AMC ENTERTAINMENT HOLDINGS, INC.
Form 10-Q
May 06, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

o **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 001-33892

AMC ENTERTAINMENT HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-0303916**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One AMC Way **11500 Ash Street, Leawood, KS**	**66211**
(Address of principal executive offices)	(Zip Code)

(913) 213-2000
Registrant's telephone number, including area code:

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 ý No o

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 Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No o

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class of common stock	**Number of shares outstanding as of April 17, 2015**
Class A common stock	21,575,532
Class B common stock	75,826,927

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(unaudited)	
Revenues		
Admissions	$ 418,694	$ 409,020
Food and beverage	200,524	181,764
Other theatre	33,906	31,974
Total revenues	653,124	622,758
Operating costs and expenses		
Film exhibition costs	223,088	212,100
Food and beverage costs	28,508	25,123
Operating expense	187,258	179,693
Rent	117,921	114,944
General and administrative:		
Merger, acquisition and transaction costs	1,578	362
Other	4,941	18,220
Depreciation and amortization	57,777	54,777
Operating costs and expenses	621,071	605,219
Operating income	32,053	17,539
Other expense (income)		
Other income		(4,229)
Interest expense:		
Corporate borrowings	26,079	29,658
Capital and financing lease obligations	2,373	2,525
Equity in (earnings) losses of non-consolidated entities	(1,324)	5,384
Investment income	(5,143)	(7,857)
Total other expense	21,985	25,481
Earnings (loss) from continuing operations before income taxes	10,068	(7,942)
Income tax provision (benefit)	3,930	(3,100)
Earnings (loss) from continuing operations	6,138	(4,842)
Gain from discontinued operations, net of income taxes		334
Net earnings (loss)	$ 6,138	$ (4,508)

Basic earnings (loss) per share:				
Earnings (loss) from continuing operations	$	0.06	$	(0.05)
Earnings from discontinued operations				
Basic earnings (loss) per share	$	0.06	$	(0.05)
Average shares outstanding Basic		97,919		97,390
Diluted earnings (loss) per share:				
Earnings (loss) from continuing operations	$	0.06	$	(0.05)
Earnings from discontinued operations				
Diluted earnings (loss) per share	$	0.06	$	(0.05)
Average shares outstanding Diluted		97,919		97,390
Dividends declared per basic and diluted common share	$	0.20	$	

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(unaudited)	
Net earnings (loss)	$ 6,138	$ (4,508)
Foreign currency translation adjustment, net of tax	976	166
Pension and other benefit adjustments:		
Net loss arising during the period, net of tax	(45)	
Prior service credit arising during the period, net of tax	746	
Amortization of net gain included in net periodic benefit costs, net of tax	(1,699)	(211)
Amortization of prior service credit included in net periodic benefit costs, net of tax	(1,762)	(254)
Curtailment gain reclassified to net periodic benefit costs, net of tax	(7,239)	
Settlement gain reclassified to net periodic benefit costs, net of tax	(175)	
Unrealized net gain on marketable securities:		
Unrealized net holding gain arising during the period, net of tax	825	2,019
Net holding gain reclassified to investment income, net of tax	(4)	(4)
Unrealized net gain (loss) from equity method investees' cash flow hedge:		
Unrealized net holding loss arising during the period, net of tax	(361)	(32)
Net holding loss reclassified to equity in (earnings) losses of non-consolidated entities, net of tax	122	131
Other comprehensive income (loss)	(8,616)	1,815
Total comprehensive loss	$ (2,478)	$ (2,693)

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and equivalents	$ 144,804	$ 218,206
Receivables, net	48,211	99,252
Deferred tax asset	108,071	107,938
Other current assets	86,767	84,343
Total current assets	387,853	509,739
Property, net	1,266,860	1,247,230
Intangible assets, net	223,314	225,515
Goodwill	2,289,800	2,289,800
Deferred tax asset	75,828	73,844
Other long-term assets	419,100	417,604
Total assets	$ 4,662,755	$ 4,763,732
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 210,326	$ 262,635
Accrued expenses and other liabilities	136,459	136,262
Deferred revenues and income	183,374	213,882
Current maturities of corporate borrowings and capital and financing lease obligations	23,901	23,598
Total current liabilities	554,060	636,377
Corporate borrowings	1,771,628	1,775,132
Capital and financing lease obligations	99,790	101,533
Exhibitor services agreement	319,859	316,815
Other long-term liabilities	419,610	419,717
Total liabilities	3,164,947	3,249,574
Commitments and contingencies		
Class A common stock (temporary equity) ($.01 par value, 173,150 shares issued and 136,381 shares outstanding as of March 31, 2015 and December 31, 2014)	1,426	1,426
Stockholders' equity:		
Class A common stock ($.01 par value, 524,173,073 shares authorized; 21,439,151 shares issued and outstanding as of March 31, 2015; 21,423,839 shares issued and outstanding as of December 31, 2014)	214	214
Class B common stock ($.01 par value, 75,826,927 shares authorized; 75,826,927 shares issued and outstanding as of March 31, 2015 and December 31, 2014)	758	758
Additional paid-in capital	1,178,280	1,172,515
Treasury stock (36,769 shares as of March 31, 2015 and December 31, 2014, at cost)	(680)	(680)
Accumulated other comprehensive income	4,228	12,844
Accumulated earnings	313,582	327,081

