)	(28,658)
Effect of exchange rate changes on cash and cash equivalents	2,970	1,783
Increase (decrease) in cash and cash equivalents	7,158	(1,689)
Cash and cash equivalents:		
Beginning of period	521,408	464,997

End of period	$ 528,566	$ 463,308

Supplemental information (see Note 15)

The accompanying notes are an integral part of the condensed consolidated financial statements.

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

1. The Company and Basis of Presentation

Cinemark Holdings, Inc. and subsidiaries (the Company) is a leader in the motion picture exhibition industry, with theatres in the United States (U.S.), Brazil, Mexico, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala. The Company also managed additional theatres in the U.S., Brazil, and Colombia during the three months ended March 31, 2012.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. Majority-owned subsidiaries that the Company has control of are consolidated while those affiliates of which the Company owns between 20% and 50% and does not control are accounted for under the equity method. Those affiliates of which the Company owns less than 20% are generally accounted for under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the condensed consolidated financial statements effective with their formation or from their dates of acquisition. Intercompany balances and transactions are eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2011, included in the Annual Report on Form 10-K filed February 29, 2012 by the Company under the Securities Exchange Act of 1934, as amended (the Exchange Act). Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results to be achieved for the full year.

2. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (ASU No. 2011-04). ASU No. 2011-04 provides guidance which is expected to result in common fair value measurement and disclosure requirements between U.S. GAAP and IFRS. It changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. It is not intended for this update to result in a change in the application of the requirements in Topic 820. The amendments in ASU No. 2011-04 are to be applied prospectively. ASU No. 2011-04 is effective for public companies for interim and annual periods beginning after December 15, 2011. This update did not have a material impact on the Company s condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU No. 2011-05). In ASU No. 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendments in ASU No. 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. They also do not change the presentation of related tax effects or the portrayal or calculation of earnings per share. The amendments in ASU No. 2011-05 should be applied retrospectively. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. ASU No. 2011-05 also required an entity to present adjustments for items that are reclassified from accumulated other comprehensive income to net income on the face of the financial statements, however, in December 2011 the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05 . The update defers the specific requirement to present items that are reclassified from accumulated

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

other comprehensive income to net income separately with their respective components of net income and other comprehensive income. The Company elected to adopt ASU No. 2011-05 and ASU No. 2011-12 for its fiscal 2011 and amendments have been applied retrospectively for all prior periods presented. The amendments do not require any transition disclosures.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles Goodwill and Other (Topic 350) (ASU No. 2011-08). In ASU No. 2011-08, an entity is permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The ASU s objective is to simplify how an entity tests goodwill for impairment. The amendments in ASU No. 2011-08 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU No. 2011-08 did not have a material impact on the Company s condensed consolidated financial statements.

3. Earnings Per Share

The Company considers its unvested restricted stock awards, which contain non-forfeitable rights to dividends, participating securities, and includes such participating securities in its computation of earnings per share pursuant to the two-class method. Basic earnings per share for the two classes of stock (common stock and unvested restricted stock) is calculated by dividing net income by the weighted average number of shares of common stock and unvested restricted stock outstanding during the reporting period. Diluted earnings per share is calculated using the weighted average number of shares of common stock and unvested restricted stock plus the potentially dilutive effect of common equivalent shares outstanding determined under both the two class method and the treasury stock method.

The following table presents computations of basic and diluted earnings per share under the two-class method:

	Three Months Ended March 31,	
	2012	**2011**
Numerator:		
Net income attributable to Cinemark Holdings, Inc.	$ 42,104	$ 24,963
Earnings allocated to participating share-based awards (1)	(441)	(225)
Net income attributable to common stockholders	$ 41,663	$ 24,738
Denominator (shares in thousands):		
Basic weighted average common stock outstanding	112,825	112,542
Common equivalent shares for stock options	40	53
Common equivalent shares for restricted stock units	503	304
Diluted	113,368	112,899
Basic earnings per share attributable to common stockholders	$ 0.37	$ 0.22
Diluted earnings per share attributable to common stockholders	$ 0.37	$ 0.22

(1) For the three months ended March 31, 2012 and 2011, a weighted average of approximately 1,200 and 1,027 shares of unvested restricted stock, respectively, were considered participating securities.

