

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2020
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 001-33892

AMC ENTERTAINMENT HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Large Accelerated Filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock	AMC	New York Stock Exchange

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 October 30, 2020
Class A common stock	85,624,174
Class B common stock	51,769,784

AMC ENTERTAINMENT HOLDINGS, INC.

INDEX

	<u>Page Number</u>
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1.</u> <u>Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	4
<u>Condensed Consolidated Balance Sheets</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	78
<u>Item 4.</u> <u>Controls and Procedures</u>	79
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	79
<u>Item 1A.</u> <u>Risk Factors</u>	80
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	83
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	84
<u>Item 5.</u> <u>Other Information</u>	84
<u>Item 6.</u> <u>Exhibits</u>	89
<u>Signatures</u>	92

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

AMC ENTERTAINMENT HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(unaudited)		(unaudited)	
Revenues				
Admissions	\$ 62.9	\$ 797.3	\$ 631.8	\$ 2,424.3
Food and beverage	29.1	420.0	317.6	1,281.3
Other theatre	27.5	99.5	130.5	317.7
Total revenues	119.5	1,316.8	1,079.9	4,023.3
Operating costs and expenses				
Film exhibition costs	26.6	416.8	298.5	1,264.6
Food and beverage costs	8.8	67.2	66.7	205.1
Operating expense, excluding depreciation and amortization below	192.1	419.0	663.8	1,259.2
Rent	214.3	238.7	676.2	726.6
General and administrative:				
Merger, acquisition and other costs	1.0	4.7	3.0	11.2
Other, excluding depreciation and amortization below	32.7	37.5	91.3	126.9
Depreciation and amortization	123.5	112.1	365.7	337.1
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill	195.9	—	2,047.8	—
Operating costs and expenses	794.9	1,296.0	4,213.0	3,930.7
Operating income (loss)	(675.4)	20.8	(3,133.1)	92.6
Other expense (income):				
Other expense (income)	125.0	(1.3)	145.3	5.1
Interest expense:				
Corporate borrowings	82.8	73.2	233.7	218.7
Finance lease obligations	1.4	1.8	4.5	6.0
Non-cash NCM exhibitor services agreement	10.1	10.1	30.1	30.4
Equity in (earnings) loss of non-consolidated entities	10.6	(7.5)	25.9	(24.2)
Investment expense (income)	(4.1)	(0.5)	4.0	(18.7)
Total other expense, net	225.8	75.8	443.5	217.3
Loss before income taxes	(901.2)	(55.0)	(3,576.6)	(124.7)
Income tax provision (benefit)	4.6	(0.2)	66.7	10.9
Net loss	(905.8)	(54.8)	(3,643.3)	(135.6)
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net loss attributable to AMC Entertainment Holdings, Inc.	\$ (905.8)	\$ (54.8)	\$ (3,643.3)	\$ (135.6)
Loss per share attributable to AMC Entertainment Holdings, Inc.'s common stockholders:				
Basic	\$ (8.41)	\$ (0.53)	\$ (34.56)	\$ (1.31)
Diluted	\$ (8.41)	\$ (0.53)	\$ (34.56)	\$ (1.31)
Average shares outstanding:				
Basic (in thousands)	107,695	103,850	105,428	103,826
Diluted (in thousands)	107,695	103,850	105,428	103,826

See Notes to Condensed Consolidated Financial Statements.

AMC ENTERTAINMENT HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(unaudited)		(unaudited)	
Net loss	\$ (905.8)	\$ (54.8)	\$ (3,643.3)	\$ (135.6)
Other comprehensive income (loss):				
Unrealized foreign currency translation adjustments	11.4	(68.2)	(26.8)	(102.9)
Realized loss on foreign currency transactions reclassified into other expense	—	—	—	0.6
Pension adjustments:				
Realized net loss reclassified into other expense, net of tax	0.2	0.1	0.9	0.2
Equity method investee's cash flow hedge:				
Unrealized net holding loss arising during the period	—	—	—	(0.1)
Other comprehensive income (loss)	11.6	(68.1)	(25.9)	(102.2)
Total comprehensive loss	(894.2)	(122.9)	(3,669.2)	(237.8)
Comprehensive income (loss) attributable to noncontrolling interests	—	—	—	—
Comprehensive loss attributable to AMC Entertainment Holdings, Inc.	<u>\$ (894.2)</u>	<u>\$ (122.9)</u>	<u>\$ (3,669.2)</u>	<u>\$ (237.8)</u>

See Notes to Condensed Consolidated Financial Statements.

AMC ENTERTAINMENT HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share data)	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 417.9	\$ 265.0
Restricted cash	10.9	10.5
Receivables, net	97.5	254.2
Other current assets	82.3	143.4
Total current assets	<u>608.6</u>	<u>673.1</u>
Property, net	2,332.5	2,649.2
Operating lease right-of-use assets, net	4,475.8	4,796.0
Intangible assets, net	164.5	195.3
Goodwill	2,874.4	4,789.1
Deferred tax asset, net	0.6	70.1
Other long-term assets	419.8	503.0
Total assets	<u>\$ 10,876.2</u>	<u>\$ 13,675.8</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 376.9	\$ 543.3
Accrued expenses and other liabilities	268.9	324.6
Deferred revenues and income	400.9	449.2
Current maturities of corporate borrowings	20.0	20.0
Current maturities of finance lease liabilities	10.5	10.3
Current maturities of operating lease liabilities	511.0	585.8
Total current liabilities	<u>1,588.2</u>	<u>1,933.2</u>
Corporate borrowings	5,803.8	4,733.4
Finance lease liabilities	84.2	89.6
Operating lease liabilities	4,909.4	4,913.8
Exhibitor services agreement	542.0	549.7
Deferred tax liability, net	43.4	46.0
Other long-term liabilities	240.6	195.9
Total liabilities	<u>13,211.6</u>	<u>12,461.6</u>
Commitments and contingencies		
Stockholders' equity (deficit):		
AMC Entertainment Holdings, Inc.'s stockholders' equity:		
Class A common stock (\$.01 par value, 524,173,073 shares authorized; 61,882,218 shares issued and 58,149,593 outstanding as of September 30, 2020; 55,812,702 shares issued and 52,080,077 outstanding as of December 31, 2019)	0.6	0.5
Class B common stock (\$.01 par value, 51,769,784 shares authorized, issued and outstanding as of September 30, 2020 and December 31, 2019)	0.5	0.5
Additional paid-in capital	2,125.0	2,001.9
Treasury stock (3,732,625 shares as of September 30, 2020 and December 31, 2019, at cost)	(56.4)	(56.4)
Accumulated other comprehensive loss	(52.0)	(26.1)
Accumulated deficit	<u>(4,387.8)</u>	<u>(706.2)</u>
Total AMC Entertainment Holdings, Inc.'s stockholders' equity (deficit)	<u>(2,370.1)</u>	<u>1,214.2</u>
Noncontrolling interests	34.7	—
Total equity (deficit)	<u>(2,335.4)</u>	<u>1,214.2</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 10,876.2</u>	<u>\$ 13,675.8</u>

See Notes to Condensed Consolidated Financial Statements.

AMC ENTERTAINMENT HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Nine Months Ended	
	September 30, 2020	September 30, 2019
Cash flows from operating activities:		
Net loss	\$ (3,643.3)	\$ (135.6)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	365.7	337.1
Deferred income taxes	65.2	7.0
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill	2,047.8	—
Amortization of net discount (premium) on corporate borrowings to interest expense	(4.2)	8.1
Amortization of deferred financing costs to interest expense	11.6	11.8
PIK interest expense	29.8	—
Non-cash portion of stock-based compensation	9.5	11.5
Gain on dispositions	(3.3)	(16.0)
(Gain) loss on derivative asset and derivative liability	109.0	(15.4)
Loss on repayment of indebtedness	—	16.6
Equity in (earnings) loss from non-consolidated entities, net of distributions	40.3	(10.2)
Landlord contributions	31.9	89.0
Other non-cash rent	(1.7)	19.5
Deferred rent	(8.1)	(45.3)
Net periodic benefit cost	0.8	1.3
Change in assets and liabilities:		
Receivables	165.3	93.8
Other assets	67.3	(3.2)
Accounts payable	(121.2)	(101.2)
Accrued expenses and other liabilities	17.2	(55.4)
Other, net	48.8	(3.2)
Net cash provided by (used in) operating activities	(771.6)	210.2
Cash flows from investing activities:		
Capital expenditures	(156.0)	(348.2)
Acquisition of theatre assets	—	(11.8)
Proceeds from disposition of long-term assets	8.6	21.4
Investments in non-consolidated entities, net	(9.3)	(9.5)
Other, net	1.9	(0.3)
Net cash used in investing activities	(154.8)	(348.4)
Cash flows from financing activities:		
Proceeds from issuance of Term Loan due 2026	—	1,990.0
Payment of principal Senior Secured Notes due 2023	—	(230.0)
Payment of principal Senior Subordinated Notes due 2022	—	(375.0)
Call premiums paid for Senior Secured Notes due 2023 and Senior Subordinated Notes due 2022	—	(15.9)
Principal payment of Term Loans due 2022 and 2023	—	(1,338.5)
Proceeds from issuance of First Lien Notes due 2025	490.0	—
Proceeds from issuance of First Lien Notes due 2026	270.0	—
Borrowings (repayments) under revolving credit facilities	322.2	(1.7)
Scheduled principal payments under Term Loans	(15.0)	(16.9)
Proceeds from Class A common stock issuance	2.8	—
Proceeds from sale of noncontrolling interest	37.5	—
Principal payments under finance lease obligations	(4.5)	(8.5)
Cash used to pay for deferred financing costs	(15.2)	(11.7)
Cash used to pay dividends	(4.3)	(63.4)
Taxes paid for restricted unit withholdings	(1.0)	(1.3)

[Table of Contents](#)

Net cash provided by (used in) financing activities	1,082.5	(72.9)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2.8)	(2.3)
Net increase (decrease) in cash and cash equivalents and restricted cash	153.3	(213.4)
Cash and cash equivalents and restricted cash at beginning of period	275.5	324.0
Cash and cash equivalents and restricted cash at end of period	\$ 428.8	\$ 110.6
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (including amounts capitalized of \$0.8 million and \$0.6 million)	\$ 182.1	\$ 184.1
Income taxes received, net	\$ (9.6)	\$ 0.1
Schedule of non-cash activities:		
Investment in NCM	\$ 3.8	\$ 1.6
Construction payables at period end	\$ 32.5	\$ 89.1

See Notes to Condensed Consolidated Financial Statements.

AMC ENTERTAINMENT HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

(Unaudited)

NOTE 1—BASIS OF PRESENTATION

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 located in the United States and Europe. Holdings is an indirect subsidiary of Dalian Wanda Group Co., Ltd. (“Wanda”), a Chinese private conglomerate.

As of September 30, 2020 and October 30, 2020, Wanda owned approximately 47.10% and 37.68% of Holdings’ outstanding common stock, respectively, and 72.76% and 64.46%, respectively, 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 transactions.

Temporarily Suspended Operations. As of March 17, 2020, the Company temporarily suspended all theatre operations in its U.S. markets and International markets in compliance with local, state, and federal governmental restrictions and recommendations on social gatherings to prevent the spread of COVID-19 and as a precaution to help ensure the health and safety of the Company’s guests and theatre staff. As a result of these temporarily suspended operations, the Company’s revenues and expenses for the three and nine months ended September 30, 2020 are significantly lower than the revenues and expenses for the three and nine months ended September 30, 2019.

Industry Box Office. The North American industry box office has been significantly impacted by COVID-19 in the third quarter ending September 30, 2020. Although certain states authorized the reopening of theatres as early as June 2020, with limited seating capacities and social distancing guidelines, some states, including California, New York, and Maryland, remain partially closed for theatrical exhibition as of the end of October 2020. As a result, studios have postponed new film releases or moved them to the home video market, and movie release dates may continue to move in the future. Major movie releases that were previously scheduled to be released in the fourth quarter have either been rescheduled for 2021 or slated for direct to streaming in lieu of a theatrical release, leaving a reduced slate of movie releases for the remainder of the year, and release dates may continue to move. Certain competitors have decided to temporarily reclose their theatres in light of the ongoing pandemic and the reduced slate of movie releases, which may further exacerbate the trend described above. On October 23, 2020, the Company resumed operations at several AMC locations throughout the state of New York as a result of the state government allowing movie theatres to reopen throughout much of the state. The combination of theatre reopening restrictions and limited new film distribution has resulted in a significantly lower industry box office for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. In response to the current low attendance levels, the Company has made adjustments to theatre operating hours to align screen availability and associated theatre operating costs with attendance levels for each theatre. The Company has also introduced AMC Private Screening, which allows movie goers to reserve a separate AMC Safe & Clean™ auditorium for a private screening for up to 20 people, starting at \$99 plus tax.

Update on Theatre Reopenings-U.S. markets. The Company’s theatre operations in the U.S. markets remained suspended for the entire second quarter ended June 30, 2020. The Company resumed limited operations in its U.S. markets in late August 2020 with the initial 115 theatre reopenings occurring on August 20, 2020. The Company reopened 170 additional theatres on August 26, 2020, and 142 additional theatres on September 4, 2020. As of September 30, the Company had resumed operations at 467 U.S. theatres, with limited seating capacities of between 25% and 40%, representing approximately 78% of the U.S. theatres and 73% of 2019 U.S. same-theatre revenue. Since the resumption of operations in its U.S. markets, the Company has served more than 1,973,000 guests as of September 30, 2020, representing a same-theatre attendance decline of approximately 83% compared to the same period a year ago. As of the end of October 2020, the Company operated approximately 539 of its 600 U.S. theatres, with limited seating capacities. The remaining 10% of the U.S. theatres left to reopen are primarily located in

[Table of Contents](#)

California, Maryland, and New York, and include some of the Company's most productive theatres, representing approximately 15% of 2019 U.S. same theatre revenue. In regions where theatres are not yet able to open, the Company continues to have productive discussions with local and state government authorities about the appropriate timing for a resumption of operations.

Update on Theatre Reopenings-International markets. The Company resumed limited operations in the International markets in early June. As of June 30, 2020, the Company had resumed operations at 37 theatres, with limited seating capacities, in nine countries and recorded attendance of 100,000 guests in June. As of July 31, 2020, the Company had resumed operations at 182 leased and partnership theatres. As of September 30, 2020, the Company had resumed operations at 321 leased and partnership theatres. This represents approximately 91% of the Company's international theatres and approximately 93% of 2019 international same-theatre revenue. Seating capacity at the reopened international theatres remains limited to between 25% and 50% of capacity to ensure social distancing for guests. Since the resumption of operations in its International markets on June 3, 2020, the Company's theatres have served more than 4,637,000 guests as of September 30, 2020, representing a same-theatre attendance decline of approximately 74% compared to the same period a year ago. As of the end of October 2020, the Company operated 261 of its 358 international theatres. The reduction in open international theatres between September 30, 2020 and October 30, 2020 is a result of a recent resurgence of COVID-19 cases in its International markets. Italy, Germany, Spain, Ireland and the UK have announced or enacted plans to reinstitute national or regional lockdowns to protect their citizenry. As a result, the Company plans to close or has closed some or all of its previously reopened theatres in these countries, depending on the respective mandate. The Company expects to reopen these theatres when the respective mandate has been lifted and it is safe to do so and permissible under local, provincial as well as national guidelines.

Liquidity. In response to the COVID-19 pandemic, the Company has taken and is continuing to take significant steps to preserve cash by eliminating non-essential costs, including reductions to executive cash compensation and elements of its fixed cost structure:

- Suspended non-essential operating expenditures, including marketing & promotional and travel and entertainment expenses; and where possible, for example: utilities, reduced essential operating expenditures to minimum levels necessary while theatres are closed.
- Terminated or deferred all non-essential capital expenditures to minimum levels necessary while theatres are closed.
- Implemented measures to reduce corporate-level employment costs, including full or partial furloughs of all corporate-level Company employees, including senior executives, with individual work load and salary reductions ranging from 20% to 100%; cancellation of pending annual merit pay increases; and elimination or reduction of non-healthcare benefits.
- All domestic theatre-level crew members were fully furloughed and theatre-level managements' hours were reduced to the minimum levels necessary to begin resumption of operations when permitted. Similar efforts to reduce theatre-level and corporate employment costs were undertaken internationally consistent with applicable laws across the jurisdictions in which the Company operates. As the Company resumed limited operations, employment costs increased.
- Working with the Company's landlords, vendors, and other business partners to manage, defer, and/or abate the related rent expenses and operating expenses during the disruptions caused by the COVID-19 pandemic.
- Introduced an active cash management process, which, among other things, requires senior management approval of all outgoing payments.
- Since April 24, 2020, the Company has been prohibited from making dividend payments in accordance with the covenant suspension conditions in its Senior Secured Credit Facility Agreement. The Company had also previously elected to decrease the dividend paid in the first quarter of 2020 by \$0.17 per share when compared to the first quarter of 2019. The cash savings as a result of the prior decrease and current prohibition on making dividend payments was \$59.1 million during the nine months ended September 30, 2020 in comparison to the nine months ended September 30, 2019.
- The Company is prohibited from making purchases under its recently authorized stock repurchase program in accordance with the covenant suspension conditions in its Senior Secured Credit Facility Agreement.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees. Based on the Company's analysis of the CARES Act, the Company expects to recognize the following benefits:

[Table of Contents](#)

- Approximately \$17.4 million of cash tax refunds from overpayments and refundable alternative minimum tax credits with the filing of the Company's 2019 federal tax return, amending 2018 state tax returns and filing 2019 state tax returns in which the Company expects a refund. Thus far in 2020, the Company has received approximately \$7.1 million of cash tax refunds.
- Deferral of social security payroll tax matches that would otherwise be required in 2020.
- Receipt of a payroll tax credit in 2020 for expenses related to paying wages and health benefits to employees who are not working as a result of temporarily suspended operations and reduced receipts associated with COVID-19.

The Company intends to seek any available potential benefits, including loans, investments or guarantees, under future government programs for which the Company qualifies domestically and internationally, including those described above. The Company has taken advantage of many forms of governmental assistance internationally including but not limited to revenue and fixed cost reimbursements, payroll subsidies, rent support programs, direct grants, and property tax holidays. The Company cannot predict the manner in which such benefits will be allocated or administered, and the Company cannot assure the reader that it will be able to access such benefits in a timely manner or at all.

During the three months ended September 30, 2020, the Company exchanged more than 87% of its senior subordinated notes for newly issued 10%/12% Cash/PIK Toggle Second Lien Subordinated Secured Notes due 2026 (the "Second Lien Notes due 2026"), thereby generating a near-term cash savings for the Company of between approximately \$120 million to \$180 million as a result of the ability to pay interest in kind on the Second Lien Notes due 2026 for the first three interest payment periods that would be payable semi-annually in arrears on June 15 and December 15, beginning on December 15, 2020 through December 15, 2021, subject to certain limitations described herein, and received proceeds from the issuance of the new 10.5% first lien secured notes due 2026 (the "First Lien Notes due 2026") of \$270.0 million, net of discounts of \$30.0 million and deferred financing costs paid to lenders of \$6.0 million. Further, as discussed in Note 6—Corporate Borrowings, the Company's lenders have granted relief from the maintenance covenants in the revolving credit agreements through March 31, 2021. The first required compliance in the next 12 months is June 30, 2021. The Company's ability to maintain compliance with the covenants will depend on the recovery of its theatre operations and the generation of sufficient cash flow (or EBITDA). If the Company is not in compliance with financial covenants, the Company's lenders could exercise remedies including declaring the principal and interest on all outstanding indebtedness due or payable immediately. The Company's cash and cash equivalents as of September 30, 2020 were \$417.9 million. The Company's total cash burn for the three months ended September 30, 2020 was approximately \$388 million and included approximately \$39 million of third party costs and \$23.3 million of accrued interest payments related to the Exchange Offers. The Company's total cash burn is impacted by, among other things, the timing of resumption of theatre operations, costs associated with the AMC Safe and Clean initiative, landlord negotiations and minimum lease payments, the timing of movie releases, theatre attendance levels, and food and beverage receipts.