Total stockholders' equity		1,496,382		1,512,732
Total liabilities and stockholders' equity	$	4,662,755	$	4,763,732

See Notes to Consolidated Financial Statements.

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AMC ENTERTAINMENT HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(unaudited)	
Cash flows from operating activities:		
Net earnings (loss)	$ 6,138	$ (4,508)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,777	54,777
Gain on extinguishment of debt		(4,383)
Amortization of net premium on corporate borrowings	(1,566)	(1,392)
Deferred income taxes	3,525	(2,890)
Theatre and other closure expense	1,127	1,365
Gain on dispositions		(460)
Stock-based compensation	5,739	6,357
Equity in earnings and losses from non-consolidated entities, net of distributions	7,810	14,165
Landlord contributions	10,991	11,294
Deferred rent	(5,519)	(3,195)
Net periodic benefit credit	(17,917)	(855)
Change in assets and liabilities:		
Receivables	52,943	56,535
Other assets	(2,277)	(2,244)
Accounts payable	(58,998)	(51,710)
Accrued expenses and other liabilities	(34,492)	(75,203)
Other, net	(3,718)	772
Net cash provided by (used in) operating activities	21,563	(1,575)
Cash flows from investing activities:		
Capital expenditures	(69,590)	(55,599)
Investments in non-consolidated entities, net	(152)	(721)
Payments on disposition of long-term assets		(128)
Other, net	(1,636)	(1,783)
Net cash used in investing activities	(71,378)	(58,231)
Cash flows from financing activities:		
Proceeds from issuance of Senior Subordinated Notes due 2022		375,000
Repurchase of Senior Subordinated Notes due 2019		(496,903)
Payment of initial public offering costs		(281)
Cash used to pay dividends	(19,821)	
Deferred financing costs		(7,568)
Principal payments under capital and financing lease obligations	(1,886)	(1,672)
Principal payments under Term Loan	(1,938)	(1,938)
Net cash used in financing activities	(23,645)	(133,362)
Effect of exchange rate changes on cash and equivalents	58	(9)
Net decrease in cash and equivalents	(73,402)	(193,177)
Cash and equivalents at beginning of period	218,206	546,454

Cash and equivalents at end of period	$	144,804	$	353,277

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest (net of amounts capitalized of $37 and $77)	$	20,289	$	15,499
Income taxes, net		505		1,309
Schedule of non-cash investing and financing activities:				
Investment in NCM (See Note 2 Investments)	$	6,812	$	2,137

See Notes to Consolidated Financial Statements.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

AMC Entertainment Holdings, Inc. ("Holdings"), through its direct and indirect subsidiaries, including AMC Entertainment® Inc. ("AMCE"), American Multi-Cinema, Inc. and its subsidiaries, (collectively with Holdings, unless the context otherwise requires, the "Company" or "AMC"), is principally involved in the theatrical exhibition business and owns, operates or has interests in theatres primarily located in the United States. Holdings is an indirect subsidiary of Dalian Wanda Group Co., Ltd. ("Wanda"), a Chinese private conglomerate.

As of March 31, 2015, Wanda owned approximately 77.85% of Holdings' outstanding common stock and 91.34% of the combined voting power of Holdings' outstanding common stock and has the power to control Holdings' affairs and policies, including with respect to the election of directors (and, through the election of directors, the appointment of management), entering into mergers, sales of substantially all of the Company's assets and other extraordinary transactions.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 and assumptions are used for, but not limited to: (1) Impairments, (2) Film exhibition costs, (3) Income and operating taxes, (4) Theatre and other closure expense, and (5) Gift card and packaged ticket income. Actual results could differ from those estimates.