4. Long-Term Debt Activity

On June 3, 2011, Cinemark USA, Inc. issued $200,000 aggregate principal amount of 7.375% senior subordinated notes due 2021, at par value. The proceeds, after payment of fees, were primarily used to fund the prepayment of the remaining $157,235 of the Company s unextended portion of term loan debt under its senior secured credit facility. Interest on the senior subordinated notes is payable on June 15 and December 15 of each year. The senior subordinated notes mature on June 15, 2021. There were no prepayment penalties incurred upon the prepayment of the term loan debt. Subsequent to the prepayment, the quarterly payments due on the term loan are approximately $2,311 per quarter through March 2016 with the remaining principal amount of approximately

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

$866,602 due April 30, 2016. The prepayment did not impact the interest rate applicable to the remaining portion of the term loan debt nor did it impact the interest rates applicable to or the maturity of the Company s revolving credit line. As of March 31, 2012, there was approximately $903,577 outstanding under the term loan and no borrowings outstanding under the revolving credit line.

Fair Value of Long-Term Debt

The Company estimates the fair value of its long-term debt primarily using quoted market prices, which fall under Level 2 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35. The carrying value of the Company s long-term debt was $1,569,329 and $1,572,221 as of March 31, 2012 and December 31, 2011, respectively. The fair value of the Company s long-term debt was $1,645,857 and $1,622,286 as of March 31, 2012 and December 31, 2011, respectively.

5. Equity

Below is a summary of changes in stockholders equity attributable to Cinemark Holdings, Inc., noncontrolling interests and total equity for the three months ended March 31, 2012 and 2011:

	Cinemark Holdings, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2012	$ 1,012,877	$ 10,762	$ 1,023,639
Share based awards compensation expense	3,315		3,315
Stock withholdings related to restricted stock that vested during the three months ended March 31, 2012	(2,701)		(2,701)
Exercise of stock options	2		2
Tax benefit related to restricted stock vesting	1,361		1,361
Dividends paid to stockholders (1)	(23,982)		(23,982)
Dividends accrued on unvested restricted stock unit awards (1)	(159)		(159)
Dividends paid to noncontrolling interests		(110)	(110)
Net income	42,104	772	42,876
Fair value adjustments on interest rate swap agreements designated as hedges, net of taxes of $375	710		710
Amortization of accumulated other comprehensive loss on terminated swap agreement	988		988
Fair value adjustments on available-for-sale securities, net of taxes of $2,550	4,249		4,249
Foreign currency translation adjustment	15,889	(90)	15,799
Balance at March 31, 2012	$ 1,054,653	$ 11,334	$ 1,065,987

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CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

	Cinemark Holdings, Inc. Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2011	$ 1,021,547	$ 11,605	$ 1,033,152
Share based awards compensation expense	2,013		2,013
Stock withholdings related to restricted stock that vested during the three months ended March 31, 2011	(494)		(494)
Exercise of stock options	348		348
Tax benefit related to stock option exercises and restricted stock vesting	910		910
Dividends paid to stockholders [2]	(23,897)		(23,897)
Dividends accrued on unvested restricted stock unit awards [2]	(160)		(160)
Net income	24,963	359	25,322
Fair value adjustments on interest rate swap agreements, net of taxes of $1,936	2,716		2,716
Amortization of accumulated other comprehensive loss on terminated swap agreement	1,158		1,158
Fair value adjustments on available-for-sale securities, net of taxes of $729	1,323		1,323
Foreign currency translation adjustment	7,449	(99)	7,350
Balance at March 31, 2011	$ 1,037,876	$ 11,865	$ 1,049,741

(1) On February 3, 2012, the Company s board of directors declared a cash dividend for the fourth quarter of 2011 in the amount of $0.21 per share of common stock payable to stockholders of record on March 2, 2012. The dividend was paid on March 16, 2012.

(2) On February 24, 2011, the Company s board of directors declared a cash dividend for the fourth quarter of 2010 in the amount of $0.21 per share of common stock payable to stockholders of record on March 4, 2011. The dividend was paid on March 16, 2011.