Going forward, the Company's ability to reduce cash burn rates and ultimately generate positive cash flow, and therefore the extent to which the Company will require additional sources of liquidity, will depend almost entirely on its future attendance levels that drive admission and food and beverage revenue. Attendance in the fourth quarter of 2020 will be influenced by, among other things, the timing of new film releases, the ability to open remaining theatres in its major markets, the expansion or contraction of mandated seating capacity limitations, and consumer confidence in moviegoing. If the Company experiences negative developments with any of these factors, among others, its cash burn rates and liquidity will also be negatively affected, and the Company may require additional sources of liquidity in amounts that could be material. Furthermore, commencing in 2021, absent further negotiations with landlords, the Company's cash expenditures for rent will increase significantly following periods of agreed deferrals. Given the reduced movie slate for the fourth quarter, in the absence of significant increases in attendance from current levels or incremental sources of liquidity, at the existing cash burn rate, the Company anticipates that existing cash resources would be largely depleted by the end of 2020 or early 2021. Thereafter, to meet its obligations as they become due, the Company will require additional sources of liquidity or increases in attendance levels. The required amounts of additional liquidity are expected to be material. The Company continues to explore potential sources of additional liquidity, including:

- Additional debt and equity financing; to date, the Company raised gross proceeds of approximately \$2.9 million and \$53.2 million during September 2020 and October 2020, respectively, through its at-the-market offering of approximately 15.0 million shares of its Class A common stock, see Note 7—Stockholders' Equity for further information. In addition, the Company announced on October 20, 2020, it authorized the sale of 15.0 million additional shares of its Class A common stock through at-the-market offerings, under which, as of the October

[Table of Contents](#)

30, 2020 settlement date, the Company has raised additional gross proceeds of approximately \$33.8 million through the sale of approximately 11.8 million shares of its Class A common stock;

- Further renegotiations with landlords regarding its lease payments;
- Potential asset sales;
- Joint-venture or other arrangements with existing business partners; and
- Minority investments in the Company's capital stock.

There is a significant risk that these potential sources of liquidity will not be realized or that they will be insufficient to generate the material amounts of additional liquidity that would be required until the Company is able to achieve more normalized levels of operating revenues. In the event the Company determines that these sources of liquidity will not be available to it or will not allow it to meet its obligations or does not comply with financial covenants as they become due, it would likely seek an in-court or out-of-court restructuring of its liabilities, and in the event of a future liquidation or bankruptcy proceeding, holders of the Company's common stock would likely suffer a total loss of their investment. The Company's cash burn is impacted by, among other things, the timing of resumption of theatre operations, including with respect to some of the Company's most productive theatres which remain closed, the timing of movie releases and the slate of future releases, theatre attendance levels, landlord negotiations and minimum lease payments, costs associated with the AMC Safe and Clean initiative, and food and beverage receipts.

While the Company has used its best estimates based on currently available information, it is very difficult to estimate its liquidity requirements and future cash burn rates, and depending on the assumptions used regarding the timing and ability to achieve more normalized levels of operating revenue, the estimates of amounts of required liquidity vary significantly. There can be no assurance that the accuracy of the assumptions used to estimate its liquidity requirements and future cash burn will be correct, or that the Company will be able to achieve more normalized levels of attendance described above, which are materially higher than its current attendance levels, and its ability to be predictive is uncertain due to the unknown magnitude and duration of the COVID-19 pandemic, which has resulted in stay-at-home orders, governmental closure orders, film production and scheduling disruption, reopening uncertainties and the cessation of its entire U.S. and International theatre operations for the first time in its history.

The Company realized significant cancellation of debt income ("CODI") in connection with its debt restructuring. As a result of such CODI, the Company estimates a significant portion of its net operating losses and tax credits will be eliminated as a result of tax attribute reductions. Any loss of tax attributes as a result of such CODI may adversely affect the Company's cash flows and therefore its ability to service its indebtedness.

Due to these factors, substantial doubt exists about the Company's ability to continue as a going concern for a reasonable period of time.

Use of Estimates. The preparation of financial statements in conformity with U.S. 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation. The accompanying unaudited condensed consolidated financial statements include the accounts of AMC, as discussed above, and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2019. The accompanying condensed consolidated balance sheet as of December 31, 2019, which was derived from audited financial statements, and the unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by the accounting principles generally accepted in the United States of America for complete consolidated financial statements. 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. Majority-owned subsidiaries that the Company has control of are consolidated in the Company's consolidated subsidiaries; consequently, a portion of its stockholders' equity, net earnings (loss) and total comprehensive income (loss) for the periods presented are attributable to noncontrolling interests. Due to the seasonal nature of the Company's business and the suspension of operations at all the Company's theatres due to the COVID-19 pandemic, results for the nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020. The Company manages its business under two reportable segments for its theatrical exhibition operations, U.S. markets and International markets.

Baltics' theatre sale agreement. On August 28, 2020, the Company entered into an agreement to sell its equity interest in Forum Cinemas OU, which consists of nine theatres located in the Baltics' region (Latvia, Lithuania and Estonia) and is included in the Company's International markets reportable segment, for total consideration of approximately €77.25 million, including cash of approximately €64.35 million or \$76.6 million prior to any transaction costs. This transaction was undertaken by the Company to further increase its liquidity and strengthen its balance sheet at a transaction multiple that demonstrates that market participants ascribe positive value to the business. The completion of the sale will take place in several steps and is contingent upon clearance from each regulatory competition council in each country. The Company received \$37.5 million (€31.53 million) cash consideration upon entering into the sale agreement on August 28, 2020, transferred an equity interest of 49% in Forum Cinemas OU to the purchaser and recognized a noncontrolling interest of \$34.9 million in total equity (deficit). Transaction costs of \$1.0 million and net gain of \$2.8 million related to the sale of 49% equity interest were recorded in additional paid-in capital during the three and nine months ended September 30, 2020. The carrying amounts of the major classes of assets and liabilities included as part of the disposal group that were previously included in the International markets reportable segment were; goodwill of \$48.6 million, property, net, of \$15.9 million, operating lease right-of-use assets, net of \$16.0 million, and current and long-term operating lease liabilities of \$2.3 million and \$14.1 million, respectively. The remaining cash consideration is payable upon completion of the sale of the remaining 51% equity interest, which is expected to occur in three separate transactions by country following competition council clearance in each country. At September 30, 2020, the Company's noncontrolling interest of 49% in Forum Cinemas was \$34.7 million. The Company estimates the sale of Forum Cinemas will be completed in 2021.

Accumulated other comprehensive loss. The following table presents the change in accumulated other comprehensive loss by component:

(In millions)	Foreign Currency	Pension and Other Benefits	Total
Balance December 31, 2019	\$ (8.8)	\$ (17.3)	\$ (26.1)
Other comprehensive loss before reclassifications	(26.8)	—	(26.8)
Amounts reclassified from accumulated other comprehensive loss	—	0.9	0.9
Balance September 30, 2020	<u>\$ (35.6)</u>	<u>\$ (16.4)</u>	<u>\$ (52.0)</u>

Accumulated depreciation and amortization. Accumulated depreciation was \$2,143.9 million and \$1,820.1 million at September 30, 2020 and December 31, 2019, respectively, related to property. Accumulated amortization of intangible assets was \$34.8 million and \$22.8 million at September 30, 2020 and December 31, 2019, respectively.

Other expense (income). The following table sets forth the components of other expense (income):

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Derivative liability fair value adjustment for embedded conversion feature in the Convertible Notes	\$ 89.9	\$ 5.7	\$ 89.4	\$ (14.9)
Derivative asset fair value adjustment for contingent call option related to the Class B common stock purchase and cancellation agreement	5.9	(8.5)	19.6	(0.5)
Credit losses related to contingent lease guarantees	6.1	—	15.3	—
International governmental assistance due to COVID-19	(13.5)	—	(17.9)	—
Loss on Pound sterling forward contract	—	0.7	—	1.7
Foreign currency transactions losses	0.1	0.1	—	0.7
Non-operating components of net periodic benefit cost	0.2	0.3	0.3	0.8
Loss on repayment of indebtedness	—	—	—	16.6
Financing fees related to modification of debt agreements	36.3	—	39.1	—
Other	—	0.4	(0.5)	0.7
Total other expense (income)	\$ 125.0	\$ (1.3)	\$ 145.3	\$ 5.1

Impairments. The following table summarizes the Company's assets that were impaired:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Impairment of long-lived assets	\$ 28.1	\$ —	\$ 119.4	\$ —
Impairment of indefinite-lived intangible assets	4.6	—	12.9	—
Impairment of definite-lived intangible assets	6.4	—	14.4	—
Impairment of goodwill (1)	156.8	—	1,901.1	—
Investment expense	—	—	7.2	—
Total impairment loss	\$ 195.9	\$ —	\$ 2,055.0	\$ —

(1) See Note 4—Goodwill for information regarding goodwill impairment.

The Company evaluates definite-lived and indefinite-lived intangible assets for impairment annually or more frequently as specific events or circumstances dictate or changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable.

The Company recorded non-cash impairment of long-lived assets of \$28.1 million on 49 theatres in the U.S. markets with 527 screens (in Alabama, California, Colorado, Florida, Illinois, Indiana, Iowa, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Wisconsin, and Wyoming) and \$0 in the International markets during the three months ended September 30, 2020. During the nine months ended September 30, 2020, the Company recorded non-cash impairment of long-lived assets of \$109.5 million on 75 theatres in the U.S. markets with 851 screens (in Alabama, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming) and \$9.9 million on 23 theatres in the International markets with 213 screens (in Germany, Italy, Spain, UK and Sweden). During the three and nine months ended September 30, 2020, the Company recorded impairment losses related to definite-lived intangible assets of \$6.4 and \$14.4 million, respectively. In addition, in the three and nine months ended September 30, 2020, the Company recorded an impairment loss of \$0 and \$7.2 million, respectively within investment expense (income), related to equity interest investments without a readily determinable fair value accounted for under the cost method.

At September 30, 2020 and March 31, 2020, the Company performed a quantitative impairment evaluation of its indefinite-lived intangible assets related to the AMC, Odeon and Nordic tradenames. The Company recorded

impairment charges of \$4.5 million and \$10.4 million related to Odeon tradename and \$0.1 million and \$2.5 million related to Nordic tradenames for the three and nine months ended September 30, 2020, respectively. No impairment charges were recorded related to the AMC trade name for the three and nine months ended September 30, 2020. To estimate fair value of the Company's indefinite-lived trade names, the Company employed a derivation of the Income Approach known as the Royalty Savings.

Accounting Pronouncements Recently Adopted

Financial Instruments. In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which provides new guidance regarding the measurement and recognition of credit impairment for certain financial assets. Such guidance impacts how the Company determines its allowance for estimated uncollectible receivables and also contingent lease guarantees, where the Company remains contingently liable for lease payments under certain leases of theatres that it previously divested, in the event that such assignees are unable to fulfill their future lease payment obligations. ASU 2016-13 was effective for the Company in the first quarter of 2020. The Company recognized the cumulative effect upon adoption of the new standard related to credit losses for contingent lease guarantees of \$16.9 million. See Note 11—Commitments and Contingencies for further information regarding contingent lease guarantees. The adoption impact on the Company's allowance for estimated uncollectible receivables was immaterial as of January 1, 2020 and September 30, 2020. The cumulative effect of adoption was recorded to accumulated deficit under the modified retrospective adoption method.

Fair Value Measurement. In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which eliminates, adds, and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but are required to disclose the range and weighted average used to develop significant observable inputs for Level 3 fair value measurements. The fair value measurement disclosure requirements of ASU 2018-13 was effective for the Company in the first quarter of 2020. See Note 9—Fair Value Measurements for the required disclosures for Level 3 fair value measurements.

Cloud Computing Arrangement. In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15"). ASU 2018-15 requires a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation, setup, and other upfront costs to capitalize as assets or expense as incurred. ASU 2018-15 was effective for the Company in the first quarter of 2020. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively in accordance with ASC 250-10-45. The Company adopted ASU 2018-15 prospectively and the adoption of ASU 2018-15 did not have a material impact on the Company's consolidated financial statements and related disclosures.

Accounting Pronouncements Issued Not Yet Adopted

Income Taxes. In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which is intended to improve consistency and simplify several areas of existing guidance. ASU 2019-12 removes certain exceptions to the general principles related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also clarifies the accounting for transactions that result in a step-up in the tax basis for goodwill. ASU 2019-12 is effective for the Company in the first quarter of 2021. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2019-12 will have on its consolidated financial statements.

NOTE 2—LEASES

The Company leases theatres and equipment under operating and finance leases. The Company typically does not believe that exercise of the renewal options is reasonably certain at the lease commencement and, therefore, considers the initial base term as the lease term. Lease terms vary but generally the leases provide for fixed and escalating rentals, contingent escalating rentals based on the Consumer Price Index and other indexes not to exceed certain specified amounts and variable rentals based on a percentage of revenues. The Company often receives

[Table of Contents](#)

contributions from landlords for renovations at existing locations. The Company records the amounts received from landlords as an adjustment to the right-of-use asset and amortizes the balance as a reduction to rent expense over the base term of the lease agreement. Equipment leases primarily consist of digital projectors and food and beverage equipment.

The Company received, or is in process of negotiating, rent concessions provided by the lessors that aided, or will aid, in mitigating the economic effects of COVID-19. These concessions primarily consist of rent abatements and the deferral of rent payments. In instances where there were no substantive changes to the lease terms, i.e., modifications that resulted in total payments of the modified lease being substantially the same or less than the total payments of the existing lease, the Company elected the relief as provided by the FASB staff related to the accounting for certain lease concessions. The Company elected not to account for these concessions as a lease modification, and therefore the Company has remeasured the related lease liability and right of use asset but did not reassess the lease classification or change the discount rate to the current rate in effect upon the remeasurement. The deferred payment amounts have been recorded in the Company's lease liabilities to reflect the change in the timing of payments. As of September 30, 2020, approximately \$31.4 million of lease liabilities were deferred and included in current maturities of operating lease liabilities and approximately \$47.7 million of lease liabilities were deferred and included in long-term operating lease liabilities, which are reflected in the condensed consolidated statements of cash flows as part of the change in accrued expenses and other liabilities. Those leases that did not meet the criteria for treatment under the FASB relief were evaluated as lease modifications. The Company recorded \$185.1 million in accounts payable for contractual rent amounts due and not paid, which is reflected in the statement of cash flows as part of the change in accounts payable. In addition, the Company included deferred lease payments of \$66.3 million in operating lease right-of-use assets as a result of lease remeasurements. The Company is in the process of negotiating or finalizing rent concessions or deferral of payments with the lessors with respect to these rent payables.

The following table reflects the lease costs for the three and nine months ended September 30, 2020 and September 30, 2019:

(In millions)	Consolidated Statement of Operations	Three Months Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating lease cost					
Theatre properties	Rent	\$ 198.6	\$ 219.0	\$ 619.4	\$ 658.6
Theatre properties	Operating expense	0.3	1.6	2.6	4.5
Equipment	Operating expense	3.8	3.5	11.5	10.5
Office and other	General and administrative: other	1.3	1.4	3.9	4.1
Finance lease cost					
Amortization of finance lease assets	Depreciation and amortization	1.6	2.1	5.2	7.3
Interest expense on lease liabilities	Finance lease obligations	1.4	1.8	4.5	6.0
Variable lease cost					
Theatre properties	Rent	15.7	19.7	56.8	68.0
Equipment	Operating expense	0.1	7.4	6.6	37.2
Total lease cost		\$ 222.8	\$ 256.5	\$ 710.5	\$ 796.2

[Table of Contents](#)

Cash flow and supplemental information is presented below:

(In millions)	Nine Months Ended	
	September 30, 2020	September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in finance leases	\$ (1.8)	\$ (6.0)
Operating cash flows used in operating leases	(316.7)	(703.5)
Financing cash flows used in finance leases	(4.5)	(8.5)
Landlord contributions:		
Operating cashflows provided by operating leases	31.9	89.0
Supplemental disclosure of noncash leasing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities (1)	139.1	304.4

(1) Includes lease extensions and option exercises.

The following table represents the weighted-average remaining lease term and discount rate as of September 30, 2020:

Lease Term and Discount Rate	As of September 30, 2020	
	Weighted Average Remaining Lease Term (years)	Weighted Average Discount Rate
Operating leases	10.5	9.8%
Finance leases	12.7	6.4%

Minimum annual payments required under existing operating and finance lease liabilities (net present value thereof), as of September 30, 2020, are as follows:

(In millions)	Operating Lease Payments	Financing Lease Payments
Three months ending December 31, 2020	\$ 199.0	\$ 3.5
2021	986.4	16.8
2022	922.5	15.6
2023	830.1	12.1
2024	763.7	10.3
2025	728.2	9.7
Thereafter	4,228.2	72.0
Total lease payments	8,658.1	140.0
Less imputed interest	(3,237.7)	(45.3)
Total	\$ 5,420.4	\$ 94.7

As of September 30, 2020, the Company had signed additional operating lease agreements for 5 theatres that have not yet commenced of approximately \$136.6 million, which are expected to commence between 2021 and 2024, and carry lease terms of approximately 5 to 20 years. The timing of lease commencement is dependent on the landlord providing the Company with control and access to the related facility.

NOTE 3—REVENUE RECOGNITION

Disaggregation of Revenue. Revenue is disaggregated in the following tables by major revenue types and by timing of revenue recognition:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Major revenue types				
Admissions	\$ 62.9	\$ 797.3	\$ 631.8	\$ 2,424.3
Food and beverage	29.1	420.0	317.6	1,281.3
Other theatre:				
Advertising	16.9	32.1	60.9	102.3
Other theatre	10.6	67.4	69.6	215.4
Other theatre	27.5	99.5	130.5	317.7
Total revenues	\$ 119.5	\$ 1,316.8	\$ 1,079.9	\$ 4,023.3

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Timing of revenue recognition				
Products and services transferred at a point in time	\$ 96.3	\$ 1,215.2	\$ 951.7	\$ 3,735.4
Products and services transferred over time(1)	23.2	101.6	128.2	287.9
Total revenues	\$ 119.5	\$ 1,316.8	\$ 1,079.9	\$ 4,023.3

(1) Amounts primarily include subscription and advertising revenues.