Principles of Consolidation: The accompanying unaudited consolidated financial statements include the accounts of Holdings and all subsidiaries, as discussed above, and should be read in conjunction with the Company's Annual Report on Form 10-K for the twelve months ended December 31, 2014. The March 31, 2015 consolidated balance sheet data does not include all disclosures required by generally accepted accounting principles. In the opinion of management, these interim financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the Company's financial position and results of operations. All significant intercompany balances and transactions have been eliminated in consolidation. There are no noncontrolling (minority) interests in the Company's consolidated subsidiaries; consequently, all of its stockholders' equity, net earnings (loss) and comprehensive income (loss) for the periods presented are attributable to controlling interests. Due to the seasonal nature of the Company's business, results for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the twelve months ending December 31, 2015. The Company manages its business under one reportable segment called Theatrical Exhibition.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 1 BASIS OF PRESENTATION (Continued)

Other Income: The following table sets forth the components of other income:

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Gain on redemption of 8.75% Senior Fixed Rate Notes due 2019	$	$ (4,383)
Other expense		154
Other income	$	$ (4,229)

Presentation: In the Consolidated Statements of Cash Flows, certain line items within operating activities have been presented separately from the "receivables," "accrued expenses and other liabilities" and "other, net" line items in the current year presentation, with conforming reclassifications made for the prior period presentation.

NOTE 2 INVESTMENTS

Investments in non-consolidated affiliates and certain other investments accounted for under the equity method generally include all entities in which the Company or its subsidiaries have significant influence, but not more than 50% voting control, and are recorded in the Consolidated Balance Sheets in other long-term assets. Investments in non-consolidated affiliates as of March 31, 2015, include a 15.05% interest in National CineMedia, LLC ("NCM" or "NCM LLC"), a 29% interest in Digital Cinema Implementation Partners, LLC ("DCIP"), a 50% interest in Open Road Releasing, LLC, operator of Open Road Films, LLC ("Open Road Films"), a 32% interest in AC JV, LLC ("AC JV"), owner of Fathom Events, and a 50% interest in two U.S. motion picture theatres and one IMAX screen. Indebtedness held by equity method investees is non-recourse to the Company.

RealD Inc. Common Stock. The Company holds an investment in RealD Inc. common stock, which is accounted for as an equity security, available for sale, and is recorded in the Consolidated Balance Sheets in other long-term assets at fair value (Level 1).

Equity in Earnings (Losses) of Non-Consolidated Entities

Aggregated condensed financial information of the Company's significant non-consolidated equity method investments for the three months ended March 31, 2015 and the three months ended March 31, 2014 is shown below:

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues	$ 117,641	$ 112,888
Operating costs and expenses	138,897	110,160
Net earnings (loss)	$ (21,256)	$ 2,728

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 2 INVESTMENTS (Continued)

The components of the Company's recorded equity in earnings (losses) of non-consolidated entities are as follows:

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
National CineMedia, LLC	$ (6,639)	$ (1,120)
Digital Cinema Implementation Partners, LLC	5,429	3,647
Open Road Releasing, LLC	1,286	(8,080)
AC JV, LLC	1,038	282
Other	210	(113)
The Company's recorded equity in earnings (losses)	$ 1,324	$ (5,384)

NCM Transactions. As of March 31, 2015, the Company owns 19,663,664 common membership units, or a 15.05% interest, in NCM. The estimated fair market value of the units in NCM was approximately $296,921,000, based on the publically quoted price per share of NCM, Inc. on March 31, 2015 of $15.10 per share. See Note 9 Commitments and Contingencies for information regarding the termination of the Screenvision, LLC merger agreement and the expenses associated with the termination.

The Company recorded the following transactions with NCM:

(In thousands)	March 31, 2015	December 31, 2014
Due from NCM for on-screen advertising revenue	$ 1,696	$ 2,072
Due to NCM for Exhibitor Services Agreement	990	1,784
Promissory note payable to NCM	6,944	6,944

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net NCM screen advertising revenues	$ 8,648	$ 8,628
NCM beverage advertising expense	2,514	2,909

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 2 INVESTMENTS (Continued)

The Company recorded the following changes in the carrying amount of its investment in NCM and equity in losses of NCM during the three months ended March 31, 2015:

(In thousands)	Investment in NCM(1)	Exhibitor Services Agreement(2)	Other Comprehensive (Income)	Cash Received	Equity in Losses	Advertising (Revenue)
Ending balance December 31, 2014	$ 265,839	$ (316,815)	$ (3,780)			
Receipt of common units(3)	6,812	(6,812)				
Receipt of excess cash distributions	(9,071)			$ 9,071	$	$
Amortization of deferred revenue		3,768				(3,768)
Unrealized gain from cash flow hedge	234		(234)			
Equity in losses and loss from amortization of basis difference(4)(5)	(6,639)				6,639	
For the period ended or balance as of March 31, 2015	$ 257,175	$ (319,859)	$ (4,014)	$ 9,071	$ 6,639	$ (3,768)

(1) After Wanda acquired Holdings on August 30, 2012, the Company's investment in NCM consisted of a single investment tranche (Tranche 1 Investment) consisting of 17,323,782 membership units recorded at fair value (Level 1). Subsequent membership units received as provided under the Common Unit Adjustment Agreement dated as of February 13, 2007, are recorded in a separate tranche, (Tranche 2 Investments).

(2) Represents the unamortized portion of the Exhibitor Services Agreement ("ESA") with NCM. Such amounts are being amortized to other theatre revenues over the remainder of the 30 year term of the ESA ending in 2036, using a units-of-revenue method, as described in ASC 470-10-35 (formerly EITF 88-18, *Sales of Future Revenues*).

(3) In March 2015, the Company received 469,163 membership units recorded at a fair value of $14.52 per unit with a corresponding credit to the ESA.

(4) Represents percentage ownership of NCM's losses on both Tranche 1 and Tranche 2 Investments.

(5) Certain differences between the Company's carrying value and the Company's share of NCM's membership equity have been identified and are amortized to equity in earnings over the respective lives of the assets and liabilities.

During the three months ended March 31, 2015 and March 31, 2014, the Company received payments of $5,352,000 and $8,045,000, respectively, related to the NCM tax receivable agreement. The receipts are recorded in investment expense (income), net of related amortization, for the NCM tax receivable agreement intangible asset.

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 2 INVESTMENTS (Continued)

DCIP Transactions. The Company will make capital contributions to DCIP for projector and installation costs in excess of an agreed upon cap ($68,000 per system for digital conversions and as of March 31, 2015, $39,000 for new build locations). The Company pays equipment rent monthly and records the equipment rental expense on a straight-line basis over 12 years.

The Company recorded the following transactions with DCIP:

(In thousands)	March 31, 2015	December 31, 2014
Due from DCIP for equipment and warranty purchases	$ 1,200	$ 1,048
Deferred rent liability for digital projectors	8,954	9,031

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Digital equipment rental expense (continuing operations)	$ 1,294	$ 2,917

Open Road Films Transactions. For the three months ended March 31, 2015, the Company followed the equity method of accounting for its investment in Open Road Films. During the three months ended March 31, 2014, the Company suspended equity method accounting for its investment in Open Road Films when the negative investment in Open Road Films reached the Company's capital commitment of $10,000,000.

The Company recorded the following transactions with Open Road Films:

(In thousands)	March 31, 2015	December 31, 2014
Due from Open Road Films	$ 1,041	$ 2,560
Film rent payable to Open Road Films	808	709

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Gross film exhibition cost on Open Road Films	$ 1,400	$ 5,700

AC JV Transactions. The Company recorded the following transactions with AC JV:

(In thousands)	March 31, 2015	December 31, 2014
Due to AC JV for Fathom Events programming	$ 1,443	$ 333

(In thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Gross exhibition cost on Fathom Events programming	$ 2,586	$ 956

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 3 STOCKHOLDERS' EQUITY

Common Stock Rights and Privileges

The rights of the holders of Holdings' Class A common stock and Holdings' Class B common stock are identical, except with respect to voting and conversion applicable to the Class B common stock. Holders of Holdings' Class A common stock are entitled to one vote per share and holders of Holdings' Class B common stock are entitled to three votes per share. Holders of Class A common stock and Class B common stock will share ratably (based on the number of shares of common stock held) in any dividend declared by its board of directors, subject to any preferential rights of any outstanding preferred stock. The Class A common stock is not convertible into any other shares of Holdings' capital stock. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock shall convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in Holdings' certificate of incorporation.