6. Investment in National CineMedia

The Company has an investment in National CineMedia, LLC (NCM). NCM operates a digital in-theatre network in the U.S. for providing cinema advertising and non-film events. Upon joining NCM, the Company entered into an Exhibitor Services Agreement with NCM (ESA), pursuant to which NCM provides advertising, promotion and event services to our theatres. As described further in Note 6 to the Company s financial statements as included in its 2011 Annual Report on Form 10-K, on February 13, 2007, National CineMedia, Inc. (NCM, Inc.), an entity that serves as the sole manager of NCM, completed an IPO of its common stock. In connection with the NCM Inc. initial public offering, the Company amended its operating agreement and the ESA. Following the NCM, Inc. IPO, the Company does not recognize undistributed equity in the earnings on its original NCM membership units (referred to herein as the Company s Tranche 1 Investment) until NCM s future net earnings, less distributions received, surpass the amount of the excess distribution. The Company recognizes equity in earnings on its Tranche 1 Investment only to the extent it receives cash distributions from NCM. The Company recognizes cash distributions it receives from NCM on its Tranche 1 Investment as a component of earnings as Distributions from NCM. The Company believes that the accounting model provided by ASC 323-10-35-22 for recognition of equity investee losses in excess of an investor s basis is analogous to the accounting for equity income subsequent to recognizing an excess distribution.

CINEMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands, except share and per share data

Below is a summary of activity with NCM included in the Company s condensed consolidated financial statements:

	Investment in NCM	Deferred Revenue	Distributions from NCM	Equity in Earnings	Other Revenue	Cash Received
Balance as of January 1, 2012	$ 72,040	$ (236,310)				
Receipt of common units due to annual common unit adjustment	9,137	(9,137)	$	$	$	$
Revenues earned under ESA [1]					(1,810)	1,810
Receipt of excess cash distributions	(1,691)		(5,108)			6,799
Receipt under tax receivable agreement	(967)		(2,923)			3,890
Equity in earnings	716			(716)		
Amortization of deferred revenue		958			(958)	
Balance as of and for the period ended March 31, 2012	$ 79,235	$ (244,489)	$ (8,031)	$ (716)	$ (2,768)	$ 12,499

(1) Amount includes the per patron and per digital screen theatre access fees due to the Company, net of amounts due to NCM for on-screen advertising time provided to the Company s beverage concessionaire of approximately $2,722.

During the three months ended March 31, 2012 and 2011, the Company recorded equity earnings of approximately $716 and $904, respectively.

Pursuant to a Common Unit Adjustment Agreement dated as of February 13, 2007 between NCMI and the Company, AMC Entertainment, Inc. and Regal Entertainment Group, which we refer to collectively as the Founding Members, annual adjustments to the common membership units are made primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each Founding Member. To account for the receipt of additional common units under the Common Unit Adjustment Agreement, the Company follows the guidance in FASB ASC 323-10-35-29 (formerly EITF 02-18, Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition) by analogy, which also refers to AICPA Technical Practice Aid 2220.14, which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit adjustments equates to making additional investments in NCM. The Company evaluated the receipt of the additional common units in NCM and the assets exchanged for these additional units and have determined that the right to use its incremental new screens would not be considered funding of prior losses. The Company accounts for these additional common units, which it refers to herein as its Tranche 2 Investment, as a separate investment than its Tranche 1 Investment. The common units received are recorded at fair value as an increase in the Company s investment in NCM with an offset to deferred revenue. The deferred revenue is amortized over the remaining term of the ESA. The Company s Tranche 2 Investment is accounted for following the equity method, with undistributed equity earnings related to its Tranche 2 Investment included as a component of earnings in equity in income of affiliates and distributions received related to its Tranche 2 Investment are recorded as a reduction of its investment basis. In the event that a common unit adjustment is determined to be a negative number, the Founding Member can elect to either transfer and surrender to NCM the number of common units equal to all or part of such Founding Member s common unit adjustment or to pay to NCM an amount equal to such Founding Member s common unit adjustment calculated in accordance with the Common Unit Adjustment Agreement. If the Company then elects to surrender common units as part of a negative common unit adjustment, the Company would record a reduction to deferred revenue at the then fair value of the common units surrendered and a reduction of the Company s Tranche 2 Investment at an amount equal to the weighted average cost for Tranche 2 common units, with the difference between the two values recorded as a gain or loss on sale of assets and other.

During March 2012, NCM performed its annual common unit adjustment calculation under the Common Unit Adjustment Agreement. As a result of the calculation, the Company received an additional 598,724 common units of NCM, each of which is convertible into one share of

NCM, Inc. common stock. The Company recorded the additional common units received at fair value as part of its Tranche 2 Investment with a corresponding adjustment to deferred revenue of approximately $9,137. The deferred revenue will be recognized over the remaining term of the ESA, which is approximately 24 years. As of March 31, 2012, the Company owned a total of 18,094,644 common units of NCM, representing an ownership interest of approximately 16%.