The following tables provide the balances of receivables and deferred revenue income:

(In millions)	September 30, 2020	December 31, 2019
Current assets:		
Receivables related to contracts with customers	\$ 14.2	\$ 160.3
Miscellaneous receivables	83.3	93.9
Receivables, net	\$ 97.5	\$ 254.2

(In millions)	September 30, 2020	December 31, 2019
Current liabilities:		
Deferred revenue related to contracts with customers	\$ 394.9	\$ 447.1
Miscellaneous deferred income	6.0	2.1
Deferred revenue and income	\$ 400.9	\$ 449.2

[Table of Contents](#)

The significant changes in contract liabilities with customers included in deferred revenues and income are as follows:

(In millions)	Deferred Revenues Related to Contracts with Customers	
Balance December 31, 2019	\$	447.1
Cash received in advance (1)		93.5
Customer loyalty rewards accumulated, net of expirations:		
Admission revenues (2)		6.8
Food and beverage (2)		13.4
Other theatre (2)		(1.5)
Reclassification to revenue as the result of performance obligations satisfied:		
Admission revenues (3)		(112.0)
Food and beverage (3)		(27.3)
Other theatre (4)		(25.8)
Foreign currency translation adjustment		0.7
Balance September 30, 2020	\$	394.9

(1) Includes movie tickets, food and beverage, gift cards, exchange tickets, and AMC Stubs® loyalty membership fees.

(2) Amount of rewards accumulated, net of expirations, that are attributed to AMC Stubs® and other loyalty programs.

(3) Amount of rewards redeemed that are attributed to gift cards, exchange tickets, movie tickets, AMC Stubs® loyalty programs and other loyalty programs.

(4) Amounts relate to income from non-redeemed or partially redeemed gift cards, non-redeemed exchange tickets, AMC Stubs® loyalty membership fees and other loyalty programs.

The Company suspended the recognition of deferred revenues related to certain loyalty programs, gift cards, and exchange tickets during the period in which its operations were temporarily suspended. As the Company re-opened theatres during the three months ended September 30, 2020, A-List members had the option to reactivate their subscription, which restarted the monthly charge for the program. The Company resumed the recognition of deferred revenues related to certain loyalty programs, gift cards and exchange tickets.

The significant changes to contract liabilities included in the exhibitor services agreement, classified as long-term liabilities in the condensed consolidated balance sheets, are as follows:

(In millions)	Exhibitor Services Agreement	
Balance December 31, 2019	\$	549.7
Common Unit Adjustment—additions of common units (1)		4.8
Reclassification of the beginning balance to other theatre revenue, as the result of performance obligations satisfied		(12.5)
Balance September 30, 2020	\$	542.0

(1) Represents the fair value amount of the National CineMedia, LLC (“NCM”) common units that were received under the annual Common Unit Adjustment (“CUA”). Such amount will increase the deferred revenues that are being amortized to other theatre revenues over the remainder of the 30-year term of the Exhibitor Service Agreement (“ESA”) ending in February 2037.

Gift cards and exchange tickets. The total amount of non-redeemed gifts cards and exchange tickets included in deferred revenues and income as of September 30, 2020 was \$312.5 million. This will be recognized as revenues as the gift cards and exchange tickets are redeemed or as the non-redeemed gift card and exchange ticket revenues are recognized in proportion to the pattern of actual redemptions, which is estimated to occur over the next 24 months.

Loyalty programs. As of September 30, 2020, the amount of deferred revenue allocated to the loyalty programs included in deferred revenues and income was \$68.2 million. The earned points will be recognized as revenue as the points are redeemed, which is estimated to occur over the next 24 months. The AMC Stubs® annual membership

[Table of Contents](#)

fee is recognized ratably over the one-year membership period.

The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

NOTE 4—GOODWILL

The following table summarizes the changes in goodwill by reporting unit for the nine months ended September 30, 2020:

(In millions)	Domestic Theatres	International Theatres	Total
Balance December 31, 2019	\$ 3,072.6	\$ 1,716.5	\$ 4,789.1
Impairment adjustment March 31, 2020	(1,124.9)	(619.4)	(1,744.3)
Impairment adjustment September 30, 2020	(151.2)	(5.6)	(156.8)
Currency translation adjustment	—	(13.6)	(13.6)
Balance September 30, 2020	\$ 1,796.5	\$ 1,077.9	\$ 2,874.4

The Company evaluates goodwill recorded at the Company's two reporting units (Domestic Theatres and International Theatres) for impairment annually as of the beginning of the fourth fiscal quarter and any time an event occurs or circumstances change that would more likely than not reduce the fair value for a reporting unit below its carrying amount. The impairment test for goodwill involves estimating the fair value of the reporting unit and comparing that value to its carrying value. If the estimated fair value of the reporting unit is less than its carrying value, the difference is recorded as goodwill impairment charge, not to exceed the total amount of goodwill allocated to that reporting unit.

A decline in the common stock price and prices of the Company's corporate borrowings and the resulting impact on market capitalization are two of several factors considered when making this evaluation. Based on sustained declines during the first quarter of 2020 in the Company's enterprise market capitalization and the temporary suspension of operations at all the Company's theatres on or before March 17, 2020 due to the COVID-19 pandemic, the Company performed a Step 1 quantitative goodwill impairment test of the Domestic and International reporting units as of March 31, 2020. In performing the Step 1 quantitative goodwill impairment test as of March 31, 2020, the Company used an enterprise value approach to measure fair value of the reporting units. The enterprise fair values of the Domestic Theatres and International Theatres reporting units were less than their carrying values and goodwill impairment charges of \$1,124.9 million and \$619.4 million, respectively, were recorded as of March 31, 2020 for the Company's Domestic Theatres and International Theatres reporting units.

In accordance with ASC 350-20-35-30, the Company performed an assessment to determine whether there were any events or changes in circumstances that would warrant an interim ASC 350 impairment analysis as of September 30, 2020. Due to the suspension of operations during the second and third quarters of 2020 and the further delay or cancellation of film releases, the Company performed a Step 1 quantitative impairment test of the Domestic and International reporting units as of September 30, 2020. In performing the Step 1 quantitative goodwill impairment test as of September 30, 2020, the Company used an enterprise value approach to measure fair value of the reporting units. See Note 9—Fair Value Measurements for a discussion of the valuation methodology. The enterprise fair value of the Domestic Theatres and International Theatres reporting units was less than their carrying values and goodwill impairment charges of \$151.2 million and \$5.6 million, respectively, were recorded as of September 30, 2020 for the Company's Domestic Theatres and International Theatres reporting units. There is considerable management judgment with respect to cash flow estimates and discount rates to be used in determining fair value, which fall under Level 3 within the fair value measurement hierarchy. Given the nature of the Company's business and its recent history, future impairments are possible based upon business conditions, movie release dates, and attendance levels.

NOTE 5—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 condensed consolidated balance sheets in other long-term assets. Investments in

[Table of Contents](#)

non-consolidated affiliates as of September 30, 2020 include interests in Digital Cinema Implementation Partners, LLC (“DCIP”) of 29.0%, Digital Cinema Distribution Coalition, LLC (“DCDC”) of 14.6%, AC JV, LLC (“AC JV”) owner of Fathom Events, of 32.0%, SV Holdco LLC (“SV Holdco”), owner of Screenvision, 18.3%, Digital Cinema Media Ltd. (“DCM”) of 50.0%, and Saudi Cinema Company LLC (“SCC”) of 10.0%. The Company also has partnership interests in four U.S. motion picture theatres (“Theatre Partnerships”) and approximately 50.0% interest in 54 theatres in Europe. Indebtedness held by equity method investees is non-recourse to the Company.

Equity in Earnings (Loss) of Non-Consolidated Entities

Aggregated condensed financial information of the Company’s significant non-consolidated equity method investment (DCIP) is shown below:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenues	\$ 1.1	\$ 40.1	\$ 20.8	\$ 125.8
Operating costs and expenses	31.7	17.8	100.5	56.5
Net earnings (loss)	<u>\$ (30.6)</u>	<u>\$ 22.3</u>	<u>\$ (79.7)</u>	<u>\$ 69.3</u>

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
DCIP	\$ (7.5)	\$ 6.5	\$ (19.1)	\$ 21.1
Other	(3.1)	1.0	(6.8)	3.1
The Company’s recorded equity in earnings (loss)	<u>\$ (10.6)</u>	<u>\$ 7.5</u>	<u>\$ (25.9)</u>	<u>\$ 24.2</u>

Related Party Transactions

The Company recorded the following related party transactions with equity method investees:

(In millions)	As of	As of
	September 30, 2020	December 31, 2019
Due from DCM for on-screen advertising revenue	\$ 0.3	\$ 4.2
Loan receivable from DCM	0.7	0.7
Due from DCIP for warranty expenditures	7.2	3.5
Due to AC JV for Fathom Events programming	(0.9)	(0.8)
Due from Screenvision for on-screen advertising revenue	—	3.4
Due from Nordic JVs	2.3	2.5
Due to Nordic JVs for management services	(2.6)	(1.6)
Due from SCC related to the joint venture	1.2	8.3
Due to U.S. theatre partnerships	(0.5)	(1.0)

(In millions)	Condensed Consolidated Statement of Operations	Three Months Ended		Nine Months Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
DCM screen advertising revenues	Other revenues	\$ 0.2	\$ 5.5	\$ 3.8	\$ 14.7
DCIP equipment rental expense	Operating expense	(0.3)	0.8	0.6	2.7
Gross exhibition cost on AC JV Fathom Events programming	Film exhibition costs	0.1	2.9	3.3	13.0
Screenvision screen advertising revenues	Other revenues	0.1	3.8	2.2	11.5

NOTE 6—CORPORATE BORROWINGS

A summary of the carrying value of corporate borrowings and finance lease obligations is as follows:

(In millions)	September 30, 2020	December 31, 2019
First Lien Secured Debt:		
Senior Secured Credit Facility-Term Loan due 2026 (4.08% as of September 30, 2020)	\$ 1,970.0	\$ 1,985.0
Senior Secured Credit Facility-Revolving Credit Facility Due 2024 (range of 2.65% to 2.76% as of September 30, 2020)	212.7	—
Odeon Revolving Credit Facility Due 2022 (2.5785% as of September 30, 2020)	88.2	—
Odeon Revolving Credit Facility Due 2022 (2.6% as of September 30, 2020)	25.4	—
10.5% First Lien Notes due 2025	500.0	—
2.95% Senior Secured Convertible Notes due 2026	600.0	—
10.5% First Lien Notes due 2026	300.0	—
Second Lien Secured Debt:		
10%/12%/Cash/PIK/Toggle Second Lien Subordinated Notes due 2026	1,462.3	—
Senior Debt:		
2.95% Senior Unsecured Convertible Notes due 2024	—	600.0
Subordinated Debt:		
6.375% Senior Subordinated Notes due 2024 (£4.0 million par value)	5.1	655.8
5.75% Senior Subordinated Notes due 2025	98.3	600.0
5.875% Senior Subordinated Notes due 2026	55.6	595.0
6.125% Senior Subordinated Notes due 2027	130.7	475.0
	<u>\$ 5,448.3</u>	<u>\$ 4,910.8</u>
Finance lease obligations	94.7	99.9
Paid-in-kind interest for 10%/12%/Cash/PIK/Toggle Second Lien Subordinated Notes due 2026	29.8	—
Deferred financing costs	(43.8)	(88.8)
Net premium (discount) (1)	389.5	(69.1)
Derivative liability	—	0.5
	<u>\$ 5,918.5</u>	<u>\$ 4,853.3</u>
Less:		
Current maturities corporate borrowings	(20.0)	(20.0)
Current maturities finance lease obligations	(10.5)	(10.3)
	<u>\$ 5,888.0</u>	<u>\$ 4,823.0</u>

(1) The following table provides the net premium (discount) amounts of corporate borrowings:

(In millions)	September 30, 2020	December 31, 2019
10%/12%/Cash/PIK/Toggle Second Lien Subordinated Notes due 2026	\$ 500.1	\$ —
2.95% Senior Secured Convertible Notes due 2026	(64.0)	—
2.95% Senior Unsecured Convertible Notes due 2024	—	(73.7)
10.5% First Lien Notes due 2026	(29.4)	—
10.5% First Lien Notes due 2025	(9.3)	—
Senior Secured Credit Facility-Term Loan due 2026	(7.9)	(9.0)
6.375% Senior Subordinated Notes due 2024	—	13.6
	<u>\$ 389.5</u>	<u>\$ (69.1)</u>

[Table of Contents](#)

The following table provides the principal payments required and maturities of corporate borrowings as of September 30, 2020:

(In millions)	Principal Amount of Corporate Borrowings
Three months ended December 31, 2020	\$ 5.0
2021	20.0
2022	133.6
2023	20.0
2024	237.8
2025	618.3
Thereafter	4,413.6
Total	<u>\$ 5,448.3</u>

Senior Subordinated Debt Exchange Offers

On July 31, 2020, the Company consummated its previously announced private offers to exchange (the “Exchange Offers”) any and all of its outstanding 6.375% Senior Subordinated Notes due 2024, 5.75% Senior Subordinated Notes due 2025, 5.875% Senior Subordinated Notes due 2026 and 6.125% Senior Subordinated Notes due 2027 (together the “Existing Subordinated Notes”) for newly issued Second Lien Notes due 2026.

The aggregate principal amounts of the Existing Subordinated Notes set forth in the table below were validly tendered and subsequently accepted. Such accepted Existing Subordinated Notes were retired and cancelled.

(In thousands)	Total Aggregate Principal Amount Validly Tendered	Percentage of Outstanding Existing Subordinated Notes Validly Tendered
6.375% Senior Subordinated Notes due 2024 (£496,014 par value)	\$ 632,145	99.20 %
5.75% Senior Subordinated Notes due 2025	\$ 501,679	83.61 %
5.875% Senior Subordinated Notes due 2026	\$ 539,393	90.65 %
6.125% Senior Subordinated Notes due 2027	\$ 344,279	72.48 %

The Exchange Offers reduced the principal amounts of the Company’s debt by approximately \$555 million, which represented approximately 23.9% of the principal amount of the Existing Subordinated Notes. The Company raised \$300 million in additional cash from the issuance of the new First Lien Notes due 2026, prior to deducting \$36 million related to discounts and deferred financing costs paid to the lenders. Additionally, certain holders of the Existing Subordinated Notes that agreed to backstop the rights offering for \$200 million of the First Lien Notes due 2026 received five million Class A common shares, or 4.6% of AMC’s outstanding shares as of July 31, 2020, worth \$20.2 million at the market closing price on July 31, 2020. The closing of the Exchange Offers also allowed the Company to extend maturities on approximately \$1.7 billion of debt to 2026, most of which was maturing in 2024 and 2025 previously. Interest due for the coming 12 to 18 months on the Second Lien Notes due 2026 is expected to be paid all or in part on an in-kind basis, thereby generating a further near-term cash savings for the Company of between approximately \$120 million and \$180 million. The Company realized significant cancellation of debt income for tax purposes in connection with its debt restructuring. As a result of such CODI, the Company estimates a significant portion of its net operating losses and tax credits will be eliminated as a result of tax attribute reductions, see Note 8 —Income Taxes for further information.

In connection with the Exchange Offers, the Company also received consents from eligible holders of the Existing Subordinated Notes to amend the indentures governing the Existing Subordinated Notes to among other things, (i) release the existing subsidiary guarantees of the Existing Subordinated Notes, (ii) eliminate substantially all of the restrictive covenants, certain affirmative covenants and certain events of default contained in the indentures governing the Existing Subordinated Notes, and (iii) make other conforming changes to internally conform to certain proposed amendments.

The Company performed an assessment on a lender-by-lender basis to identify certain lenders that met the criteria for a troubled debt restructuring (“TDR”) under ASC 470-60, Troubled Debt Restructurings by Debtors (“ASC

470-60”) as the Company was experiencing financial difficulties and the lenders granted a concession. The portion of the loans that did not meet the assessment of TDR under ASC 470-60 were treated as modifications. The Company accounted for the exchange of approximately \$1,782.5 million principal amount of its Existing Senior Subordinated Notes for approximately \$1,289.1 million principal amount of the Second Lien Notes due 2026 as TDR. The Company accounted for the exchange of the remaining approximately \$235.0 million principal amount of its Existing Senior Subordinated Notes for approximately \$173.2 million principal amount of the Second Lien Notes due 2026 as a modification of debt as the lenders did not grant a concession and the difference between the present value of the old and new cash flows was less than 10%. The TDR and modification did not result in a gain recognition and the Company established new effective interest rates based on the carrying value of the Existing Subordinated Notes and recorded the new fees paid to third parties of approximately \$36.3 million and \$39.1 million in other expense, during both the three and nine months ended September 30, 2020.

Second Lien Notes due 2026. In connection with the Exchange Offers on July 31, 2020, the Company issued \$1,462.3 million aggregate principal amount of the new Second Lien Notes due 2026 in exchange for the Existing Subordinated Notes. The Second Lien Notes due 2026 were issued pursuant to an indenture, dated as of July 31, 2020, among the Company, the guarantors named therein and GLAS Trust Company LLC, as trustee and collateral agent. The Company has reflected a premium of \$535.1 million on the Second Lien Notes due 2026 as the difference between the principal balance of the Second Lien Notes due 2026 and the \$1,997.4 million carrying value of the Existing Subordinated Notes exchanged. The premium will be amortized to interest expense over the term of the Second Lien Notes due 2026 using the effective interest method.

In connection with the Exchange Offers and the First Lien Notes due 2026, the Company issued five million shares of Class A common stock to certain holders of subordinated notes as consideration for their commitment to backstop the issuance of \$200 million of the First Lien Notes due 2026. Pursuant to the Backstop Commitment Agreement dated July 10, 2020, certain of the actual or beneficial holders of Existing Subordinated Notes agreed to purchase 100% of the First Lien Notes due 2026 that were not subscribed for in connection with the \$200 million rights offering to holders of the Existing Subordinated Notes participating in the Exchange Offers. Those providing a backstop commitment pursuant to the Backstop Commitment Agreement received their pro-rata share of five million shares of the Class A common stock, or 4.6% of AMC’s outstanding shares as of July 31, 2020, worth \$20.2 million at the market closing price on July 31, 2020. The equity issuance was recorded by the Company in stockholders’ deficit with an offset in corporate borrowings as a discount. The discount will be amortized to interest expense over the term of the Second Lien Notes due 2026 using the effective interest method. As part of the registration rights agreement related to the issuance of the Class A common stock, the Company filed a shelf registration statement in August 2020 providing for the resale of the shares of Class A common stock issued as consideration for the backstop commitment described above.

The Second Lien Notes due 2026 bear cash interest at a rate of 10% per annum payable semi-annually in arrears on June 15 and December 15, beginning on December 15, 2020. Subject to the limitation in the next succeeding sentence, interest for the first three interest periods after the issue date may, at the Company’s option, be paid in PIK interest at a rate of 12% per annum. The Company’s ability to pay PIK interest with respect to the third interest period after the issue date is subject to certain liquidity thresholds. For all interest periods after the first three interest periods, interest will be payable solely in cash at a rate of 10% per annum.