Dividends

The following is a summary of dividends and dividend equivalents paid to stockholders during the three months ended March 31, 2015:

Declaration Date	Record Date	Date Paid	Amount per Share of Common Stock
February 3, 2015	March 9, 2015	March 23, 2015	$ 0.20

On February 3, 2015, the Company's Board of Directors declared a cash dividend of approximately $19,637,000. During the three months ended March 31, 2015, the Company paid dividends and dividend equivalents of $19,821,000, increased additional paid-in capital for recognition of deferred tax assets of $133,000 related to the dividends equivalents paid, and accrued $41,000 for the remaining unpaid dividends at March 31, 2015. The aggregate dividends paid for Class A common stock, Class B common stock, and dividend equivalents were approximately $4,315,000, $15,165,000, and $341,000, respectively, during the three months ended March 31, 2015.

Related Party Transaction

As of March 31, 2015, the Company recorded a receivable due from Wanda of $293,000 for reimbursement of general administrative and other expense incurred on behalf of Wanda.

Temporary Equity

Certain members of management have the right to require Holdings to repurchase the Class A common stock held by them under certain limited circumstances pursuant to the terms of a stockholders agreement. Beginning on January 1, 2016 (or upon the termination of a management stockholder's employment by the Company without cause, by the management stockholder for good reason, or due to the management stockholder's death or disability) management stockholders will have the right, in limited circumstances, to require Holdings to purchase shares that are not fully and freely

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 3 STOCKHOLDERS' EQUITY (Continued)

tradeable at a price equal to the price per share paid by such management stockholder with appropriate adjustments for any subsequent events such as dividends, splits, or combinations. The shares of Class A common stock, subject to the stockholder agreement, are classified as temporary equity, apart from permanent equity, as a result of the contingent redemption feature contained in the stockholder agreement. The Company determined the amount reflected in temporary equity for the Class A common stock based on the price paid per share by the management stockholders and Wanda on August 30, 2012, the date Wanda acquired Holdings.

Stock-Based Compensation

Holdings adopted a stock-based compensation plan in December of 2013.

The Company recognized stock-based compensation expense of $5,739,000 and $6,357,000 within general and administrative: other during the three months ended March 31, 2015 and March 31, 2014, respectively. The Company's financial statements reflect an increase to additional paid-in capital related to stock-based compensation of $5,739,000 during the three months ended March 31, 2015. As of March 31, 2015, there was approximately $4,383,000 of total estimated unrecognized compensation cost, assuming attainment of the performance targets at 100%, related to stock-based compensation arrangements expected to be recognized during the remainder of calendar 2015.

2013 Equity Incentive Plan

The 2013 Equity Incentive Plan provides for grants of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance stock units, stock awards, and cash performance awards. The maximum number of shares of Holdings' common stock available for delivery pursuant to awards granted under the 2013 Equity Incentive Plan is 9,474,000 shares. At March 31, 2015, the aggregate number of shares of Holdings' common stock remaining available for grant was 8,309,845 shares.

Awards Granted in 2015

Holdings' Board of Directors approved awards of stock, restricted stock units ("RSUs"), and performance stock units ("PSUs") to certain of the Company's employees and directors under the 2013 Equity Incentive Plan. The fair value of the stock at the grant dates of January 5, 2015 and March 6, 2015 was $24.97 and $33.96 per share, respectively, and was based on the closing price of Holdings' stock.

The award agreements generally had the following features:

Stock Award Agreement: On January 5, 2015, 4 members of Holdings' Board of Directors were granted an award of 3,828 fully vested shares of Class A common stock each, for a total award of 15,312 shares. The Company recognized approximately $382,000 of expense in general and administrative: other expense during the three months ended March 31, 2015, in connection with these share grants.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 3 STOCKHOLDERS' EQUITY (Continued)

Restricted Stock Unit Award Agreement: On March 6, 2015, RSU awards of 84,649 units were granted to certain members of management. Each RSU represents the right to receive one share of Class A common stock at a future date. The RSUs were fully vested at the date of grant. The RSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. Under certain termination scenarios defined in the award agreement, the RSUs may be settled within 60 days following termination of service. Participants will receive dividend equivalents equal to the amount paid in respect to the shares of Class A common stock underlying the RSUs. The Company recognized approximately $2,875,000 of expense in general and administrative: other expense during the three months ended March 31, 2015, in connection with these fully vested awards.