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Below is summary financial information for NCM for the year ended December 29, 2011 (financial information was not yet available for the three months ended March 29, 2012).

	Year Ended December 29, 2011
Gross revenues	$ 435,434
Operating income	$ 193,716
Net earnings	$ 134,524

7. Investment in Digital Cinema Implementation Partners

On February 12, 2007, the Company, AMC Entertainment Inc. and Regal Entertainment Group entered into a joint venture known as Digital Cinema Implementation Partners LLC (DCIP) to facilitate the implementation of digital cinema in the Company s theatres and to establish agreements with major motion picture studios for the financing of digital cinema. On March 10, 2010, the Company signed a master equipment lease agreement and other related agreements (collectively the agreements) with Kasima LLC (Kasima), which is an indirect subsidiary of DCIP and a related party to the Company. As of March 31, 2012, the Company had a 33% voting interest in DCIP and a 24.3% economic interest in DCIP.

The Company has a variable interest in Kasima through the terms of its master equipment lease agreement; however, the Company has determined that it is not the primary beneficiary of Kasima, as the Company does not have the ability to direct the activities of Kasima that most significantly impact Kasima s economic performance. The Company accounts for its investment in DCIP and its subsidiaries under the equity method of accounting. During the three months ended March 31, 2012 and 2011, the Company recorded equity income of $1,099 and $1,686, respectively, relating to this investment.

Below is a summary of changes in the Company s investment in DCIP for the three months ended March 31, 2012:

	Investment in DCIP
Balance as of January 1, 2012	$ 12,798
Cash contributions to DCIP	309
Equity in income	1,099
Balance as of March 31, 2012	$ 14,206

The digital projection systems that are leased from Kasima are under an operating lease with an initial term of twelve years that contains ten one-year fair value renewal options. The equipment lease agreement also contains a fair value purchase option. Under the equipment lease agreement, the Company pays minimum annual rent of one thousand dollars per digital projection system for the first six and a half years from the effective date of the agreement and minimum annual rent of three thousand dollars per digital projection system beginning at six and a half years from the effective date through the end of the lease term. The Company is also subject to various types of other rent if such digital projection systems do not meet minimum performance requirements as outlined in the agreements. Certain of the other rent payments are subject to either a monthly or an annual maximum. As of March 31, 2012, the Company had 3,461 digital projection systems being leased under the master equipment lease agreement with Kasima. The Company recorded equipment lease expense of approximately $1,929 and $912 during the three months ended March 31, 2012 and 2011, respectively, which is included in utilities and other costs on the condensed consolidated statements of income.

The digital projection systems leased from Kasima have replaced a majority of the Company s existing 35 millimeter projection systems in its U.S. theatres. Therefore, upon signing the agreements, the Company began accelerating the depreciation of its 35 millimeter projection systems, based on the estimated replacement timeframe. The Company recorded depreciation expense of approximately $3,541 on its domestic 35 millimeter projection systems during the three months ended March 31, 2011. The Company s domestic 35 millimeter projection systems became fully depreciated as of September 30, 2011.

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8. Investment in Marketable Securities RealD

Under its license agreement with RealD, the Company earned an aggregate of 1,222,780 options to purchase shares of common stock upon installation of a certain number of 3-D systems as outlined in the license agreement. Upon vesting in these options, the Company recorded an investment in RealD with an offset to deferred lease incentive liability. During March 2011, the Company exercised all of its options to purchase shares of common stock in RealD for $0.00667 per share.

The Company accounts for its investment in RealD as a marketable security. The Company has determined that its RealD shares are available-for-sale securities in accordance with ASC Topic 320-10-35-1, therefore unrealized holding gains and losses are reported as a component of accumulated other comprehensive loss until realized.

As of March 31, 2012, the Company owned 1,222,780 shares in RealD, with an estimated fair value of $16,508, which is based on the closing price of RealD s common stock on March 30, 2012, which falls under Level 1 of the U.S. GAAP fair value hierarchy as defined by ASC Topic 820-10-35. During the three months ended March 31, 2012, the Company recorded an unrealized holding gain of approximately $6,799, before taxes, as a component of accumulated other comprehensive loss on the condensed consolidated balance sheet.