The Second Lien Notes due 2026 are redeemable at the Company’s option prior to June 15, 2023, at a redemption price equal to 100% of their aggregate principal amount and accrued and unpaid interest, plus an applicable make-whole premium. On or after June 15, 2023, the Second Lien Notes due 2026 will be redeemable, in whole or in part, at a redemption price equal to (i) 106.0% for the twelve-month period beginning on June 15, 2023; (ii) 103.0% for the twelve-month period beginning on June 15, 2024 and (iii) 100.0% at any time thereafter, plus accrued and unpaid interest. If the Company or its restricted subsidiaries sell assets, under certain circumstances, the Company will be required to apply the net proceeds to redeem the new Second Lien Notes due 2026 at a price equal to 100% of the issue price of the new Second Lien Notes due 2026, plus accrued and unpaid interest to, but excluding the redemption date. Upon a Change of Control (as defined in the indenture governing the Second Lien Notes due 2026), the Company must offer to purchase the Second Lien Notes due 2026 at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest. The Second Lien Notes due 2026 have not been registered under the Securities Act of 1933, as amended (the “Securities Act”) and will mature on June 15, 2026.

The Second Lien Notes due 2026 are fully and unconditionally guaranteed on a joint and several basis by each of the Company’s subsidiaries that currently guarantee its obligations under the Company’s Senior Secured Credit Facility. The Second Lien Notes due 2026 are secured on a second-priority basis by substantially all of the tangible and intangible assets owned by the Company and the guarantor subsidiaries that secure obligations under the Senior Secured

[Table of Contents](#)

Credit Facility (“Collateral”). The Second Lien Notes due 2026 are subordinated in right of payment to all indebtedness of the Company that is secured by a first-priority lien on the Collateral.

The indenture governing the Second Lien Notes due 2026 contains covenants that restrict the ability of the Company to: incur additional debt or issue certain preferred shares; pay dividends on or make other distributions in respect of its capital stock or make other restricted payments; make certain investments; or transfer certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with its affiliates; and allow to exist certain restrictions on the ability of its subsidiaries to pay dividends or make other payments to the Company. The Second Lien Notes due 2026 Indenture also contains certain affirmative covenants and events of default.

First Lien Notes due 2026. In connection with the Exchange Offers, certain holders of the Existing Subordinated Notes purchased 10.5% First Lien Notes due 2026 in an aggregate principal amount of \$200 million. The 10.5% First Lien Notes due 2026 issued to certain holders of the Existing Subordinated Notes were issued pursuant to an indenture, dated as of July 31, 2020, among the Company, the guarantors named therein and GLAS Trust Company LLC, as trustee and collateral agent.

Separately, upon the closing of its private debt exchange, Silver Lake Alpine, L.P. and Silver Lake Alpine (Offshore Master), L.P., each affiliates of Silver Lake Group, L.L.C. (“Silver Lake”), purchased from the Company \$100 million principal amount of First Lien Notes due 2026. The 10.5% First Lien Notes due 2026 issued to affiliates of Silver Lake were issued pursuant to an indenture, dated as of July 31, 2020, among the Company, the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent. The terms of the 10.5% First Lien Notes due 2026 issued to the holders of the Existing Subordinated Notes and the 10.5% First Lien Notes due 2026 issued to Silver Lake are substantially identical. The \$300 million principal amount of new funding is prior to deducting discounts of \$30.0 million and deferred financing costs paid to lenders of \$6.0 million related to the First Lien Notes due 2026. The discount and deferred financing costs will be amortized to interest expense over the term using the effective interest method.

The First Lien Notes due 2026 bear interest at a rate of 10.5% per annum, payable semi-annually on June 15 and December 15, beginning on December 15, 2020. The First Lien Notes due 2026 are redeemable at the Company’s option prior to June 15, 2022, at a redemption price equal to 100% of their aggregate principal amount and accrued and unpaid interest, plus an applicable make-whole premium. On or after June 15, 2022, the First Lien Notes due 2026 will be redeemable, in whole or in part, at redemption prices equal to (i) 105.250% for the twelve-month period beginning on June 15, 2022; (ii) 102.625% for the twelve-month period beginning on June 15, 2023 and (iii) 100.000% at any time thereafter, plus accrued and unpaid interest, if any. In addition, at any time on or prior to June 15, 2022, the Company may, subject to certain limitations specified in the First Lien Notes due 2026 Indenture, on one or more occasions, redeem up to 35% of the aggregate principal amount of the First Lien Notes due 2026 at a redemption price equal to 110.500% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, with the net cash proceeds of certain equity offerings. If the Company or its restricted subsidiaries sell assets, under certain circumstances, the Company will be required to use the net proceeds to redeem the First Lien Notes due 2026 at a price equal to 100% of the issue price of the First Lien Notes due 2026, plus accrued and unpaid interest, if any. Upon a Change of Control (as defined in the indentures governing the First Lien Notes due 2026), the Company must offer to purchase the First Lien Notes due 2026 at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, if any. The First Lien Notes due 2026 have not been registered under the Securities Act and will mature on April 24, 2026.

The First Lien Notes due 2026 are fully and unconditionally guaranteed on a joint and several basis by each of the Company’s subsidiaries that currently guarantee its obligations under the Company’s Senior Secured Credit Facility. The First Lien Notes due 2026 are secured by a first-priority lien on the Collateral.

The indentures governing the First Lien Notes due 2026 contain covenants that restrict the ability of the Company to: incur additional debt or issue certain preferred shares; pay dividends on or make other distributions in respect of its capital stock or make other restricted payments; make certain investments; or transfer certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with its affiliates; and allow to exist certain restrictions on the ability of its subsidiaries to pay dividends or make other payments to the Company. The indentures governing the First Lien Notes due 2026 also contain certain affirmative covenants and events of default.

Convertible Notes due 2026. Concurrently with the Exchange Offers, to obtain the consent of the holders of the 2.95% Convertible Notes due 2024 (the “Convertible Notes due 2024”) to the transactions contemplated by the

[Table of Contents](#)

Exchange Offers, the Company restructured \$600 million of Convertible Notes due 2024 issued in 2018 to Silver Lake and others pursuant to which the maturity of the Convertible Notes due 2024 was extended to May 1, 2026 (the “Convertible Notes due 2026”) (the “Convertible Notes” means the Convertible Notes due 2024 before July 31, 2020 and the Convertible Notes due 2026 after July 31, 2020), a first-priority lien on the Collateral was granted to secure indebtedness thereunder and certain covenants were modified. The Convertible Notes due 2026 were issued pursuant to an amended and restated indenture, dated as of July 31, 2020, among the Company, the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent. The Company accounted for this transaction as a modification of debt as the lenders did not grant a concession and the difference between the present value of the old and new cash flows was less than 10%. The modification did not result in the recognition of any gain or loss and the Company established new effective interest rates based on the carrying value of the Convertible Notes due 2024. Third party costs related to the transaction were expensed as incurred and amounts paid to lenders were capitalized and amortized through maturity of the debt.

Senior Secured Credit Facility. On July 31, 2020, the Company entered into the Eighth Amendment with the administrative agent to the Senior Secured Credit Facility to add restrictive provisions, including modifying covenants limiting indebtedness, liens, investments, asset sales and restricted payments, to ensure that the terms and conditions of the First Lien Notes due 2026, the Convertible Notes due 2026 and the Second Lien Notes due 2026 (subject to certain exceptions) are not materially more favorable (when taken as a whole) to the noteholders than the terms and conditions of the Senior Secured Credit Facility Agreement (when taken as a whole). The Company accounted for this transaction as a modification of debt.

On April 23, 2020, the Company entered into the Seventh Amendment (the “Senior Secured Credit Facility Amendment”) to the Senior Secured Credit Facility with the lenders from time to time party thereto and Citicorp North America, Inc., as administrative agent (the “Senior Secured Credit Facility”) amending the Credit Agreement dated April 30, 2013, as amended, pursuant to which the requisite lenders thereunder granted a waiver of the maintenance covenant thereunder for the period from and after the effective date of the Senior Secured Credit Facility Amendment to and including the earlier of (a) March 31, 2021 and (b) the day immediately preceding the last day of the Test Period (as defined in the Senior Secured Credit Facility Agreement) during which the Company has delivered a Financial Covenant Election (as defined in the Senior Secured Credit Facility Agreement) to the administrative agent under the Senior Secured Credit Facility Agreement (such period, the “Covenant Suspension Period”). During the Covenant Suspension Period, the Company will not, and will not permit any of its restricted subsidiaries to, make certain restricted payments and shall maintain Liquidity (as defined in the Senior Secured Credit Facility Amendment) of no less than \$50.0 million on the last day of each Test Period. In addition, the Senior Secured Credit Facility Amendment provides for certain changes to the covenants limiting indebtedness, liens and restricted payments that are intended to match corresponding restrictions under the 10.5% first lien notes due 2025 (the “First Lien Notes due 2025”) and to ensure that the terms and conditions of the First Lien Notes due 2025 (subject to certain exceptions) are not materially more favorable (when taken as a whole) to the noteholders than the terms and conditions of the Senior Secured Credit Facility Agreement (when taken as a whole) are to the lenders. Pursuant to the terms of the Senior Secured Credit Facility Agreement, these more restrictive terms will be operative until the repayment, satisfaction, defeasance or other discharge of the obligations under the First Lien Notes due 2025 or an effective amendment of, other consent or waiver with respect to, or covenant defeasance pursuant to the Indenture as result of which the covenants limiting indebtedness, liens and restricted payments thereunder are of no further force or effect.

Odeon Revolving Credit Facility

On April 24, 2020, Odeon Cinemas Group Limited entered into an amendment to the Odeon Revolving Credit Facility with Lloyds Bank PLC as agent (the “Odeon Amendment”), pursuant to the requisite lenders thereunder granted a waiver of the maintenance covenant thereunder for the period from and after the effective date of the Odeon Amendment to and including the earlier of (a) March 31, 2021 and (b) the day immediately preceding the last day of the Relevant Period (as defined in the Odeon Amendment) during which Odeon Cinemas Group Limited has delivered a Financial Covenant Election (as defined in the Odeon Amendment) to the agent (the “Odeon Covenant Suspension Period”). During the Odeon Covenant Suspension Period, Odeon Cinemas Group Limited will not, and will not permit any of its subsidiaries to, make certain restricted payments including payment on shareholder loans, provided that cash payments of interest with respect to shareholder loans will be permitted. Additionally, lenders granted a waiver such that certain events or circumstances resulting from COVID-19 virus occurring prior to the Odeon Amendment and continuing will be deemed not to constitute an event of default under the Odeon Revolving Credit Facility.

First Lien Notes due 2025

On April 24, 2020, the Company issued \$500.0 million aggregate principal amount of its 10.5% First Lien Notes due 2025, in a private offering, pursuant to an indenture, dated as of April 24, 2020 (the “First Lien Notes Indenture”), among the Company, the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent. The Company used the net proceeds from the First Lien Notes due 2025 private offering for general corporate purposes, including further increasing the Company’s liquidity. The First Lien Notes due 2025 were issued with a discount of \$10.0 million and bear interest at a rate of 10.5% per annum, payable semi-annually on April 15 and October 15 each year, commencing October 15, 2020. The First Lien Notes due 2025 will mature on April 15, 2025. The Company recorded deferred financing costs of approximately \$8.9 million related to the issuance of the First Lien Notes due 2025 and will amortize those costs to interest expense under the effective interest method over the term of the First Lien Notes due 2025.

The First Lien Notes due 2025 are general senior secured obligations of the Company and are fully and unconditionally guaranteed on a joint and several senior secured basis by all of the Company’s existing and future subsidiaries that guarantee the Company’s other indebtedness, including the Company’s Senior Secured Credit Facility. The First Lien Notes due 2025 are secured, on a pari passu basis with the Senior Secured Credit Facility, on a first-priority basis by substantially all of the tangible and intangible assets owned by the Company and guarantors that secure obligations under the Senior Secured Credit Facility including pledges of capital stock of certain of the Company’s and the guarantor’s wholly-owned material subsidiaries (but limited to 65% of the voting stock of any foreign subsidiary), subject to certain thresholds, exceptions and permitted liens.

The Company may redeem some or all of the First Lien Notes due 2025 at any time on or after April 15, 2022, at the redemption prices set forth in the First Lien Notes Indenture. In addition, the Company may redeem up to 35% of the aggregate principal amount of the First Lien Notes due 2025 using net proceeds from certain equity offerings on or prior to April 15, 2022 at a redemption price equal to 110.5% of their aggregate principal amount and accrued and unpaid interest to, but not including, the date of redemption. The Company may redeem some or all of the First Lien Notes due 2025 at any time prior to April 15, 2022 at a redemption price equal to 100% of their aggregate principal amount and accrued and unpaid interest to, but not including, the date of redemption, plus an applicable make-whole premium. In addition, the Company may, at any time prior to 120 days after the issue date, redeem up to 35% of the aggregate principal amount of the First Lien Notes due 2025 using net proceeds of any loan received pursuant to a Regulatory Debt Facility (as defined in the First Lien Notes Indenture) at a redemption price equal to 105.25% of their aggregate principal amount and accrued and unpaid interest to, but not including, the date of redemption.

The First Lien Notes Indenture contains covenants that limit the Company’s ability to, among other things: (i) incur additional indebtedness, including additional senior indebtedness; (ii) pay dividends on or make other distributions in respect of its capital stock; (iii) purchase or redeem capital stock or prepay subordinated debt or other junior securities; (iv) create liens ranking pari passu in right of payment with or subordinated in right of payment to First Lien Notes due 2025; (v) enter into certain transactions with its affiliates; and (vi) merge or consolidate with other companies or transfer all or substantially all of its assets. These covenants are subject to a number of important limitations and exceptions. The First Lien Notes Indenture also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding First Lien Notes due 2025 to be due and payable immediately.

Convertible Notes

The table below sets forth the carrying value of the Convertible Notes:

(In millions)	Carrying Value as of December 31, 2019	Increase to Expense (Income)	Reclassification to Additional Paid-in Capital	Carrying Value as of September 30, 2020
Principal balance	\$ 600.0	\$ —	\$ —	\$ 600.0
Discount	(73.7)	9.7	—	(64.0)
Deferred financing costs	(11.2)	1.3	—	(9.9)
Derivative liability	0.5	89.4	(89.9)	—
Carrying value	<u>\$ 515.6</u>	<u>\$ 100.4</u>	<u>\$ (89.9)</u>	<u>\$ 526.1</u>

On September 14, 2018, the Company issued \$600.0 million aggregate principal amount of its Convertible Notes due 2024 to Silver Lake and others. The Convertible Notes due 2024 would have matured on September 15, 2024, subject to earlier conversion by the holders thereof, repurchase by the Company at the option of the holders or redemption by the Company upon the occurrence of certain contingencies, as discussed below.

On April 24, 2020, the Company entered into a supplemental indenture (the “Supplemental Indenture”) to the Convertible Notes due 2024 indenture, dated as of September 14, 2018. The Supplemental Indenture amended the debt covenant under the Convertible Notes due 2024 Indenture to permit the Company to issue the First Lien Notes due 2025, among other changes.

On July 31, 2020, concurrently with the Exchange Offers to obtain the consent of the holders of the Convertible Notes due 2024 to the transactions contemplated by the Exchange Offers, the Company restructured the \$600 million of Convertible Notes due 2024 issued in 2018 to Silver Lake and others pursuant to which the maturity of the Convertible Notes due 2024 were extended to May 1, 2026 (the reset of the conversion price as discussed below was not extended) and a first-priority lien on the Collateral was granted to secure indebtedness thereunder. The Convertible Notes due 2026 are convertible at the option of the holders thereof on the same terms as the Convertible Notes due 2024. Upon maturity, the \$600.0 million principal amount of the Convertible Notes due 2026 will be payable in cash.

On September 14, 2018, the Company bifurcated the conversion feature from the principal balance of the Convertible Notes due 2024 as a derivative liability because (1) a conversion feature is not clearly and closely related to the debt instrument and the reset of the conversion price discussed in the following paragraph causes the conversion feature to not be considered indexed to the Company’s equity, (2) the conversion feature standing alone meets the definition of a derivative, and (3) the Convertible Notes due 2024 are not remeasured at fair value each reporting period with changes in fair value recorded in the condensed consolidated statement of operations. The initial derivative liability of \$90.4 million is offset by a discount to the principal balance and is amortized to interest expense resulting in an effective rate of 5.98% over the extended term of the Convertible Notes due 2026. The Company also recorded deferred financing costs of approximately \$13.6 million related to the issuance of the Convertible Notes due 2024 and will amortize those costs to interest expense under the effective interest method over the extended term of the Convertible Notes due 2026. For the three months ended September 30, 2020 and September 30, 2019, the Company recorded interest expense of \$7.8 million and \$8.2 million, respectively, and interest expense for the nine months ended September 30, 2020 and September 30, 2019 of \$24.4 million and \$24.2 million, respectively.

The derivative liability was remeasured at fair value each reporting period until the conversion price reset on September 14, 2020, with changes in fair value recorded in the condensed consolidated statements of operations as other expense or income. On September 14, 2020, the conversion price reset from \$18.95 per share to \$13.51 per share pursuant to the terms of the Indenture for the Convertible Notes due 2026 and the derivative liability as of September 14, 2020 was reclassified to permanent equity as the conversion feature is indexed to the Company’s equity. For the three months ended September 30, 2020 and September 30, 2019, this resulted in other expense of \$89.9 million and \$5.7 million, respectively, and for the nine months ended September 30, 2020 and September 30, 2019, this resulted in other expense (income) of \$89.4 million and \$(14.9) million, respectively. The if-converted value of the Convertible Notes due 2026 is less than the principal balance by approximately \$390.8 million as of September 30, 2020 based on the closing price per share of the Company’s common stock of \$4.71 per share. In addition, as a result of the adjustment to the conversion price, any future conversion of the Convertible Notes due 2026 will result in 5,666,000 shares of the Company’s Class B common stock held by Wanda being subject to forfeiture and retirement by the Company at no additional cost pursuant to the Stock Repurchase and Cancellation Agreement (the “Stock Repurchase Agreement”) between the Company and Wanda discussed in Note 7—Stockholders’ Equity. This cancellation agreement is a contingent call option for the forfeiture shares, which is a freestanding derivative measured at fair value on a recurring

basis. The initial derivative asset of \$10.7 million is offset by a credit to stockholders' equity related to the Class B common stock purchase and cancellation. The forfeiture shares feature was not clearly and closely related to the Convertible Notes due 2026 and it was bifurcated and accounted for as a derivative asset measured at fair value through earnings each reporting period until the conversion feature reset on September 14, 2020, with changes in fair value recorded in the condensed consolidated statement of operations as other expense or income. On September 14, 2020, the conversion price reset from \$18.95 per share to \$13.51 per share pursuant to the terms of the Indenture for the Convertible Notes due 2026 and the derivative asset as of September 14, 2020 was reclassified to permanent equity as the number of shares that will be cancelled on conversion of the Convertible Notes due 2026 are known. For the three months ended September 30, 2020 and September 30, 2019, this resulted in other expense (income) of \$5.9 million and \$(8.5) million, respectively, and other expense (income) of \$19.6 million and \$(0.5) million for the nine months ended September 30, 2020 and September 30, 2019, respectively. Additionally, the conversion rate will be adjusted if any cash dividend or distribution is made to all or substantially all holders of the Company's common stock (other than a regular, quarterly cash dividend that does not exceed \$0.20 per share until September 14, 2020 and \$0.10 per share thereafter). Any Convertible Notes due 2026 that are converted in connection with a Make-Whole Fundamental Change (as defined in the indenture governing the Convertible Notes due 2026) are, under certain circumstances, entitled to an increase in the conversion rate. The Company recorded an immaterial non-cash correction of \$26.2 million recorded in other expense during the three and nine months ended September 30, 2020. The adjustment related to the Company correcting the valuation methodology applied to the derivative asset related to the cancellation agreement entered into on September 14, 2018, a Level 3 estimate of fair value for a complex instrument developed in consultation with a third party specialist.

