AMC ENTERTAINMENT HOLDINGS, INC.
Form 10-K
March 01, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 001-33892

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:

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value of $0.01 per share	New York Stock Exchange

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 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 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging Growth Company	

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2018, computed by reference to the price at which the registrant's Class A common stock was last sold on the New York Stock Exchange on such date was $822,736,151 (51,744,412 shares at a closing price per share of $15.90).

Shares of Class A common stock outstanding—52,047,613 shares at February 22, 2019

Shares of Class B common stock outstanding—51,769,784 shares at February 22, 2019

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement, in connection with its 2019 annual meeting of stockholders, to be filed within 120 days of December 31, 2018, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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AMC ENTERTAINMENT HOLDINGS, INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2018

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Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “may,” “will,” “forecast,” “estimate,” “project,” “intend,” “plan,” “expect,” “should,” “believe” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Similarly, certain statements made herein and elsewhere regarding our recent acquisitions are also forward-looking statements, including statements regarding the expected benefits of the acquisition on our future business, operations and financial performance and our ability to successfully integrate the recently acquired businesses. These forward-looking statements are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors, including those discussed in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

- risks relating to motion picture production and performance;
- our lack of control over distributors of films;
- intense competition in the geographic areas in which we operate;
- increased use of alternative film delivery methods or other forms of entertainment;
- shrinking exclusive theatrical release windows;
- general and international economic, political, social and financial market conditions and other risks including the effects of the exit of the United Kingdom from the European Union;
- risks and uncertainties relating to our significant indebtedness;
- limitations on the availability of capital may prevent us from deploying strategic initiatives and continue our share repurchase program;

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certain covenants in the agreements that govern our indebtedness may limit our ability to take advantage of certain business opportunities;

- our ability to achieve expected synergies, benefits and performance from our recent strategic theatre acquisitions and strategic initiatives;

- our ability to refinance our indebtedness on terms favorable to us;

- optimizing our theatre circuit through new construction and the transformation of our existing theatres may be subject to delay and unanticipated costs;

- failures, unavailability or security breaches of our information systems;

- risks relating to impairment losses, including with respect to goodwill and other intangibles, and theatre and other closure charges;

- our ability to utilize net operating loss carryforwards to reduce our future tax liability or valuation allowances taken with respect to deferred tax assets;

- review by antitrust authorities in connection with acquisition opportunities;

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- risks relating to unexpected costs or unknown liabilities relating to recently completed acquisitions;

- risks relating to the incurrence of legal liability, including costs associated with recently filed securities class action lawsuits;

- dependence on key personnel for current and future performance and our ability to attract and retain senior executives and other key personnel, including in connection with any future acquisitions;

- risks of poor financial results may prevent us from deploying strategic initiatives;

- operating a business in international markets AMC Entertainment Holdings, Inc. ("AMC") is unfamiliar with, including acceptance by movie-goers of AMC initiatives that are new to those markets;

- increased costs in order to comply or resulting from a failure to comply with governmental regulation, including the General Data Protection Regulation ("GDPR") and pending future domestic privacy laws and regulations; and

- we may not generate sufficient cash flows or have sufficient restricted payment capacity under our Senior Secured Credit Facility or the indentures governing our debt securities to pay our intended dividends on our Class A and Class B common stock.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative but not exhaustive. In addition, new risks and uncertainties may arise from time to time. Accordingly, all forward-looking statements should be evaluated with an understanding of their inherent uncertainty.

Except as required by law, we assume no obligation to publicly update or revise these forward-looking statements for any reason. Actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Readers are urged to consider these factors carefully in evaluating the forward looking statements. For further information about these and other risks and uncertainties as well as strategic initiatives, see Item 1A. "Risk Factors" and Item 1. "Business" in this Annual Report on Form 10 K.

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PART I

Item 1. Business

General Development of Business

AMC Entertainment Holdings, Inc. (“Holdings”), through its direct and indirect subsidiaries, including 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 and Europe. AMC is an indirect subsidiary of Dalian Wanda Group Co., Ltd. (“Wanda”), a Chinese private conglomerate.

As of December 31, 2018, Wanda owned approximately 50.01% of Holdings’ outstanding common stock and 75.01% 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 of mergers, sales of substantially all of our assets and other extraordinary transactions.

Our business was founded in Kansas City, Missouri in 1920. Holdings was incorporated under the laws of the state of Delaware on June 6, 2007. We maintain our principal executive offices at One AMC Way, 11500 Ash Street, Leawood, Kansas 66211.