On March 6, 2015, RSU awards of 58,749 units were granted to certain executive officers. The RSUs will be forfeited if Holdings does not achieve a specified cash flow from operating activities target for the twelve months ended December 31, 2015. These awards do not contain a service condition. The vested RSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. Under certain termination scenarios defined in the award agreement, the vested RSUs may be settled within 60 days following termination of service. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the RSUs began to accrue with respect to the RSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the RSUs. Thereafter, dividend equivalents are paid to the holder whenever dividends are paid on the Class A common stock. The grant date fair value was $1,995,000. The Company recognized expense for these awards of $1,995,000, in general and administrative: other expense, during the three months ended March 31, 2015, based on current estimates that the performance condition is expected to be achieved.

Performance Stock Unit Award Agreement: On March 6, 2015, PSU awards were granted to certain members of management and executive officers, with both a 2015 free cash flow performance target condition and a service condition, ending on December 31, 2015. The PSUs will vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%. If the performance target is met at 100%, the PSU awards granted on March 6, 2015 will be 143,398 units. No PSUs will vest if Holdings does not achieve the free cash flow minimum performance target or the participant's service does not continue through the last day of the performance period, during the twelve months ended December 31, 2015. The vested PSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. Under certain termination scenarios defined in the award agreement, the vested PSUs may be settled within 60 days following termination of service. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the PSUs began to accrue with respect to the PSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon vesting of the PSUs. Thereafter, dividend equivalents are paid to the holder whenever dividends are paid on the Class A common stock. Assuming attainment of the performance target at 100%, the Company will recognize expense for these awards of approximately $4,870,000 in general and administrative: other

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AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 3 STOCKHOLDERS' EQUITY (Continued)

expense during the twelve months ended December 31, 2015. The Company recognized $487,000 of expense in general and administrative: other expense during the three months ended March 31, 2015, based on current estimates that the target performance condition is expected to be achieved at 100%.

The following table represents the RSU and PSU activity for the three months ended March 31, 2015:

	Shares of RSU and PSU	Weighted Average Grant Date Fair Value
Beginning balance at January 1, 2015		$
Granted(1)	286,796	33.96
Vested(2)	(84,649)	33.96
Forfeited		
Nonvested at March 31, 2015	202,147	$ 33.96

(1) The number of shares granted under the PSU award, assumes Holdings will attain a performance target at 100%. The PSUs will vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%.

(2) This number includes vested units of 3,131 that were withheld to cover tax obligations and were subsequently canceled. As a result of this transaction, additional paid-in capital decreased by $107,000.

NOTE 4 INCOME TAXES

The Company's effective income tax rate is based on expected income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the annual income tax rate based on projected taxable income for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate. The Company refines the estimates of the year's taxable income as new information becomes available, including actual year-to-date financial results. This continual estimation process often results in a change to the expected effective income tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected income tax rate. Significant judgment is required in determining the effective tax rate and in evaluating tax positions.

The effective tax rate from continuing operations for the three months ended March 31, 2015 and March 15, 2014 was 39.0%. The Company's tax rate for the three months ended March 31, 2015 and March 31, 2014 differs from the statutory tax rate primarily due to state income taxes.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2015

(Unaudited)

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts business. The inputs used to develop these fair value measurements are established in a hierarchy, which ranks the quality and reliability of the information used to determine the fair values. The fair value classification is based on levels of inputs. Assets and liabilities that are carried at fair value are classified and disclosed in one of the following categories:

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Recurring Fair Value Measurements. The following table summarizes the fair value hierarchy of the Company's financial assets carried at fair value on a recurring basis as of March 31, 2015:

		Fair Value Measurements at March 31, 2015 Using		
(In thousands)	**Total Carrying Value at March 31, 2015**	**Quoted prices in active market (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Other long-term assets:				
Money market mutual funds	$ 240	$ 240	$	$
Equity securities, available-for-sale:				
RealD Inc. common stock	15,639	15,639		
Mutual fund large U.S. equity	3,200	3,200		
Mutual fund small/mid U.S. equity	2,148	2,148		
Mutual fund international	865	865		
Mutual fund balance	762	762		
Mutual fund fixed income	829	829		
Total assets at fair value	$ 23,683	$ 23,683	$	$

Valuation Techniques. The Company's money market mutual funds are invested in funds that seek to preserve principal, are highly liquid, and therefore are recorded on the balance sheet at the principal amounts deposited, which equals fair value. The equity securities, available-for-sale, primarily consist of common stock and mutual funds invested in equity, fixed income, and international funds and are measured at fair value using quoted market prices. See Note 7 Accumulated Other Comprehensive Income for the unrealized gain on the equity securities recorded in accumulated other comprehensive income.