9. Treasury Stock and Share Based Awards

Treasury Stock Treasury stock represents shares of common stock repurchased or withheld by the Company and not yet retired. The Company has applied the cost method in recording its treasury shares. Below is a summary of the Company s treasury stock activity for the three months ended March 31, 2012:

	Number of Treasury Shares	Cost
Balance at January 1, 2012	3,391,592	$ 45,219
Restricted stock withholdings [1]	122,043	2,700
Balance at March 31, 2012	3,513,635	$ 47,919

[1] The Company withheld restricted shares as a result of the election by certain employees to satisfy their tax liabilities upon vesting in restricted stock. The Company determined the number of shares to be withheld based upon market values ranging from $21.95 to $22.40 per share.

As of March 31, 2012, the Company had no plans to retire any shares of treasury stock.

Stock Options A summary of stock option activity and related information for the three months ended March 31, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value

Outstanding at January 1, 2012	82,166	$	7.63			
Exercised	(200)	$	7.63			
Outstanding at March 31, 2012	81,966	$	7.63	$	1,174	
Options exercisable at March 31, 2012	81,966	$	7.63	$	1,174	

There were no options granted or forfeited during the three months ended March 31, 2012. The total intrinsic value of options exercised during the three months ended March 31, 2012 was $3. As of March 31, 2012, there was no remaining unrecognized compensation expense related to outstanding stock options as all outstanding options fully vested on April 2, 2009. Options outstanding at March 31, 2012 have an average remaining contractual life of approximately three years.

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Restricted Stock During the three months ended March 31, 2012, the Company granted 618,230 shares of restricted stock to employees of the Company. The fair value of the restricted stock granted was determined based on the market value of the Company s common stock on the date of grant, which was $21.63 per share. The Company assumed forfeiture rates ranging from 0% to 5% for the restricted stock awards. Certain of the restricted stock granted vests over three years based on continued service and the remaining restricted stock granted vests over four years based on continued service. The recipients of restricted stock are entitled to receive dividends and to vote their respective shares, however the sale and transfer of the restricted shares is prohibited during the restriction period.

Below is a summary of restricted stock activity for the three months ended March 31, 2012:

	Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2012	1,384,390	$ 16.85
Granted	618,230	$ 21.63
Vested	(347,091)	$ 17.75
Outstanding at March 31, 2012	1,655,529	$ 18.45
Unvested restricted stock at March 31, 2012	1,655,529	$ 18.45

The Company receives an income tax deduction upon vesting of the restricted stock awards. The total fair value of shares that vested during the three months ended March 31, 2012 was $7,636. The Company recognized a tax benefit of approximately $1,067 during the three months ended March 31, 2012 related to these vested shares.

The Company recorded compensation expense of $2,534 and $1,315 related to restricted stock awards during the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012, the remaining unrecognized compensation expense related to restricted stock awards was $24,996 and the weighted average period over which this remaining compensation expense will be recognized is approximately three years.

Restricted Stock Units During the three months ended March 31, 2012, the Company granted restricted stock units representing 152,955 hypothetical shares of common stock to employees of the Company. The restricted stock units vest based on a combination of financial performance factors and continued service. The financial performance factors are based on an implied equity value concept that determines an internal rate of return (IRR) during the three fiscal year period ending December 31, 2014 based on a formula utilizing a multiple of Adjusted EBITDA subject to certain specified adjustments (as defined in the restricted stock unit award agreement). The financial performance factors for the restricted stock units have a threshold, target and maximum level of payment opportunity. If the IRR for the three year period is at least 8.5%, which is the threshold, one-third of the restricted stock units vest. If the IRR for the three year period is at least 10.5%, which is the target, two-thirds of the restricted stock units vest. If the IRR for the three year period is at least 12.5%, which is the maximum, 100% of the restricted stock units vest. Grantees are eligible to receive a ratable portion of the common stock issuable if the IRR is within the targets previously noted. All payouts of restricted stock units that vest will be subject to an additional one year service requirement and will be paid in the form of common stock if the participant continues to provide services through March 2015, which is the fourth anniversary of the grant date. Restricted stock unit award participants are eligible to receive dividend equivalent payments if and at the time the restricted stock unit awards vest.