Upon conversion by a holder of the Convertible Notes due 2026, the Company shall deliver, at its election, either cash, shares of the Company's Class A common stock or a combination of cash and shares of the Company's Class A common stock at an initial conversion rate of 52.7704 per \$1,000 principal amount of the Convertible Notes due 2026 (which represented an initial conversion price of \$18.95), in each case subject to customary anti-dilution adjustments. In addition to typical anti-dilution adjustments, because the then-applicable conversion price was greater than 120% of the average of the volume-weighted average price of the Company's Class A common stock for the ten days prior to the second anniversary of issuance on September 14, 2020 (the "Reset Conversion Price"), the conversion price for the Convertible Notes due 2026 was subject to a reset provision that adjusted the conversion price downward to such Reset Conversion Price. However, this conversion price reset provision was subject to a conversion price floor such that the shares of the Company's Class A common stock issuable upon conversion would not exceed 30% of the Company's then outstanding fully-diluted share capital after giving effect to the conversion. The volume-weighted average price of the Company's Class A common stock for the ten consecutive trading days ending on September 14, 2020 was \$6.55 and, as a result, the conversion price reset provision was triggered. Effective as of September 14, 2020, the conversion price for the Convertible Notes due 2026 was adjusted to \$13.51, which represents the conversion price that would result in 30% of the Company's then outstanding fully-diluted share capital being issued upon conversion in full of the Convertible Notes due 2026. The conversion price reset provision was only applicable at September 14, 2020 and any future adjustments to the conversion price will be due to customary anti-dilution adjustments as set forth in the indenture governing the Convertible Notes due 2026. The holders of the Convertible Notes due 2026 may elect to convert the Convertible Notes due 2026 at any time and from time to time until September 15, 2024. As of September 30, 2020, the \$600.0 million principal balance of the Convertible Notes due 2026 would be convertible into 44,422,860, compared to 31,662,240 shares of Class A common stock before giving effect to the conversion price reset on September 14, 2020.

The Company has the option to redeem the Convertible Notes due 2026 for cash on or after September 14, 2023 at par if the price for the Company's Class A common stock is equal to or greater than 150% of the then applicable conversion price for 20 or more trading days out of a consecutive 30 day trading period (including the final three trading days), at which time the holders have the option to convert. The Company also has the option to redeem the Convertible Notes due 2026, between September 14, 2020 and September 14, 2021, if the reset provision described above is triggered at a redemption price in cash that would result in the noteholders realizing a 15% internal rate of return from the date of issuance regardless of when any particular noteholder acquired its Convertible Notes due 2026.

With certain exceptions, upon a change of control of the Company or if the Company's Class A common stock is not listed for trading on The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market, the holders of the Convertible Notes due 2026 may require that the Company repurchase in cash all or part of the principal amount of the Convertible Notes due 2026 at a purchase price equal to the principal amount plus accrued and unpaid interest up to, but excluding, the date of repurchase. The amended and restated Indenture governing the Convertible Notes due 2026 includes restrictive covenants that, subject to specified exceptions and parameters, limit the ability of the Company to incur additional debt and limit the ability of the Company to incur liens with respect to the

Company's senior subordinated notes or any debt incurred to refinance the Company's senior subordinated notes. The Indenture also includes customary events of default, which may result in the acceleration of the maturity of the Convertible Notes due 2026 under the Indenture.

NOTE 7—STOCKHOLDERS' EQUITY

Equity Distribution Agreement. On September 24, 2020, the Company entered into an equity distribution agreement (the "Equity Distribution Agreement") with Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC, as sales agents (each, a "Sales Agent" and collectively, the "Sales Agents"), to sell up to 15.0 million shares of the Company's Class A common stock, par value \$0.01 per share, from time to time, through an "at-the-market" offering program (the "Offering"). Subject to the terms and conditions of the Equity Distribution Agreement, the Sales Agents will use reasonable efforts consistent with their normal trading and sales practices, applicable law and regulations, and the rules of the New York Stock Exchange to sell the Class A common stock from time to time based upon the Company's instructions for the sales, including any price, time or size limits specified by the Company. The Company intends to use the net proceeds, if any, from the sale of the Class A common stock pursuant to the Equity Distribution Agreement for general corporate purposes, which may include the repayment, refinancing, redemption or repurchase of existing indebtedness or working capital, capital expenditures and other investments. The Company raised gross proceeds of approximately \$2.9 million during the three months ended September 30, 2020, through its at-the-market offering of approximately 600,000 shares of its Class A common stock and paid fees to the Sales Agents of approximately \$0.1 million. See Note 13—Subsequent Events for further information regarding at-the-market offerings.

Exchange Offers. Certain backstop purchasers of the First Lien Notes due 2026 that participated in the Exchange Offer received five million Class A common shares. See Note 6—Corporate Borrowings for further information.

Dividends. The following is a summary of dividends and dividend equivalents declared to stockholders during the three and nine months ended September 30, 2020:

Declaration Date	Record Date	Date Paid	Amount per Share of Common Stock	Total Amount Declared (In millions)
February 26, 2020	March 9, 2020	March 23, 2020	\$ 0.03	\$ 3.2

Related Party Transactions. As of September 30, 2020 and December 31, 2019, the Company recorded a receivable due from Wanda of \$0.6 million and \$0.8 million, respectively, for reimbursement of general administrative and other expense incurred on behalf of Wanda. For the three months ended September 30, 2020 and September 30, 2019, the Company recorded approximately \$0 and \$0.1 million, respectively, of cost reductions for general and administrative services provided on behalf of Wanda. For the nine months ended September 30, 2020 and September 30, 2019, the Company recorded approximately \$0.2 million in both periods of cost reductions for general and administrative services provided on behalf of Wanda. Wanda owns Legendary Entertainment, a motion picture production company. The Company will occasionally play Legendary's films in its theatres as a result of transactions with independent film distributors.

On September 14, 2018, the Company entered into the Investment Agreement with Silver Lake, relating to the issuance to Silver Lake (or its designated affiliates) of \$600.0 million principal amount of the Convertible Notes due 2024 and entered into an amended and restated investment agreement with Silver Lake, relating to the issuance of the Convertible Notes due 2026 on August 31, 2020. See Note 6—Corporate Borrowings - Convertible Notes for more information.

On September 14, 2018, the Company, Silver Lake and Wanda entered into a Right of First Refusal Agreement (the "ROFR Agreement"), which provides Silver Lake certain rights to purchase shares of the Company's common stock that Wanda proposes to sell during a period of two years from the date of execution of the ROFR Agreement or, if earlier, until such time that Wanda and its affiliates cease to beneficially own at least 50.1% of the total voting power of the Company's voting stock. The ROFR Agreement expired unexercised.

As of September 30, 2020, Wanda owns 47.10% of AMC through its 51,769,784 shares of Class B common stock. With the three-to-one voting ratio between the Company's Class B and Class A common stock, Wanda retains voting control of AMC with 72.76% of the voting power of the Company's common stock. As discussed in Note 6—

[Table of Contents](#)

Corporate Borrowings up to 5,666,000 shares of Class B common stock are now subject to forfeiture for no consideration in connection with the reset provision contained in the indenture governing the Convertible Notes due 2026.

**Condensed Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2020**

(In millions, except share and per share data)	Class A Voting		Class B Voting		Additional Paid-in	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Total AMC Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Equity
	Common Stock		Common Stock			Shares	Amount					
	Shares	Amount	Shares	Amount	Capital			Shares	Amount			
Balances December 31, 2019	<u>52,080,077</u>	<u>\$ 0.5</u>	<u>51,769,784</u>	<u>\$ 0.5</u>	<u>\$ 2,001.9</u>	<u>3,732,625</u>	<u>\$ (56.4)</u>	<u>\$ (26.1)</u>	<u>\$ (706.2)</u>	<u>\$ 1,214.2</u>	<u>\$ —</u>	<u>\$ 1,214.2</u>
Cumulative effect adjustment for the adoption of new accounting principle (ASU 2016-13)	—	—	—	—	—	—	—	—	(16.9)	(16.9)	—	(16.9)
Net loss	—	—	—	—	—	—	—	—	(2,176.3)	(2,176.3)	—	(2,176.3)
Other comprehensive loss	—	—	—	—	—	—	—	(93.5)	—	(93.5)	—	(93.5)
Dividends declared:												
Class A common stock, \$0.03/share, net of forfeitures	—	—	—	—	—	—	—	—	(1.6)	(1.6)	—	(1.6)
Class B common stock, \$0.03/share	—	—	—	—	—	—	—	—	(1.6)	(1.6)	—	(1.6)
Taxes paid for restricted unit withholdings	—	—	—	—	(1.0)	—	—	—	—	(1.0)	—	(1.0)
Stock-based compensation	469,516	—	—	—	2.7	—	—	—	—	2.7	—	2.7
Balances March 31, 2020	<u>52,549,593</u>	<u>\$ 0.5</u>	<u>51,769,784</u>	<u>\$ 0.5</u>	<u>\$ 2,003.6</u>	<u>3,732,625</u>	<u>\$ (56.4)</u>	<u>\$ (119.6)</u>	<u>\$ (2,902.6)</u>	<u>\$ (1,074.0)</u>	<u>\$ —</u>	<u>\$ (1,074.0)</u>
Net loss	—	—	—	—	—	—	—	—	(561.2)	(561.2)	—	(561.2)
Other comprehensive income	—	—	—	—	—	—	—	56.0	—	56.0	—	56.0
Dividends declared:												
Class A common stock, accrued dividend forfeitures	—	—	—	—	—	—	—	—	0.1	0.1	—	0.1
Stock-based compensation	—	—	—	—	3.7	—	—	—	—	3.7	—	3.7
Balances June 30, 2020	<u>52,549,593</u>	<u>\$ 0.5</u>	<u>51,769,784</u>	<u>\$ 0.5</u>	<u>\$ 2,007.3</u>	<u>3,732,625</u>	<u>\$ (56.4)</u>	<u>\$ (63.6)</u>	<u>\$ (3,463.7)</u>	<u>\$ (1,575.4)</u>	<u>\$ —</u>	<u>\$ (1,575.4)</u>
Net loss	—	—	—	—	—	—	—	—	(905.8)	(905.8)	—	(905.8)
Other comprehensive income	—	—	—	—	—	—	—	11.6	—	11.6	—	11.6
Baltics noncontrolling capital contribution	—	—	—	—	1.8	—	—	—	—	1.8	34.7	36.5
Class A common stock issuance	600,000	—	—	—	2.8	—	—	—	—	2.8	—	2.8
Exchange Offer Class A common stock issuance	5,000,000	0.1	—	—	20.1	—	—	—	—	20.2	—	20.2
Derivative asset valuation allowance adjustment	—	—	—	—	—	—	—	—	(2.4)	(2.4)	—	(2.4)
Reclassification of derivative liability and derivative asset for Conversion Price Reset of Convertible Notes due 2026	—	—	—	—	89.9	—	—	—	(15.9)	74.0	—	74.0
Stock-based compensation	—	—	—	—	3.1	—	—	—	—	3.1	—	3.1
Balances September 30, 2020	<u>58,149,593</u>	<u>\$ 0.6</u>	<u>51,769,784</u>	<u>\$ 0.5</u>	<u>\$ 2,125.0</u>	<u>3,732,625</u>	<u>\$ (56.4)</u>	<u>\$ (52.0)</u>	<u>\$ (4,387.8)</u>	<u>\$ (2,370.1)</u>	<u>\$ 34.7</u>	<u>\$ (2,335.4)</u>

**Condensed Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2019**

(In millions, except share and per share data)	Class A Voting Common Stock		Class B Voting Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount			
Balances December 31, 2018	55,401,325	\$ 0.5	51,769,784	\$ 0.5	\$ 1,998.4	3,732,625	\$ (56.4)	\$ 5.5	\$ (550.9)	\$ 1,397.6
Cumulative effect adjustments for the adoption of new accounting principle (ASU 842)	—	—	—	—	—	—	—	—	78.8	78.8
Net loss	—	—	—	—	—	—	—	—	(130.2)	(130.2)
Other comprehensive loss	—	—	—	—	—	—	—	(24.9)	—	(24.9)
Dividends declared:										
Class A common stock, \$0.20/share	—	—	—	—	—	—	—	—	(10.7)	(10.7)
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	(10.4)	(10.4)
Taxes paid for restricted unit withholdings	—	—	—	—	(1.1)	—	—	—	—	(1.1)
Reclassification from temporary equity	75,712	—	—	—	0.4	—	—	—	—	0.4
Stock-based compensation	328,904	—	—	—	4.0	—	—	—	—	4.0
Balances March 31, 2019	55,805,941	\$ 0.5	51,769,784	\$ 0.5	\$ 2,001.7	3,732,625	\$ (56.4)	\$ (19.4)	\$ (623.4)	\$ 1,303.5
Cumulative effect adjustments for the adoption of new accounting principle (ASU 842)	—	—	—	—	—	—	—	—	(2.6)	(2.6)
Net earnings	—	—	—	—	—	—	—	—	49.4	49.4
Other comprehensive loss	—	—	—	—	—	—	—	(9.2)	—	(9.2)
Dividends declared:										
Class A common stock, \$0.20/share, net of forfeitures	—	—	—	—	—	—	—	—	(10.7)	(10.7)
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	(10.4)	(10.4)
Taxes paid for restricted unit withholdings	—	—	—	—	(0.3)	—	—	—	—	(0.3)
Stock-based compensation	3,096	—	—	—	5.4	—	—	—	—	5.4
Balances June 30, 2019	55,809,037	\$ 0.5	51,769,784	\$ 0.5	\$ 2,006.8	3,732,625	\$ (56.4)	\$ (28.6)	\$ (597.7)	\$ 1,325.1
Net loss	—	—	—	—	—	—	—	—	(54.8)	(54.8)
Other comprehensive loss	—	—	—	—	—	—	—	(68.1)	—	(68.1)
Dividends declared:										
Class A common stock, \$0.20/share, net of forfeitures	—	—	—	—	—	—	—	—	(10.6)	(10.6)
Class B common stock, \$0.20/share	—	—	—	—	—	—	—	—	(10.4)	(10.4)
Stock-based compensation	3,665	—	—	—	2.1	—	—	—	—	2.1
Balances September 30, 2019	55,812,702	\$ 0.5	51,769,784	\$ 0.5	\$ 2,008.9	3,732,625	\$ (56.4)	\$ (96.7)	\$ (673.5)	\$ 1,183.3

NOTE 8—INCOME TAXES

The Company's worldwide effective income tax rate is based on actual income (loss), statutory rates, valuation allowances against deferred tax assets and tax planning opportunities available in the various jurisdictions in which it operates. The Company is using a discrete income tax calculation for the three and nine months ended September 30, 2020 due to the inability to determine reliable annual estimates of taxable income (loss) due to COVID-19. Historically, for interim financial reporting, the Company estimates the worldwide annual income tax rate based on projected taxable income (loss) for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate, adjusted for discrete items, if any. The Company will return to the historic approach of computing quarterly tax expense based on an annual effective rate in the future interim period when more reliable estimates of annual income become available. The Company recognizes income tax-related interest expense and penalties as income tax expense and general and administrative expense, respectively.

The Company evaluates its deferred tax assets each period to determine if a valuation allowance is required based on whether it is "more likely than not" that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods on a federal, state and foreign jurisdiction basis. The Company conducts its evaluation by considering all available positive and negative evidence, including historical operating results, forecasts of future profitability, the duration of statutory carryforward periods, and the outlooks for the U.S. motion picture and broader economy, among others.

During the first quarter of 2020, the severe impact of COVID-19 on operations in Germany and Spain caused the Company to conclude the realizability of deferred tax assets held in those jurisdictions does not meet the more likely than not standard. As such, a charge of \$33.1 million and \$40.1 million was recorded for Germany and Spain, respectively. During the fourth quarter of 2017, the Company determined that it was appropriate to record a valuation allowance against U.S. deferred tax assets. In addition, several other international jurisdictions carried valuation allowances against their deferred tax assets at the beginning of 2020.

Cancellation of Debt Income. On July 31, 2020, the Company consummated its previously announced private offers to exchange its Existing Subordinated Notes for newly issued Second Lien Notes due 2026. See Note 6—Corporate Borrowings for further information. For US tax purposes the Company is required to recognize CODI on the difference between the face value of debt exchanged and the fair market value of the new debt issued. The Company has determined that it should recognize an estimated \$1.2 billion of CODI for tax purposes.

IRS §108 provides relief from recognizing the CODI as current taxable income to the extent that the tax paying legal entity is insolvent as defined by the US Tax Code. The Company currently estimates that the level of its insolvency at July 31, 2020 exceeds the indicated amount of CODI resulting from the debt exchange. To the extent that the entity is insolvent, rather than recognize current taxable income, the entity may reduce its tax attributes including net operating losses, capital losses, tax credits, depreciable assets, investment in subsidiaries and other investments in the amount of the excluded CODI.

For purposes of determining the current and deferred tax provision, and uncertain tax positions for the nine months ended September 30, 2020, the Company estimated a significant portion of its net operating losses and tax credits have been eliminated as a result of tax attribute reduction. The process of determining the attribute reduction is complex, subject to the taxpayer making certain elections regarding which attributes are to be reduced and cannot be calculated until the completion of taxable income for the year in which the CODI was incurred. Therefore, the estimated impact of the tax attribute reduction is subject to change until the finalization of its 2020 tax returns that will contain the tax consequences of the debt exchange.

The effective tax rate for the nine months ended September 30, 2020 reflects the impact of these valuation allowances against U.S. and international deferred tax assets generated during the nine-month period. The actual effective rate for the nine months ended September 30, 2020 was (1.9)%. The Company's consolidated tax rate for the nine months ended September 30, 2020 differs from the U.S. statutory tax rate primarily due to the valuation allowances in U.S. and foreign jurisdictions, foreign tax rate differences, federal and state tax credits, partially offset by state income taxes, permanent differences related to goodwill impairments, interest, compensation, and other discrete items. No tax impact was recorded on the \$1,901.1 million goodwill impairment charge incurred during the nine months ended September 30, 2020, as the portion impaired was permanently non-deductible. At September 30, 2020 and December 31, 2019, the Company has recorded net deferred tax liabilities of \$42.8 million and net deferred tax

[Table of Contents](#)

assets of \$24.1 million, respectively.

Cares Act. On March 27, 2020, the U.S. government enacted the CARES Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferral of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property, as well as loans to certain qualifying businesses. The Company continues to examine the impacts that the CARES Act may have on its business. While the Company may take advantage of certain CARES Act's cash deferral provisions, many of the provisions are not applicable to the Company. Additionally, as of the date of this filing, the Company has not participated in CARES Act loans.