Recent Developments

NCM: In March 2018, we recorded an impairment charge of $16.0 million, to reduce the carrying value of our held-for-sale interests in National CineMedia, LLC (“NCM”) common units and National CineMedia, Inc. (“NCM, Inc.”) common shares to fair value based on the publicly quoted per share price as of March 31, 2018 of $5.19.

On June 18, 2018, the Company entered into two Unit Purchase Agreements (the “Agreements”) with each of Regal Cinemas, Inc. (“Regal”) and Cinemark USA, Inc. (“Cinemark”) pursuant to which Regal and Cinemark each separately agreed to purchase 10,738,740 common units of NCM at a sales price of $7.30 per unit and aggregate consideration of approximately $156.8 million (the “Sales”). The Sales closed on July 5, 2018. Following the closing of the Sales, the Company no longer owned any shares of common units of NMC or shares of NCM, Inc. NCM consented to the Sales and waived its rights under the memorandum of understanding that provided the Company would not reduce its combined ownership of NCM and NCM, Inc. below 4.5%. We recorded a gain on sale of $28.9 million during the year ended December 31, 2018.

Screenvision Merger: On May 30, 2018, SV Holdco, LLC ("Screenvision") entered into an Agreement and Plan of Merger which resulted in a change of control in Screenvision on July 2, 2018. We received distributions and merger consideration of $45.9 million and retain a 18.4% common membership interest in Screenvision on a fully diluted basis. We reduced the carrying value of our investment in Screenvision to $0 and recorded equity in earnings for the excess distribution of $30.1 million during the year ended December 31, 2018.

Sale and Leaseback Transaction: On June 18, 2018, we completed the sale and leaseback of the real estate assets associated with one theatre for proceeds, net of closing costs, of $50.1 million. The gain on the sale of approximately $27.4 million has been deferred and will be amortized over the remaining lease term.

Fifth Amendment to Credit Agreement: On August 14, 2018, we entered into the Fifth Amendment to Credit Agreement with Citicorp North America, Inc, as administrative agent and the other lenders party thereto, amending the Credit Agreement dated as of April 30, 2013. The Fifth Amendment made changes to certain covenants and related definitions. These amendments to the Senior Secured Credit Agreement were executed in order to facilitate an internal reorganization due to recent tax changes and to make modifications which clarified certain ambiguities in the Senior Secured Credit Agreement.

Senior Unsecured Convertible Notes due 2024: On September 14, 2018, we issued $600.0 million aggregate principal amount of our 2.95% Senior Unsecured Convertible Notes due 2024. The Convertible Notes due 2024 mature on September 15, 2024, subject to earlier conversion by the holders thereof, repurchase by AMC at the option of the

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holders or redemption by AMC upon the occurrence of certain contingencies, as discussed below. Upon maturity, the $600.0 million principal amount of the Convertible Notes due 2024 will be payable in cash. We will pay interest in cash on the Convertible Notes due 2024 at 2.95% per annum, semi-annually in arrears on September 15th and March 15th, commencing on March 15, 2019. We used the net proceeds from the sale of the Convertible Notes due 2024 to repurchase and retire 24,057,143 shares of Class B common stock held by Wanda for $17.50 per share or approximately $421.0 million, associated legal fees of $1.9 million, and to pay a special dividend of $1.55 per share of Class A common stock and Class B common stock, or approximately $160.5 million on September 28, 2018 to shareholders of record on September 25, 2018. See Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Events and Note 8 – Corporate Borrowings and Capital and Financing Lease Obligations in the Notes to Consolidated Financial Statements under Part II, Item 8, hereof for further information on the terms of the Convertible Notes due 2024.

Special Dividend: On September 14, 2018, our Board of Directors declared a special cash dividend in the amount of $1.55 per share of Class A and Class B common stock, payable on September 28, 2018 to stockholders of record on September 25, 2018.

Narrative Description of Business

We are the world's largest theatrical exhibition company and an industry leader in innovation and operational excellence. Over the course of our nearly 100 year history, we have pioneered many of the theatrical exhibition industry's most important innovations. We introduced Multiplex theatres in the 1960s and the North American stadium-seated Megaplex theatre format in the 1990s. Most recently, we revolutionized movie-going with the deployment of our theatre renovations featuring plush, powered recliner seating. Our growth has been driven by a combination of organic growth through reinvestment in our existing assets and through the acquisition of some of the most respected companies in the theatrical exhibition industry.