Below is a table summarizing the potential number of shares that could vest under restricted stock unit awards granted during the three months ended March 31, 2012 at each of the three target levels of financial performance (excluding forfeiture assumptions):

	Number of Shares Vesting	Value at Grant
at IRR of at least 8.5%	50,981	$ 1,103
at IRR of at least 10.5%	101,974	$ 2,206
at IRR of at least 12.5%	152,955	$ 3,308

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Due to the fact that the IRR for the three year performance period could not be determined at the time of grant, the Company estimated that the most likely outcome is the achievement of the mid-point IRR level. The fair value of the restricted stock unit awards was determined based on the market value of the Company s common stock on the date of grant, which was $21.63 per share. The Company assumed a forfeiture rate of 5% for the restricted stock unit awards. If during the service period, additional information becomes available to lead the Company to believe a different IRR level will be achieved for the three-year performance period, the Company will reassess the number of units that will vest for the grant and adjust its compensation expense accordingly on a prospective basis over the remaining service period.

There were no forfeitures of restricted stock unit awards during the three months ended March 31, 2012. The Company recorded compensation expense of $781 and $698 related to restricted stock unit awards during the three months ended March 31, 2012 and 2011, respectively.

During the three months ended March 31, 2012, 113,456 restricted stock unit awards vested. Upon vesting, each restricted stock unit was converted into one share of the Company s common stock. In addition, the Company paid approximately $346 in dividends on the vested restricted stock units, which represented dividends that had accumulated on the awards since they were granted in 2008. The fair value of the restricted stock unit awards that vested during the three months ended March 31, 2012 was approximately $2,541. The Company recognized a tax benefit of approximately $2,863 during the three months ended March 31, 2012 related to these vested awards.

As of March 31, 2012, the remaining unrecognized compensation expense related to the outstanding restricted stock unit awards was $6,153. The weighted average period over which this remaining compensation expense will be recognized is approximately two years. As of March 31, 2012, the Company had restricted stock units outstanding that represented a total of 1,077,269 hypothetical shares of common stock, net of actual cumulative forfeitures of 19,918 units, assuming the maximum IRR of at least 12.5% is achieved for all of the grants.

10. Interest Rate Swap Agreements

The Company is currently a party to five interest rate swap agreements that qualify for cash flow hedge accounting. No premium or discount was incurred upon the Company entering into any of its interest rate swap agreements because the pay rates and receive rates on the interest rate swap agreements represented prevailing rates for each counterparty at the time each of the interest rate swap agreements was consummated. The fair values of the interest rate swaps are recorded on the Company s consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps gains or losses reported as a component of accumulated other comprehensive loss and the ineffective portion reported in earnings. The changes in fair values are reclassified from accumulated other comprehensive loss into earnings in the same period that the hedged items affect earnings. For the three months ended March 31, 2012 and 2011, the Company reclassified approximately $3,107 and $3,992, respectively, from accumulated other comprehensive loss into earnings.

The valuation technique used to determine fair value is the income approach and under this approach, the Company uses projected future interest rates as provided by counterparties to the interest rate swap agreements and the fixed rates that the Company is obligated to pay under these agreements. Therefore, the Company s measurements use significant unobservable inputs, which fall in Level 3 of the U.S. GAAP hierarchy as defined by FASB ASC Topic 820-10-35. There were no changes in valuation techniques during the period and no transfers in or out of Level 3. See Note 13 for a summary of unrealized gains or losses recorded in accumulated other comprehensive loss and earnings.

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Below is a summary of the Company s current interest rate swap agreements designated as hedge agreements as of March 31, 2012:

Amount Designated as a Hedge	Nominal Amount	Effective Date	Pay Rate	Receive Rate	Expiration Date	Current Liability (1)	Long-Term Liability (2)	Estimated Total Fair Value at March 31, 2012
$106,632 (3)	$ 125,000	August 2007	4.9220%	3-Month LIBOR	August 2012	$ 2,079	$	$ 2,079
$ 63,983 (4)	$ 75,000	November 2008	3.6300%	1-Month LIBOR	November 2012	1,591		1,591
$175,000	$ 175,000	December 2010	1.3975%	1-Month LIBOR	September 2015	1,827	2,231	4,058
$175,000	$ 175,000	December 2010	1.4000%	1-Month LIBOR	September 2015	1,842	2,292	4,134
$100,000	$ 100,000	November 2011	1.7150%	1-Month LIBOR	April 2016	1,362	1,999	3,361
$620,615	$ 650,000					$ 8,701	$ 6,522	$ 15,223

(1) Included in accounts payable and accrued expenses on the condensed consolidated balance sheet as of March 31, 2012.

(2) Included in other long-term liabilities on the condensed consolidated balance sheet as of March 31, 2012.