NOTE 9—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 and liabilities carried at fair value on a recurring basis as of September 30, 2020:

(In millions)	Total Carrying Value at September 30, 2020	Fair Value Measurements at September 30, 2020 Using		
		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	\$ 1.2	\$ 1.2	\$ —	\$ —
Investments measured at net asset value (1)	10.5	—	—	—
Marketable equity securities:				
Investment in NCM	3.8	3.8	—	—
Total assets at fair value	<u>\$ 15.5</u>	<u>\$ 5.0</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) The investments relate to non-qualified deferred compensation arrangements on behalf of certain members of management. The Company has an equivalent liability for this related-party transaction recorded in other long-term liabilities for the deferred compensation obligation.

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.

[Table of Contents](#)

Nonrecurring Fair Value Measurements. The following table summarizes the fair value hierarchy of the Company's assets that were measured at fair value on a nonrecurring basis:

(In millions)	Total Carrying Value at September 30, 2020	Fair Value Measurements at September 30, 2020 Using			Total Losses
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Property, net:					
Property net	\$ 14.3	\$ —	\$ —	\$ 14.3	\$ 8.5
Operating lease right-of-use assets					
Operating lease right-of-use assets	56.8	—	—	56.8	19.6
Intangible assets, net					
Definite-lived intangible assets	—	—	—	—	6.4
Indefinite-lived intangible assets	43.8	—	—	43.8	4.6
Goodwill					
Goodwill	2,874.4	—	—	2,874.4	156.8
Total	\$ 2,989.3	\$ —	\$ —	\$ 2,989.3	\$ 195.9

(In millions)	Total Carrying Value at March 31, 2020	Fair Value Measurements at March 31, 2020 Using			Total Losses
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Property, net:					
Property net	\$ 40.5	\$ —	\$ —	\$ 40.5	\$ 30.9
Operating lease right-of-use assets					
Operating lease right-of-use assets	124.0	—	—	124.0	60.4
Intangible assets, net					
Definite-lived intangible assets	6.6	—	—	6.6	8.0
Indefinite-lived intangible assets	50.3	—	—	50.3	8.3
Goodwill					
Goodwill	2,938.0	—	—	2,938.0	1,744.3
Other long-term assets					
Cost method investments	—	—	—	—	7.2
Total	\$ 3,159.4	\$ —	\$ —	\$ 3,159.4	\$ 1,859.1

Long-lived assets held and used, operating lease right-of-use assets, intangible assets, and cost method investments were considered impaired and were written down to their fair value at March 31, 2020 of \$3,159.4 million. There is considerable management judgment with respect to cash flow estimates and discount rates used in determining fair value, and therefore are classified as Level 3 measurements within the fair value measurement hierarchy.

Valuation Techniques. There are a number of estimates and significant judgments that were made by management in performing these impairment evaluations. Such judgments and estimates include estimates of future attendance, revenues, cash flows, rent relief, cost savings, capital expenditures, and the cost of capital, among others. Attendance is expected to be significantly below historical levels following reopening with limited seating capacities and social distancing guidelines and studios have postponed new film releases or moved them to the home video market, and movie release dates may continue to move in the future. The Company believes it used reasonable and appropriate business judgments. At September 30, 2020, the Company used weighted average cost of capital (discount rate) input for the Domestic Theatres and International Theatres reporting units of 12.0% and 13.0%, respectively, and a long-term growth rate input of 1.0% for both of the reporting units. At March 31, 2020, the Company used weighted average cost of capital (discount rate) input for the Domestic Theatres and International Theatres reporting units of 11.5% and 13.0%, respectively, and a long-term growth rate input of 2.0% for both of the reporting units. There is considerable management judgment with respect to cash flow estimates and appropriate discount rates to be used in determining fair value, and, accordingly, actual results could vary significantly from such estimates, which fall under Level 3 within the fair value measurement hierarchy. These estimates determine whether impairments have been incurred, and quantify the amount of any related impairment charge.

Other Fair Value Measurement Disclosures. The Company is required to disclose the fair value of financial instruments that are not recognized at fair value in the statement of financial position for which it is practicable to estimate that value:

(In millions)	Total Carrying Value at September 30, 2020	Fair Value Measurements at September 30, 2020		
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current maturities of corporate borrowings	\$ 20.0	\$ —	\$ 12.8	\$ —
Corporate borrowings	5,803.8	—	2,594.0	278.8

Valuation Technique. Quoted market prices and observable market based inputs were used to estimate fair value for Level 2 inputs. The Level 3 fair value measurement represents the transaction price of the corporate borrowings under market conditions. On September 14, 2018, the Company issued \$600.0 million of Convertible Notes due 2024. These notes were issued by private placement, as such there is no observable market for these convertible notes (now the Convertible Notes due 2026). The Company valued these notes at principal value less a discount reflecting a market yield to maturity. See Note 6—Corporate Borrowings for further information.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

NOTE 10—OPERATING SEGMENTS

The Company reports information about operating segments in accordance with ASC 280-10, Segment Reporting, which requires financial information to be reported based on the way management organizes segments within a company for making operating decisions and evaluating performance. The Company has identified two reportable segments and reporting units for its theatrical exhibition operations, U.S. markets and International markets. The International markets reportable segment has operations in or partial interest in theatres in the United Kingdom, Germany, Spain, Italy, Ireland, Portugal, Sweden, Finland, Estonia, Latvia, Lithuania, Norway, and Denmark. On August 28, 2020, the Company divested of 49% of its interest in Estonia, Latvia, and Lithuania operations. See Note 1—Basis of Presentation for further information on the Baltics theatre sale agreement. Each segment’s revenue is derived from admissions, food and beverage sales and other ancillary revenues, primarily screen advertising, AMC Stubs® membership fees and other loyalty programs, ticket sales, gift card income and exchange ticket income. The measure of segment profit and loss the Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, as defined in the reconciliation table below. The Company does not report asset information by segment because that information is not used to evaluate the performance of or allocate resources between segments.

Below is a breakdown of select financial information by reportable operating segment:

Revenues (In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
U.S. markets	\$ 47.3	\$ 970.7	\$ 724.3	\$ 2,999.1
International markets	72.2	346.1	355.6	1,024.2
Total revenues	\$ 119.5	\$ 1,316.8	\$ 1,079.9	\$ 4,023.3

Adjusted EBITDA (1) (In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
U.S. markets	\$ (259.1)	\$ 116.3	\$ (504.5)	\$ 395.8
International markets	(75.4)	40.2	(167.2)	106.5
Total Adjusted EBITDA	\$ (334.5)	\$ 156.5	\$ (671.7)	\$ 502.3

- (1) The Company presents Adjusted EBITDA as a supplemental measure of its performance. The Company defines Adjusted EBITDA as net earnings (loss) plus (i) income tax provision (benefit), (ii) interest expense and (iii) depreciation and amortization, as further adjusted to eliminate the impact of certain items that the Company does not consider indicative of the Company’s ongoing operating performance and to include attributable EBITDA from equity investments in theatre operations in International markets and any cash distributions of earnings from its other equity method investees. The measure of segment profit and loss the

[Table of Contents](#)

Company uses to evaluate performance and allocate its resources is Adjusted EBITDA, which is consistent with how Adjusted EBITDA is defined in the Company's debt indentures.

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Capital Expenditures (In millions)				
U.S. markets	\$ 18.3	\$ 84.3	\$ 100.1	\$ 243.9
International markets	11.0	34.0	55.9	104.3
Total capital expenditures	<u>\$ 29.3</u>	<u>\$ 118.3</u>	<u>\$ 156.0</u>	<u>\$ 348.2</u>

Long-term assets, net (In millions)	As of	
	September 30, 2020	December 31, 2019
U.S. markets	\$ 7,090.2	\$ 9,039.6
International markets	3,177.4	3,963.1
Total long-term assets (1)	<u>\$ 10,267.6</u>	<u>\$ 13,002.7</u>

- (1) Long-term assets are comprised of property, operating lease right-of-use assets, intangible assets, goodwill, deferred tax assets, and other long-term assets.

The following table sets forth a reconciliation of net loss to Adjusted EBITDA:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net loss attributable to AMC Entertainment Holdings, Inc.	\$ (905.8)	\$ (54.8)	\$ (3,643.3)	\$ (135.6)
Plus:				
Income tax provision (benefit) (1)	4.6	(0.2)	66.7	10.9
Interest expense	94.3	85.1	268.3	255.1
Depreciation and amortization	123.5	112.1	365.7	337.1
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill (2)	195.9	—	2,047.8	—
Certain operating expenses (3)	1.8	5.3	2.4	10.1
Equity in (earnings) loss of non-consolidated entities (4)	10.6	(7.5)	25.9	(24.2)
Cash distributions from non-consolidated entities (5)	3.7	4.7	17.4	17.0
Attributable EBITDA (6)	(1.4)	0.9	(0.9)	3.8
Investment expense (income)	(4.1)	(0.5)	4.0	(18.7)
Other expense (income) (7)	138.5	(1.5)	163.5	4.6
Other non-cash rent (8)	(0.2)	6.1	(1.7)	19.5
General and administrative — unallocated:				
Merger, acquisition and other costs (9)	1.0	4.7	3.0	11.2
Stock-based compensation expense (10)	3.1	2.1	9.5	11.5
Adjusted EBITDA	<u>\$ (334.5)</u>	<u>\$ 156.5</u>	<u>\$ (671.7)</u>	<u>\$ 502.3</u>

- (1) For information regarding the income tax provision, see Note 8—Income Taxes.
- (2) During the three months ended September 30, 2020, the Company recorded goodwill non-cash impairment charges of \$151.2 million and \$5.6 million related to the enterprise fair value of the Domestic Theatres and International Theatres reporting units, respectively. The Company recorded non-cash impairment charges related to its long-lived assets of \$28.1 million on 49 theatres in the U.S. markets with 527 screens which were related to property, net, operating lease right-of-use assets, net and other long-term assets and \$0 in the International markets during the three months ended September 30, 2020. The Company recorded non-cash impairment charges related to definite-lived intangible assets of \$6.4 million in the Domestic Theatres reporting unit and indefinite-lived intangible assets of \$4.5 million and \$0.1 million related to the Odeon and Nordic tradenames, respectively, in the International Theatres reporting unit during the three months ended September 30, 2020.

[Table of Contents](#)

During the nine months ended September 30, 2020, the Company recorded goodwill non-cash impairment charges of \$1,276.1 million and \$625.0 million related to the enterprise fair values of the Domestic Theatres and International Theatres reporting units, respectively. During the nine months ended September 30, 2020, the Company recorded non-cash impairment charges related to its long-lived assets of \$109.5 million on 75 theatres in the U.S. markets with 851 screens which were related to property, net, operating lease right-of-use assets, net and other long-term assets and \$9.9 million on 23 theatres in the International markets with 213 screens which were related to property, net and operating lease right-of-use assets, net. The Company recorded non-cash impairment charges related to indefinite-lived intangible assets of \$10.4 million and \$2.5 million related to the Odeon and Nordic tradenames, respectively, in the International Theatres reporting unit during the nine months ended September 30, 2020. The Company also recorded non-cash impairment charges of \$14.4 million related to its definite-lived intangible assets in the Domestic Theatres reporting unit during the nine months ended September 30, 2020.

- (3) Amounts represent reopening expense related to temporarily closed screens under renovation, theatre and other closure expense for the permanent closure of screens including the related accretion of interest, non-cash deferred digital equipment rent expense, and disposition of assets and other non-operating gains or losses included in operating expenses. The Company has excluded these items as they are non-cash in nature or are non-operating in nature.
- (4) Equity in (earnings) loss of non-consolidated entities was primarily due to equity in loss from DCIP of \$7.5 million for the three months ended September 30, 2020 compared to equity in earnings from DCIP of \$6.5 million for the three months ended September 30, 2019. Equity in (earnings) loss of non-consolidated entities was primarily due to equity in loss from DCIP of \$19.1 million for the nine months ended September 30, 2020 compared to equity in earnings from DCIP of \$21.1 million for the nine months ended September 30, 2019.
- (5) Includes U.S. non-theatre distributions from equity method investments and International non-theatre distributions from equity method investments to the extent received. The Company believes including cash distributions is an appropriate reflection of the contribution of these investments to the Company's operations.
- (6) Attributable EBITDA includes the EBITDA from equity investments in theatre operators in certain International markets. See below for a reconciliation of the Company's equity in (earnings) loss of non-consolidated entities to attributable EBITDA. Because these equity investments are in theatre operators in regions where the Company holds a significant market share, the Company believes attributable EBITDA is more indicative of the performance of these equity investments and management uses this measure to monitor and evaluate these equity investments. The Company also provides services to these theatre operators including information technology systems, certain on-screen advertising services and the Company's gift card and package ticket program.

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(In millions)				
Equity in (earnings) loss of non-consolidated entities	\$ 10.6	\$ (7.5)	\$ 25.9	\$ (24.2)
Less:				
Equity in (earnings) loss of non-consolidated entities excluding International theatre joint ventures	8.7	(7.4)	23.0	(23.2)
Equity in earnings (loss) of International theatre joint ventures	(1.9)	0.1	(2.9)	1.0
Income tax provision (benefit)	—	0.1	(0.1)	0.2
Investment income	(0.4)	(0.1)	(0.6)	(0.6)
Interest expense	0.1	—	0.1	0.1
Depreciation and amortization	0.7	0.5	2.2	2.8
Other expense	0.1	0.3	0.4	0.3
Attributable EBITDA	<u>\$ (1.4)</u>	<u>\$ 0.9</u>	<u>\$ (0.9)</u>	<u>\$ 3.8</u>

- (7) For the three months ended September 30, 2020 compared to the three months ended September 30, 2019, the Company recorded increases in other expense related to financing fees of \$36.3 million due to the Exchange

Offers, increases in other expense due to the change in fair value of the Company's derivative liability of \$84.2 million for the embedded conversion feature in the Company's Convertible Notes due 2026, increases in other expense due to the change in fair value of the Company's derivative asset of \$14.4 million for the contingent call option related to the Class B common stock purchase and cancellation agreement, and increases in other expense for credit losses due to contingent lease guarantees of \$6.1 million. For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, the Company recorded increases in other expense related to financing fees of \$39.1 million due to the Exchange Offers, increases in other expense due to the change in fair value of the Company's derivative liability of \$104.3 million for the embedded conversion feature in the Company's Convertible Notes due 2026, increases in other expense due to the change in fair value of the Company's derivative asset of \$20.1 million for the contingent call option related to the Class B common stock purchase and cancellation agreement, and increase in other expense for the credit losses related to contingent lease guarantees of \$15.3 million. For the nine months ended September 30, 2019, the Company recorded a loss on repayment of indebtedness of \$16.6 million. See Note 1—Basis of Presentation for further information related to other expense (income).

- (8) Reflects amortization expense for certain intangible assets reclassified from depreciation and amortization to rent expense due to the adoption of ASC 842 and deferred rent benefit related to the impairment of right-of-use operating lease assets.
- (9) Merger, acquisition and other costs are excluded as they are non-operating in nature.
- (10) Non-cash expense included in general and administrative: other.

NOTE 11—COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, is a party to various ordinary course claims from vendors (including food and beverage suppliers and film distributors), landlords, competitors, and other legal proceedings. If management believes that a loss arising from these actions is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range and no point is more probable than another. As additional information becomes available, any potential liability related to these actions is assessed and the estimates are revised, if necessary. Management believes that the ultimate outcome of such matters discussed below, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations. However, litigation and claims are subject to inherent uncertainties and unfavorable outcomes can occur. An unfavorable outcome might include monetary damages. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the results of operations in the period in which the outcome occurs or in future periods.

On January 12, 2018 and January 19, 2018, two putative federal securities class actions, captioned *Hawaii Structural Ironworkers Pension Trust Fund v. AMC Entertainment Holdings, Inc., et al.*, Case No. 1:18-cv-00299-AJN (the "Hawaii Action"), and *Nichols v. AMC Entertainment Holdings, Inc., et al.*, Case No. 1:18-cv-00510-AJN (the "Nichols Action," and together with the Hawaii Action, the "Actions"), respectively, were filed against the Company in the U.S. District Court for the Southern District of New York. The Actions, which name certain of the Company's officers and directors and, in the case of the Hawaii Action, the underwriters of the Company's February 8, 2017 secondary public offering, as defendants, assert claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") with respect to alleged material misstatements and omissions in the registration statement for the secondary public offering and in certain other public disclosures. On May 30, 2018, the court consolidated the Actions. On January 22, 2019, defendants moved to dismiss the Second Amended Class Action Complaint. On September 23, 2019, the court granted the motion to dismiss in part and denied it in part. On March 2, 2020, plaintiffs moved to certify the purported class. The motion was fully briefed on September 21, 2020.

On May 21, 2018, a stockholder derivative complaint, captioned *Gantulga v. Aron, et al.*, Case No. 2:18-cv-02262-JAR-TJJ (the "Gantulga Action"), was filed against certain of the Company's officers and directors in the U.S. District Court for the District of Kansas. The Gantulga Action, which was filed on behalf of the Company, asserts claims under Section 14(a) of the Exchange Act and for breaches of fiduciary duty and unjust enrichment based on allegations substantially similar to the Actions. On October 12, 2018, the parties filed a joint motion to transfer the action to the U.S. District Court for the Southern District of New York, which the court granted on October 15, 2018. When the action was transferred to the Southern District of New York, it was re-captioned *Gantulga v. Aron, et al.*,

[Table of Contents](#)

Case No. 1:18-cv-10007-AJN. The parties filed a joint stipulation to stay the action, which the court granted on December 17, 2018.

On October 2, 2019, a stockholder derivative complaint, captioned *Kenna v. Aron, et al.*, Case No. 1:19-cv-09148-AJN (the “Kenna Action”), was filed in the U.S. District Court for the Southern District of New York. The parties filed a joint stipulation to stay the action, which the court granted on October 17, 2019. On April 20, 2020, the plaintiff filed an amended complaint. The Kenna Action asserts claims under Sections 10(b), 14(a), and 21D of the Exchange Act and for breaches of fiduciary duty and unjust enrichment based on allegations substantially similar to the Actions and the Gantulga Action. The action remains stayed.

On March 20, 2020, a stockholder derivative complaint, captioned *Manuel v. Aron, et al.*, Case No. 1:20-cv-02456-AJN (the “Manuel Action”), was filed in the U.S. District Court for the Southern District of New York. The Manuel Action asserts claims under Sections 10(b), 21D, and 29(b) of the Exchange Act and for breaches of fiduciary duty based on allegations substantially similar to the Actions, the Gantulga Action, and the Kenna Action. The parties filed a joint stipulation to stay the action, which the court granted on May 18, 2020.

On April 7, 2020, a stockholder derivative complaint, captioned *Dinkevich v. Aron, et al.*, Case No. 1:20-cv-02870-AJN (the “Dinkevich Action”), was filed in the U.S. District Court for the Southern District of New York. The Dinkevich Action asserts the same claims as the Manuel Action based on allegations substantially similar to the Actions, the Gantulga Action, the Kenna Action, and the Manuel Action. The parties filed a joint stipulation to stay the action, which was granted on June 25, 2020.

On February 3, 2020, the Company received a books and records demand pursuant to 8 *Del. C.* § 220, seeking to investigate the conduct challenged in the Actions. AMC rejected the demand on February 10, 2020.