The combination of AMC, Odeon, Carmike Cinemas, Inc. ("Carmike") and Nordic Cinema Group Holdings AB ("Nordic") makes us the largest theatre operator in the world with 1,006 theatres and 11,091 screens in 15 countries as of December 31, 2018. We are the #1 theatre operator in the United States; the #1 theatre operator in the United Kingdom-Ireland, Italy, Spain, Sweden, Norway, Finland, Estonia, Latvia and Lithuania; the #2 theatre operator in Portugal; and the #4 theatre operator in Germany. We have operations in four of the world's ten largest economies, including four of the five largest European economies (the United Kingdom, Spain, Italy and Germany). Additionally, the combined company is the largest global procurer in theatrical exhibition of film, food and beverage items, lighting and theatre supplies.

As of December 31, 2018, we owned, operated or held interests in 637 theatres with a total of 8,114 screens in the United States and 369 theatres and 2,977 screens in European markets. With operations in 44 states and the District of Columbia, approximately 52% of the U.S. population lives within 10 miles of one of our theatres. We have a diversified footprint with complementary global geographic and guest demographic profiles, which we believe gives our circuit a unique profile and offers strategic and operational advantages. We operate productive theaters in the top markets in the United States and have the #1 market share in the top two markets: New York and Los Angeles. Our top five markets, in each of which we hold the #1 or #2 share position, are New York (44% share), Los Angeles (28%), Chicago (43%), San Francisco (25%) and Washington, D.C. (33%). Strategically, these markets and our theatres in them are diverse, operationally complex and, in many cases, the scarcity of new theatre opportunities creates a significant competitive advantage for established locations against newcomers or alternative entertainment options.

Our theatrical exhibition revenues are generated primarily from box office admissions and theatre food and beverage sales. We offer consumers a broad range of entertainment alternatives including traditional film programming, independent and foreign films, performing arts, music and sports. We also offer food and beverage alternatives beyond traditional concession items, including made-to-order meals, customized coffee, healthy snacks, beer, wine, premium cocktails and dine-in theatre options. The balance of our revenues is generated from ancillary sources, including on screen advertising, fees earned from our AMC Stubs® customer loyalty program, rental of theatre auditoriums, income from gift card and exchange ticket sales, and on line ticketing fees.

Approximately 359 million consumers have attended AMC, Odeon and Nordic theatre circuits, combined for the year ended December 31, 2018.

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As a result of our ongoing focus to improve the quality of the movie-going experience, AMC theatres continue to maintain top-box customer satisfaction scores of nearly 60% and industry leading theatre productivity metrics. According to publicly available information for our most comparable peers in the U.S. market, for the year ended December 31, 2018, our U.S. markets were #1 or #2 in revenues per patron ($15.69), food and beverage per patron ($5.17), and average ticket price ($9.55). We believe that it is the quality of our theatre locations and our customer focused innovation that continue to drive improved productivity per location (which we measure as increases in admissions revenues per screen relative to the industry and/or food and beverage revenues per patron).

To ensure that we are an imaginative and bold innovator today and in the years ahead, we have established the following key priorities.

· Through our marketing programs we plan to strengthen the bonds with our current guests and create new connections with potential guests, to drive more attendance and increase market share. Our focus is to capture guests' attention before they even leave their homes by paying close attention to our brands, our loyalty program and our communication with movie-goers via the internet, either directly or through social media;

· We plan to continue investing in technical innovation that will allow us to enhance the consumer experience through premium formats such as IMAX®, Dolby Cinema™, 3D and other premium format offerings. Additionally, in recognizing the varied tastes of our guests we will continue to explore offerings of alternative content such as live concerts, sporting events, Broadway shows, opera and other non traditional programming to provide incremental revenue;

· We expect to continue deployment of our proven theatre innovations while simultaneously developing new concepts and initiatives that will elevate the movie-going experience at our theatres;

· We are committed to deploying successful new technologies that will allow us to evolve even as consumers look to other ways to watch movies;

· We plan for our growth to be driven through our guest focused strategy and will continue to explore growth through profitable acquisitions. We believe that acquisitions offer us additional opportunities to introduce our proven guest focused strategies to new movie-goers and will generate meaningful benefits to guests, associates, studio partners and our shareholders;

· Studios, film makers and other institutions of the movie industry, whether in Hollywood or abroad, are valued partners with whom we must have cooperative and productive relationships; and

· We will continue to motivate our associates by generati