(3) An additional $18,368 of this original $125,000 swap is no longer designated as a hedge as a result of the prepayment of the unextended portion of the Company s term loan debt.

(4) An additional $11,017 of this original $75,000 swap is no longer designated as a hedge as a result of the prepayment of the unextended portion of the Company s term loan debt.

The Company amortized approximately $988 and $1,158 to interest expense during the three months ended March 31, 2012 and 2011, respectively, related to a previously terminated interest rate swap agreement. The Company will amortize approximately $1,482 to interest expense for this terminated interest rate swap agreement over the next twelve months. See Note 13 for additional information about the Company s fair value measurements related to its interest rate swap agreements.

11. Goodwill and Other Intangible Assets

The Company s goodwill was as follows:

	U.S. Operating Segment	International Operating Segment	Total
Balance at January 1, 2012 (1)	$ 948,026	$ 202,611	$ 1,150,637
Acquisition of U.S. theatre	8,971		8,971
Foreign currency translation adjustments		4,983	4,983
Balance at March 31, 2012 (1)	$ 956,997	$ 207,594	$ 1,164,591

(1) Balances are presented net of accumulated impairment losses of $214,031 for the U.S. operating segment and $27,622 for the international operating segment.

The Company evaluates goodwill for impairment on an annual basis during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill might exceed its estimated fair value. The Company evaluates goodwill for impairment at the reporting unit level and has allocated goodwill to the reporting unit based on an estimate of its relative fair value. The Company considers the reporting unit to be each of its sixteen regions in the U.S. and each of its eight countries internationally (Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Guatemala are considered one reporting unit). Goodwill impairment is evaluated using a two-step approach requiring the Company to compute the fair value of a reporting unit and compare it with its carrying value. If the carrying value of the reporting unit exceeds the estimated fair value, a second step is performed to measure the potential goodwill impairment. Significant judgment is involved in estimating cash flows and fair value. Management s estimates, which fall under Level 3 of the U.S. GAAP fair value hierarchy as defined by FASB ASC Topic 820-10-35, are based on historical and projected operating performance, recent market transactions and current industry trading multiples. Fair value is determined based on a multiple of cash flows, which was seven and a half times for the evaluation performed during the fourth quarter of 2011.

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No events or changes in circumstances occurred during the three months ended March 31, 2012 that indicated the carrying value of goodwill might exceed its estimated fair value.

Intangible assets consisted of the following:

	January 1, 2012	Amortization	Other [1]	March 31, 2012
Intangible assets with finite lives:				
Gross carrying amount	$ 74,381	$	$ (148)	$ 74,233
Accumulated amortization	(47,313)	(1,112)		(48,425)
Total net intangible assets with finite lives	$ 27,068	$ (1,112)	$ (148)	$ 25,808
Intangible assets with indefinite lives:				
Tradename	309,839		778	310,617
Total intangible assets net	$ 336,907	$ (1,112)	$ 630	$ 336,425

(1) Consists primarily of foreign currency translation adjustments.

Estimated aggregate future amortization expense for intangible assets is as follows:

For the nine months ended December 31, 2012	$ 3,161
For the twelve months ended December 31, 2013	4,517
For the twelve months ended December 31, 2014	3,959
For the twelve months ended December 31, 2015	3,641
For the twelve months ended December 31, 2016	3,410
Thereafter	7,120
Total	$ 25,808

12. Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment indicators on a quarterly basis or whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable.

The Company considers actual theatre level cash flows, future years budgeted theatre level cash flows, theatre property and equipment carrying values, amortizing intangible asset carrying values, the age of a recently built theatre, competitive theatres in the marketplace, the impact of recent ticket price changes, available lease renewal options and other factors considered relevant in its assessment of impairment of individual theatre assets. Long-lived assets are evaluated for impairment on an individual theatre basis, which the Company believes is the lowest applicable level for which there are identifiable cash flows. The impairment evaluation is based on the estimated undiscounted cash flows from continuing use through the remainder of the theatre s useful life. The remainder of the useful life correlates with the available remaining lease period, which includes the probability of renewal periods for leased properties and a period of approximately twenty years for fee owned properties. If the estimated undiscounted cash flows are not sufficient to recover a long-lived asset s carrying value, the Company then compares the carrying value of the asset group (theatre) with its estimated fair value. When estimated fair value is determined to be lower than the carrying value of the asset group (theatre), the asset group (theatre) is written down to its esti