On December 31, 2019, the Company received a stockholder litigation demand, requesting that the Board investigate the allegations in the Actions and pursue claims on the Company’s behalf based on those allegations. On May 5, 2020, the Board determined not to pursue the claims sought in the demand at this time.

On July 15, 2020, the Company received a second stockholder litigation demand requesting substantially the same action as the stockholder demand it received on December 31, 2019. On September 23, 2020, the Board determined not to pursue the claims sought in the demand at this time.

On April 22, 2019, a putative stockholder class and derivative complaint, captioned *Lao v. Dalian Wanda Group Co., Ltd., et al.*, C.A. No. 2019-0303-JRS (the “Lao Action”), was filed against certain of the Company’s directors, Wanda, two of Wanda’s affiliates, Silver Lake, and one of Silver Lake’s affiliates in the Delaware Court of Chancery. The Lao Action asserts claims directly, on behalf of a putative class of Company stockholders, and derivatively, on behalf of the Company, for breaches of fiduciary duty and aiding and abetting breaches of fiduciary duty with respect to transactions that the Company entered into with affiliates of Wanda and Silver Lake on September 14, 2018, and the special cash dividend of \$1.55 per share of common stock that was payable on September 28, 2018 to the Company’s stockholders of record as of September 25, 2018. On July 18, 2019, the Company’s Board of Directors formed a Special Litigation Committee to investigate and evaluate the claims and allegations asserted in the Lao Action and make a determination as to how the Company should proceed with respect to the Lao Action. On October 25, 2019, the court granted a motion to stay the action for six months to allow the Special Litigation Committee to complete its investigation. On March 17, 2020, the court extended the stay until August 7, 2020, and on July 29, 2020 the court further extended the stay until December 11, 2020.

The Company remains contingently liable for lease payments under certain leases of theatres that it previously divested, in the event that such assignees are unable to fulfill their future lease payment obligations. During the three and nine months ended September 30, 2020, the Company recorded \$6.1 million and \$15.3 million, respectively, in estimated credit losses related to contingent lease guarantees in other expense. The Company applied a probability weighted approach for the estimation of credit loss reserve for contingent lease guarantees expected to be funded over the lease term using the discounted cash flow method. See Note 1—Basis of Presentation for further information regarding the adoption of ASU 2016-13.

NOTE 12—LOSS PER SHARE

Basic loss per share is computed by dividing net loss by the weighted-average number of common shares

[Table of Contents](#)

outstanding. Diluted loss per share includes the effects of potential dilutive shares from the conversion feature of the Convertible Notes, if dilutive.

The following table sets forth the computation of basic and diluted loss per common share:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Numerator:				
Net loss for basic loss per share	\$ (905.8)	\$ (54.8)	\$ (3,643.3)	\$ (135.6)
Net loss for diluted loss per share	\$ (905.8)	\$ (54.8)	\$ (3,643.3)	\$ (135.6)
Denominator (shares in thousands):				
Weighted average shares for basic loss per common share	107,695	103,850	105,428	103,826
Weighted average shares for diluted loss per common share	107,695	103,850	105,428	103,826
Basic loss per common share	\$ (8.41)	\$ (0.53)	\$ (34.56)	\$ (1.31)
Diluted loss per common share	\$ (8.41)	\$ (0.53)	\$ (34.56)	\$ (1.31)

Vested restricted stock units (“RSUs”), performance stock units (“PSUs”), and special performance stock units (“SPSUs”) have dividend rights identical to the Company’s Class A and Class B common stock and are treated as outstanding shares for purposes of computing basic and diluted earnings per share. For the nine months ended September 30, 2020 and September 30, 2019, unvested RSUs of 2,203,996 and 1,207,102, respectively, were not included in the computation of diluted loss per share because they would be anti-dilutive.

Unvested PSUs and SPSUs are subject to performance and market conditions, respectively, and are included in diluted earnings per share, if dilutive, based on the number of shares, if any, that would be issuable under the terms of the Company’s 2013 Equity Incentive Plan if the end of the reporting period were the end of the contingency period. Unvested PSUs of 769,414 and 488,931 at 100% performance target for the nine months ended September 30, 2020 and September 30, 2019, respectively, and unvested SPSUs of 578,328 at the minimum market condition for nine months ended September 30, 2020, were not included in the computation of diluted loss per share because they would not be issuable if the end of the reporting period were the end of the contingency period.

The Company uses the if-converted method for calculating any potential dilutive effect of the Convertible Notes that were issued on September 14, 2018. For the three and nine months ended September 30, 2020, the Company has not adjusted net loss to eliminate the interest expense of \$7.8 million and \$24.4 million, respectively, and the other expense for the derivative liability related to the Convertible Notes of \$89.9 million and \$89.4 million, respectively, in the computation of diluted loss per share because the effects would be anti-dilutive. For the three and nine months ended September 30, 2019, the Company has not adjusted net loss to eliminate the interest expense of \$8.2 million and \$24.2 million, respectively, and the other expense (income) for the derivative liability related to the Convertible Notes of \$5.7 million and \$(14.9) million, respectively, in the computation of diluted loss per share because the effects would be anti-dilutive. The Company has not included in diluted weighted average shares approximately 34.0 million and 32.5 million shares issuable upon conversion for the three and nine months ended September 30, 2020, respectively, and 31.7 million shares for the three and nine months ended September 30, 2019, as the effects would be anti-dilutive. Based on the current conversion price of \$13.51 per share the Convertible Notes are convertible into 44,422,860 Class A common shares.

NOTE 13—SUBSEQUENT EVENTS

As part of the Equity Distribution Agreement described in Note 7—Stockholders’ Equity, the Company raised gross proceeds of approximately \$53.2 million during the month of October 2020 through its at-the-market offering of approximately 14.4 million shares of its Class A common stock and paid fees to the Sales Agents of approximately \$1.3 million.

The Company entered into an additional Equity Distribution Agreement with the Sales Agents, dated October 20, 2020, on substantially the same terms as the Equity Distribution Agreement, to sell 15.0 million additional shares of Class A common stock. As of October 30, 2020 settlement date, the Company raised additional gross proceeds of approximately \$33.8 million during the month of October 2020 through its at-the-market offering of approximately 11.8

[Table of Contents](#)

million shares of its Class A common stock and paid fees to the Sales Agents of approximately \$0.8 million.

On October 30, 2020, the Board of Directors approved (1) modifications to certain equity awards under its 2013 Employee Incentive Plan and (2) certain cash bonuses in lieu of any potential future payments under its 2020 Annual Incentive Plan as more fully described in Item 5. Other Information of Part II of this Form 10-Q.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q 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. Examples of forward-looking statements include statements we make regarding the impact of COVID-19, future attendance levels and our liquidity. 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 and speak only as of the date on which it is made. 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:

- our ability to obtain additional liquidity, which if not realized or insufficient to generate the material amounts of additional liquidity that will be required until we are able to achieve more normalized levels of operating revenues, likely would result with us seeking an in-court or out-of-court restructuring of our liabilities, and in the event of such future liquidation or bankruptcy proceeding, holders of our common stock and other securities would likely suffer a total loss of their investment;
- the impact of the COVID-19 virus on us, the motion picture exhibition industry, and the economy in general, including our response to the COVID-19 virus related to suspension of operations at our theatres, personnel reductions and other cost-cutting measures and measures to maintain necessary liquidity and increases in expenses relating to precautionary measures at our facilities to protect the health and well-being of our customers and employees;
- risks and uncertainties relating to our significant indebtedness, including our borrowing capacity and our ability to meet our financial maintenance and other covenants;
- the manner, timing and amount of benefit we receive under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) or other applicable governmental benefits and support for which we are eligible domestically and internationally;
- risks relating to impairment losses, including with respect to goodwill and other intangibles, and theatre and other closure charges;
- 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 including premium video on demand or other forms of entertainment;
- shrinking exclusive theatrical release windows;

[Table of Contents](#)

- AMC Stubs[®] A-List may not meet anticipated revenue projections which could result in a negative impact upon operating results;
- general and international economic, political, regulatory, social and financial market conditions and other risks including the effects of the exit of the United Kingdom from the European Union;
- limitations on the availability of capital may prevent us from deploying strategic initiatives;
- 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 strategic theatre acquisitions and strategic initiatives;
- our ability to refinance our indebtedness on terms favorable to us or at all;
- 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;
- our ability to utilize interest expense deductions may be limited annually due to Section 163(j) of the Tax Cuts and Jobs Act of 2017;
- our ability to recognize interest deduction carryforwards and net operating loss carryforwards to reduce our future tax liability;
- our ability to recognize certain international deferred tax assets which currently do not have a valuation allowance recorded;
- impact of the elimination of the calculation of USD LIBOR rates on our contracts indexed to USD LIBOR;
- review by antitrust authorities in connection with acquisition opportunities;
- 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 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 failure to comply with governmental regulation, including the General Data Protection Regulation, the California Consumer Privacy Act and pending future domestic privacy laws and regulations;
- geopolitical events, including the threat of terrorism or cyber-attacks, or widespread health emergencies, such as the novel coronavirus or other pandemics or epidemics, causing people to avoid our theatres or other public places where large crowds are in attendance;
- the ability to obtain suitable equity and/or debt financing and the continued availability of financing, in the amounts and on the terms necessary to support our future refinancing requirements and business; and

- other risks referenced from time to time in filings with the SEC.

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 and we caution accordingly against relying on forward-looking statements.

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” of Part II of this Form 10-Q and Item 1A. “Risk Factors,” and Item 1. “Business” in our Annual Report on Form 10-K for the year ended December 31, 2019, and our other public filings.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included herein are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Temporarily Suspended Operations

As of March 17, 2020, we temporarily suspended all theatre operations in our U.S. markets and International markets in compliance with local, state, and federal governmental restrictions and recommendations on social gatherings to prevent the spread of COVID-19 and as a precaution to help ensure the health and safety of our guests and theatre staff. As a result of these temporarily suspended operations, our revenues and expenses for the three and nine months ended September 30, 2020 are significantly lower than the revenues and expenses for the three and nine months ended September 30, 2019.

Industry Box Office. The North American industry box office has been significantly impacted by COVID-19 in the third quarter ending September 30, 2020. Although certain states authorized the reopening of theatres as early as June 2020, with limited seating capacities and social distancing guidelines, some states, including California, New York, and Maryland, remain partially closed for theatrical exhibition as of the end of October 2020. As a result, studios have postponed new film releases or moved them to the home video market, and movie release dates may continue to move in the future. Major movie releases that were previously scheduled to be released in the fourth quarter have either been rescheduled for 2021 or slated for direct to streaming in lieu of a theatrical release, leaving a reduced slate of movie releases for the remainder of the year, and release dates may continue to move. Certain competitors have decided to temporarily reclose their theatres in light of the ongoing pandemic and the reduced slate of movie releases, which may further exacerbate the trend described above. On October 23, 2020, we resumed operations at several AMC locations throughout the state of New York as a result of the state government allowing movie theatres to reopen throughout much of the state. The combination of theatre reopening restrictions and limited new film distribution has resulted in a significantly lower industry box office for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. In response to the current low attendance levels, the Company has made adjustments to theatre operating hours to align screen availability and associated theatre operating costs with attendance levels for each theatre. We also introduced AMC Private Screening, which allows movie goers to reserve a separate AMC Safe & Clean™ auditorium for a private screening for up to 20 people, starting at \$99 plus tax.

Update on Theatre Reopenings-U.S. markets. Our theatre operations in the U.S. markets remained suspended for the entire second quarter ended June 30, 2020. We resumed limited operations in our U.S. markets in late August 2020 with the initial 115 theatre reopenings occurring on August 20, 2020. We reopened 170 additional theatres on August 26, 2020, and 142 additional theatres on September 4, 2020. As of September 30, the Company had resumed operations at 467 U.S. theatres, with limited seating capacities of between 25% and 40%, representing approximately 78% of the U.S. theatres and 73% of 2019 U.S. same-theatre revenue. Since the resumption of operations in its U.S. markets, we have served more than 1,973,000 guests as of September 30, 2020, representing a same-theatre attendance decline of approximately 83% compared to the same period a year ago. As of the end of October 2020, we operated approximately 539 of our 600 U.S. theatres, with limited seating capacities. The remaining 10% of the U.S. theatres left to reopen are primarily located in California, Maryland, and New York, and include some of our most productive theatres, representing approximately 15% of 2019 U.S. same theatre revenue. In regions where theatres are not yet able to open, we continue to have productive discussions with local and state government authorities about the appropriate timing for a resumption of operations.

Update on Theatre Reopenings-International markets. We resumed limited operations in the International markets in early June. As of June 30, 2020, we had resumed operations at 37 theatres, with limited seating capacities, in nine countries and recorded attendance of 100,000 guests in June. As of July 31, 2020, we had resumed operations at 182 leased and partnership theatres. As of September 30, 2020, we had resumed operations at 321 leased and partnership theatres. This represents approximately 91% of our international theatres and approximately 93% of 2019 international same-theatre revenue. Seating capacity at the reopened international theatres remains limited to between 25% and 50% of capacity to ensure social distancing for guests. Since the resumption of operations in our International markets on June 3, 2020, our theatres have served more than 4,637,000 guests as of September 30, 2020, representing a same-theatre attendance decline of approximately 74% compared to the same period a year ago. As of the end of October 2020, we operated 261 of our 358 international theatres. The reduction in open international theatres between September 30, 2020 and October 30, 2020 is a result of a recent resurgence of COVID-19 cases in our International markets. Italy, Germany, Spain, Ireland and the UK have announced or enacted plans to reinstitute national or regional lockdowns to protect their citizenry. As a result, we plan to close or have closed some or all of our previously reopened theatres in these countries, depending on the respective mandate. We expect to reopen these theatres when the respective mandate has been lifted and it is safe to do so and permissible under local, provincial as well as national guidelines.

Overview

AMC is the world's largest theatrical exhibition company and an industry leader in innovation and operational excellence. We operate theatres in 15 countries and are the market leader in nine of those.

Our theatrical exhibition revenues are generated primarily from box office admissions and theatre food and beverage sales. The balance of our revenues are generated from ancillary sources, including on-screen advertising, fees earned from our AMC Stubs® customer frequency membership program, rental of theatre auditoriums, income from gift card and exchange ticket sales, online ticketing fees and arcade games located in theatre lobbies. As of September 30, 2020, we owned, operated or had interests in 958 theatres and 10,697 screens.

Film Content

Box office admissions are our largest source of revenue. We predominantly license "first-run" films from distributors owned by major film production companies and from independent distributors on a film-by-film and theatre-by-theatre basis. Film exhibition costs are accrued based on the applicable admissions revenues and estimates of the final settlement pursuant to our film licenses. Licenses that we enter into typically state that rental fees are based on aggregate terms established prior to the opening of the picture. In certain circumstances and less frequently, our rental fees are based on a mutually agreed settlement upon the conclusion of the picture. In certain circumstances and less frequently, our rental fees are established on a weekly basis for the coming week's percentage forecast. Some European licenses use a per capita agreement instead, paying a flat amount per ticket, where the sum is agreed in advance of the film showing. Under an aggregate terms formula, we pay the distributor a specified percentage of box office gross or pay based on a scale of percentages tied to different amounts of box office gross, or in Europe, we pay based on the number of weeks since release. The settlement process allows for negotiation based upon how a film actually performs.

Our revenues attributable to individual distributors may vary significantly from year to year depending upon the commercial success of each distributor's films in any given year. Our results of operations may vary significantly from quarter to quarter and from year to year based on the timing and popularity of film releases.

Movie Screens

During the nine months ended September 30, 2020, we opened four new theatres with 29 screens, added five additional screens to existing theatres, permanently closed 399 screens, temporarily closed 26 screens to install consumer experience upgrades and reopened 33 screens to install consumer experience upgrades.

The following table provides details of our theatre circuit by segment for the periods indicated:

Format	U.S. Markets		International Markets	
	Number of Screens As of September 30, 2020	Number of Screens As of September 30, 2019	Number of Screens As of September 30, 2020	Number of Screens As of September 30, 2019
IMAX®	188	188	35	31
Dolby Cinema™	150	140	5	4
Other Premium Large Format ("PLF")	54	52	73	65
Dine-in theatres	713	683	8	2
Premium seating	3,305	3,144	505	459

Guest Amenities

We seek to upgrade the quality of our theatre circuit through substantial renovations featuring our seating concepts, acquisitions, new builds (including expansions), expansion of food and beverage offerings (including dine-in theatres), and by disposing of older screens through closures and sales.

Recliner seating is the key feature of theatre renovations, which historically drove a 34% increase in attendance prior to the COVID-19 pandemic, on average, at these locations in their first year post renovation. These renovations, in conjunction with capital contributions from our landlords, involve stripping theatres to their basic structure in order to replace finishes throughout, upgrade the sight and sound experience, install modernized points of sale and, most importantly, replace traditional theatre seats with plush, electric recliners that allow customers to deploy a leg rest and fully recline at the push of a button.

As of September 30, 2020, in our U.S. markets we now feature recliner seating in approximately 345 U.S. theatres, including Dine-in-Theatres, totaling approximately 3,305 screens and representing 35.6% of total U.S. screens. In our International markets, we have recliner seating in approximately 79 International theatres, totaling approximately 505 screens and representing 17.6% of total International screens.

Open-source internet ticketing makes our AMC seats (over 1.0 million) in all our U.S. theatres and auditoriums, for all our showtimes as available as possible, on as many websites as possible. Our tickets are sold over the internet, directly or through mobile apps, at our own website and app, and other third-party ticketing vendors.

Food and beverage sales are our second largest source of revenue after box office admissions. Food and beverage items traditionally include popcorn, soft drinks, candy and hot dogs. Different varieties of food and beverage items are offered at our theatres based on preferences in the particular geographic region. Our traditional food and beverage strategy emphasizes prominent and appealing food and beverage offerings designed for rapid service and efficiency, including a customer friendly self-serve experience.

To address recent consumer trends, we have expanded our menu of enhanced food and beverage products to include made-to-order drinks and meals, customized coffee, healthy snacks, premium beers, wine and mixed drinks, flatbread pizzas, more varieties of hot dogs, four flavors of popcorn and other menu items. We operate 50 Dine-In Theatres in the U.S. and two Dine-In Theatres in Europe that deliver chef-inspired menus with seat-side or delivery service to luxury recliners with tables.

Loyalty Programs and Other Marketing

In our U.S. markets, we begin the process of engagement with AMC Stubs® our customer loyalty program which allows members to earn rewards, receive discounts and participate in exclusive members-only offerings and services. It features a traditional paid tier called AMC Stubs Premiere™ for a \$15 annual membership fee and a non-

[Table of Contents](#)

paid tier called AMC Stubs Insider™. Both programs reward loyal guests for their patronage of AMC theatres. Rewards earned are redeemable on future purchases at AMC locations.

The portion of the admissions and food and beverage revenues attributed to the rewards is deferred as a reduction of admissions and food and beverage revenues and is allocated between admissions and food and beverage revenues based on expected member redemptions. Upon redemption, deferred rewards are recognized as revenues along with associated cost of goods. We estimate point breakage in assigning value to the points at the time of sale based on historical trends. The program's annual membership fee is allocated to the material rights for discounted or free products and services and is initially deferred, net of estimated refunds, and recognized as the rights are redeemed based on estimated utilization, over the one-year membership period in admissions, food and beverage, and other revenues. A portion of the revenues related to a material right are deferred as a virtual rewards performance obligation using the relative standalone selling price method and are recognized as the rights are redeemed or expire.

AMC Stubs® A-List is our monthly subscription-based tier of the AMC Stubs® loyalty program. This program offers guests admission to movies at AMC up to three times per week including multiple movies per day and repeat visits to already seen movies for \$19.95 to \$23.95 per month depending upon geographic market. AMC Stubs® A-List also includes premium offerings including IMAX®, Dolby Cinema™ at AMC, RealD, Prime and BigD. AMC Stubs® A-List members can book tickets on-line in advance and select specific seats at AMC Theatres with reserved seating. Upon the temporary suspension of theatre operations due to COVID-19, all monthly A-List subscription charges were put on hold. As we re-opened theatres during the three months ended September 30, 2020, A-List members had the option to reactivate their subscription, which restarted the monthly charge for the program.

As of September 30, 2020, we had more than 23,200,000 member households enrolled in AMC Stubs® A-List, AMC Stubs Premiere™ and AMC Stubs Insider™ programs, combined.

In our International markets, we currently have loyalty programs in the major territories in which we operate. The movie-goers can earn points for spending money at the theatre, and those points can be redeemed for tickets and concession items at a later date. Odeon currently has more than 14,200,000 members in these various loyalty programs. We are currently evaluating the Odeon loyalty programs to determine how best to reward our European movie-goers and heighten guest loyalty to drive additional attendance to Odeon theatres. The programs have been paused during the suspension of operations at all of our theatres.

Our marketing efforts are not limited to our loyalty programs as we continue to improve our customer connections through our website and mobile apps and expand our online and movie offerings. In select markets during 2019, we upgraded our mobile applications with the ability to order food and beverage offerings via our mobile applications while ordering tickets ahead of scheduled showtimes. Also, in 2019, we launched AMC Theatres On Demand, a new service where members of the AMC Stubs® loyalty program can rent or buy movies. We believe our competitive advantage of a robust and easy-to-use online and mobile presence combined with an effective loyalty program that provides better market intelligence to anticipate customers' future behavior should allow us to capture incremental share of both entertainment dollars and time.

Critical Accounting Policies and Estimates

Long-lived Assets Impairments. We evaluate indefinite-lived intangible assets for impairment annually or more frequently as specific events or circumstances dictate. We operate in a very competitive business environment and our revenues are highly dependent on movie content supplied by film producers. In addition, it is common for us to closely monitor certain locations where operating performance may not meet our expectations.

We review long-lived assets, including definite-lived intangible assets and theatre assets (including operating lease right-of-use assets) whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. We identify impairments related to internal use software when management determines that the remaining carrying value of the software will not be realized through future use. We evaluate events or circumstances, including competition in the markets where we operate that would indicate the carrying value of theatre assets may not be fully recoverable. We evaluate theatres using historical and projected data of theatre level cash flow as our primary indicator of potential impairment and consider the seasonality of our business when making these evaluations. If an event or circumstance is identified indicating carrying value may not be recoverable, the sum of future undiscounted cash flows is compared to the carrying value. If carrying value exceeds the future undiscounted cash flows, the carrying value of the asset is reduced to fair value. Assets are evaluated for impairment on an individual theatre basis, which management believes is the lowest level for which there are identifiable cash flows. The fair value

[Table of Contents](#)

of assets is determined as either the expected selling price less selling costs (where appropriate) or the present value of the estimated future cash flows, adjusted as necessary for market participant factors.

We recorded impairment charges primarily related to long-lived assets and definite lived intangible assets of \$34.5 million and \$133.8 million during the three and nine months ended September 30, 2020, respectively. There are a number of estimates and significant judgments that are made by management in performing these impairment evaluations. Such judgments and estimates include estimates of future attendance, revenues, rent relief, cost savings, cash flows, capital expenditures, and the cost of capital, among others. Attendance is expected to be significantly below historical levels following reopening with limited seating capacities and social distancing guidelines and studios have postponed new film releases or moved them to the home video market, and movie release dates may continue to move in the future. We believe we have used reasonable and appropriate business judgments. There is considerable management judgment with respect to cash flow estimates and appropriate discount rates to be used in determining fair value, and, accordingly, actual results could vary significantly from such estimates, which fall under Level 3 within the fair value measurement hierarchy. These estimates determine whether impairments have been incurred, and quantify the amount of any related impairment charge. Given the nature of our business and our recent history, future impairments are possible and they may be material, based upon business conditions that are constantly changing and the competitive business environment in which we operate.

We recorded non-cash impairment of long-lived assets of \$28.1 million on 49 theatres in the U.S. markets with 527 screens (in Alabama, California, Colorado, Florida, Illinois, Indiana, Iowa, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Wisconsin, Wyoming) and \$0 in the International markets during the three months ended September 30, 2020. During the nine months ended September 30, 2020, we recorded non-cash impairment of long-lived assets of \$109.5 million on 75 theatres in the U.S. markets with 851 screens (in Alabama, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming) and \$9.9 million on 23 theatres in the International markets with 213 screens (in Germany, Italy, Spain, UK and Sweden), respectively. During the three and nine months ended September 30, 2020, we recorded impairment losses related to definite-lived intangible assets of \$6.4 million and \$14.4 million, respectively. In addition, we recorded an impairment loss of \$0 and \$7.2 million within investment expense (income), related to equity interest investments without a readily determinable fair value accounted for under the cost method during the three and nine months ended September 30, 2020, respectively.

At September 30, 2020 and March 31, 2020, we performed a quantitative impairment evaluation of our indefinite-lived intangible assets related to the AMC, Odeon and Nordic tradenames and recorded impairment charges of \$4.5 million and \$10.4 million related to Odeon tradename and \$0.1 million and \$2.5 million related to Nordic for the three and nine months ended September 30, 2020, respectively. No impairment charges were recorded related to the AMC trade name for the three and nine months ended September 30, 2020. To estimate fair value of our indefinite-lived trade names, we employed a derivation of the Income Approach known as the Royalty Savings Method. The Royalty Savings Method values an intangible asset by estimating the royalties saved through ownership of the asset. At September 30, 2020 and March 31, 2020, we applied royalty rates of 0.5% for AMC and Odeon tradenames and 1.0% for Nordic to the related theatre revenues on an after-tax basis using effective tax rates. At September 30, 2020, related cash flows were discounted at 13.0% for AMC and 14.0% for Odeon and Nordic, and at March 31, 2020, related cash flows were discounted at 12.5% for AMC and 14.0% for Odeon and Nordic.

Goodwill. We evaluate the goodwill recorded at our two reporting units (Domestic Theatres and International Theatres) for impairment annually as of the beginning of the fourth fiscal quarter or more frequently as specific events or circumstances dictate. Our market capitalization has been below carrying value since May 24, 2019.

In accordance with ASC 350-20-35-30, we performed an assessment to determine whether there were any events or changes in circumstances that would warrant an interim ASC 350 impairment analysis as of September 30, 2020, June 30, 2020, and March 31, 2020.

Based on the suspension of operations at all of our theatres on or before March 17, 2020 due to the COVID-19 pandemic during the first quarter of 2020, the suspension of operations during the second and third quarters of 2020 for a longer period of time and the further delay or cancellation of film releases than originally estimated, we performed the Step 1 quantitative goodwill impairment test as of September 30, 2020. The impairment test for goodwill involves estimating the fair value of the reporting unit and comparing that value to its carrying value. If the estimated fair value

[Table of Contents](#)

of the reporting unit is less than its carrying value, the difference is recorded as a goodwill impairment charge, not to exceed the total amount of goodwill allocated to that reporting unit. In performing the Step 1 quantitative goodwill impairment test as of September 30, 2020, we used an enterprise value approach to measure fair value of the reporting units. The enterprise fair value of the Domestic Theatres and International Theatres reporting units was less than their carrying values and goodwill impairment charges of \$151.2 million and \$5.6 million, respectively, were recorded during the three months ended September 30, 2020 for our Domestic Theatres and International Theatres reporting units.

We determined the fair value of our Domestic Theatres and International Theatres reporting units by using the income approach for the enterprise valuation methodology, which utilizes discounted cash flows. We did not weight any of the enterprise valuation methodology on the market approach. We believe that using 100% income approach provided a more reasonable measurement of the enterprise value basis at September 30, 2020. Due to the volatility and unreliability in the market multiples, the lack of standalone Domestic and International public theatre companies, and the temporary suspension of operations due to the COVID-19 pandemic and the current impact on Adjusted EBITDA, we did not believe that placing any weight on the market approach was appropriate for this valuation.

The income approach provides an estimate of fair value by measuring estimated annual cash flows over a discrete projection period and applying a present value discount rate to the cash flows. The present value of the cash flows is then added to the present value equivalent of the residual value of the business to arrive at an estimated fair value of the reporting unit. The residual value represents the present value of the projected cash flows beyond the discrete projection period. The discount rates were determined using a rate of return deemed appropriate for the risk of achieving the projected cash flows. There was considerable management judgment with respect to cash flow estimates and discount rates to be used in estimating fair value, which are classified as Level 3 in fair value hierarchy.

Key rates used in the income approach were as follows:

Description	September 30, 2020	
	Domestic Theatres	International Theatres
Income approach:		
Weighted average cost of capital/discount rate	12.0%	13.0%
Long-term growth rate	1.0%	1.0%

At March 31, 2020, we performed the Step 1 quantitative goodwill impairment test and used an enterprise value approach to measure fair value of the reporting units. The enterprise fair values of the Domestic Theatres and International Theatres reporting units were less than their carrying values and goodwill impairment charges of \$1,124.9 million and \$619.4 million, respectively, was recorded as of March 31, 2020 for our Domestic Theatres and International Theatres reporting units. The quantitative goodwill impairment test performed as of March 31, 2020 indicated our estimated enterprise fair value to our market enterprise value implied a premium of 22.7%.

Key assumptions used in the quantitative impairment test performed at March 31, 2020 were as follows:

Description	March 31, 2020	
	Domestic Theatres	International Theatres
Income approach:		
Weighted average cost of capital/discount rate	11.5%	13.0%
Long-term growth rate	2.0%	2.0%

While the fair values of our reporting units approximate their respective carrying values at the present time, the performance of the reporting units may require improvement in future periods to maintain this level. Further declines in the operating performance of our Domestic and International Theatres, further declines in the fair value of our debt, further declines in the trading price of our Class A common stock, small changes in certain key input assumptions, and/or other events or circumstances could occur and could have a significant impact on the estimated fair values. Examples of adverse events or circumstances that could change include (i) the ultimate duration of the COVID-19 pandemic and the prolonged temporary suspension of certain of our theatre operations as well as the behavior of the movie-going public as we resume operations; (ii) an adverse change in macroeconomic conditions; (iii) increased cost factors that have a negative effect on our earnings and cash flows; (iv) negative or overall declining financial performance compared with our actual and projected results of relevant prior periods; (v) further declines in the fair

value of our debt, and (vi) a further sustained decrease in our share price. A future impairment could result for a portion of the goodwill, long-lived assets or intangible assets. Any impairment charges that we may take in the future could be material to our results of operations and financial condition.

Significant Events

Equity Distribution Agreement. On September 24, 2020, we entered into an equity distribution agreement (the “Equity Distribution Agreement”) with Citigroup Global Markets Inc. and Goldman Sachs & Co. LLC, as sales agents (each, a “Sales Agent” and collectively, the “Sales Agents”), to sell up to 15.0 million shares of our Class A common stock, par value \$0.01 per share, from time to time, through an “at-the-market” offering program (the “Offering”). Subject to the terms and conditions of the Equity Distribution Agreement, the Sales Agents will use reasonable efforts consistent with their normal trading and sales practices, applicable law and regulations, and the rules of the New York Stock Exchange to sell the Class A common stock from time to time based upon our instructions for the sales, including any price, time or size limits specified by us. We intend to use the net proceeds from the sale of the Class A common stock pursuant to the Equity Distribution Agreement for general corporate purposes, which may include the repayment, refinancing, redemption or repurchase of existing indebtedness or working capital, capital expenditures and other investments. During September 2020 and October 2020, we raised gross proceeds of approximately \$2.9 million and \$53.2 million, respectively, through our at-the-market offering of approximately 0.6 million and 14.4 million shares, respectively, of our Class A common stock and paid fees to the Sales Agents of approximately \$0.1 million and \$1.3 million, respectively. In addition, we entered into an additional Equity Distribution Agreement with the Sales Agents, dated October 20, 2020, on substantially the same terms as the Equity Distribution Agreement, to sell 15.0 million additional shares of Class A common stock. As of the October 30, 2020 settlement date, we have raised additional gross proceeds of approximately \$33.8 million through the sale of approximately 11.8 million shares of our Class A common stock under the additional Equity Distribution Agreement and paid fees to the Sales Agents of approximately \$0.8 million.

Baltics’ theatre sale agreement. On August 28, 2020, we entered into an agreement to sell our equity interest in Forum Cinemas OU, which consists of nine theatres located in the Baltics’ region (Latvia, Lithuania and Estonia) and is included in our International markets reportable segment, for total consideration of approximately €77.25 million, including cash of approximately €64.35 million or \$76.6 million prior to any transaction costs. This transaction was undertaken by us to further increase our liquidity and strengthen our balance sheet at a transaction multiple that demonstrates that market participants ascribe positive value to the business. The completion of the sale will take place in several steps and is contingent upon clearance from each regulatory competition council in each country. We received \$37.5 million (€31.53 million) cash consideration upon entering into the sale agreement on August 28, 2020, transferred an equity interest of 49% in Forum Cinemas OU to the purchaser and recognized a noncontrolling interest of \$34.9 million in total equity (deficit). Transaction costs of \$1.0 million and net gain of \$2.8 million related to the sale of 49% equity interest were recorded in additional paid-in capital during the three and nine months ended September 30, 2020. The carrying amounts of the major classes of assets and liabilities included as part of the disposal group that were previously included in the International markets reportable segment were; goodwill of \$48.6 million, property, net, of \$15.9 million, operating lease right-of-use assets, net of \$16.0 million, and current and long-term operating lease liabilities of \$2.3 million and \$14.1 million, respectively. The remaining cash consideration is payable upon completion of the sale of the remaining 51% equity interest, which is expected to occur in three separate transactions by country following competition council clearance in each country. At September 30, 2020, our noncontrolling interest of 49% in Forum Cinemas was \$34.7 million. We estimate that the sale of Forum Cinemas will be completed in 2021.

Exchange Offers. On July 31, 2020, we closed our previously announced Exchange Offer for our Existing Senior Subordinated Notes for new Second Lien Notes due 2026 and reduced the principal amount of the Company’s total debt by approximately \$555 million, which represented approximately 23.9% of the previously outstanding amount of the Company’s subordinated notes. We raised \$300 million in additional cash from the issuance of First Lien Notes due 2026, prior to deducting discounts of \$30.0 million and deferred financing costs paid to lenders of \$6.0 million. Additionally, certain holders of the Company’s Existing Senior Subordinated Notes that agreed to backstop the offering of \$200 million of the Company’s First Lien Notes due 2026 received five million Class A common shares, or 4.6% of AMC’s outstanding shares on July 31, 2020, worth \$20.2 million at the market closing price on July 31, 2020. The closing of the Exchange Offer also allowed us to extend maturities on approximately \$1.7 billion of debt to 2026, most of which was maturing in 2024 and 2025 previously. Interest due for the coming 12 to 18 months on the Second Lien Notes due 2026 is expected to be paid all or in part on an in-kind basis, thereby generating a further near-term cash savings for us of between approximately \$120 million and \$180 million. See Note 6—Corporate Borrowings in the

[Table of Contents](#)

Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information.

We performed an assessment on a lender by lender basis to identify certain lenders that met the criteria for troubled debt restructuring (“TDR”) under ASC 470-60, Troubled Debt Restructurings by Debtors (“ASC 470-60”) as we were experiencing financial difficulties and the lenders granted us a concession. The portion of the loans that did not meet the assessment of TDR under ASC 470-60 were treated as modifications. We accounted for the exchange of approximately \$1,782.5 million principal amount of our Existing Senior Subordinated Notes for approximately \$1,289.1 million principal amount of the Second Lien Notes due 2026 as TDR. We accounted for the exchange of the remaining approximately \$235.0 million principal amount of our Existing Senior Subordinated Notes for approximately \$173.2 million principal amount of the Second Lien Notes due 2026 as a modification of debt as the lenders did not grant a concession and the difference between the present value of the old and new cash flows was less than 10%. The TDR and modification did not result in a gain recognition and we established new effective interest rates based on the carrying value of the Existing Subordinated Notes and recorded the new fees paid to third parties of approximately \$36.3 million and \$39.1 million in other expense, during the three and nine months ended September 30, 2020, respectively.

We realized significant cancellation of debt income (“CODI”) in connection with our debt restructuring. As a result of such CODI, we estimate a significant portion of our net operating losses and tax credits will be eliminated as a result of tax attribute reductions. Any loss of tax attributes as a result of such CODI may adversely affect our cash flows and therefore our ability to service our indebtedness.

Operating Results

The following table sets forth our consolidated revenues, operating costs and expenses.

(In millions)	Three Months Ended			Nine Months Ended		
	September 30, 2020	September 30, 2019	% Change	September 30, 2020	September 30, 2019	% Change
Revenues						
Admissions	\$ 62.9	\$ 797.3	(92.1)%	\$ 631.8	\$ 2,424.3	(73.9)%
Food and beverage	29.1	420.0	(93.1)%	317.6	1,281.3	(75.2)%
Other theatre	27.5	99.5	(72.4)%	130.5	317.7	(58.9)%
Total revenues	<u>119.5</u>	<u>1,316.8</u>	<u>(90.9)%</u>	<u>1,079.9</u>	<u>4,023.3</u>	<u>(73.2)%</u>
Operating Costs and Expenses						
Film exhibition costs	26.6	416.8	(93.6)%	298.5	1,264.6	(76.4)%
Food and beverage costs	8.8	67.2	(86.9)%	66.7	205.1	(67.5)%
Operating expense, excluding depreciation and amortization below	192.1	419.0	(54.2)%	663.8	1,259.2	(47.3)%
Rent	214.3	238.7	(10.2)%	676.2	726.6	(6.9)%
General and administrative:						
Merger, acquisition and other costs	1.0	4.7	(78.7)%	3.0	11.2	(73.2)%
Other, excluding depreciation and amortization below	32.7	37.5	(12.8)%	91.3	126.9	(28.1)%
Depreciation and amortization	123.5	112.1	10.2 %	365.7	337.1	8.5 %
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill	195.9	—	* %	2,047.8	—	* %
Operating costs and expenses	<u>794.9</u>	<u>1,296.0</u>	<u>(38.7)%</u>	<u>4,213.0</u>	<u>3,930.7</u>	<u>7.2 %</u>
Operating income (loss)	<u>(675.4)</u>	<u>20.8</u>	<u>* %</u>	<u>(3,133.1)</u>	<u>92.6</u>	<u>* %</u>
Other expense (income):						
Other expense (income)	125.0	(1.3)	* %	145.3	5.1	* %
Interest expense:						
Corporate borrowings	82.8	73.2	13.1 %	233.7	218.7	6.9 %
Finance lease obligations	1.4	1.8	(22.2)%	4.5	6.0	(25.0)%
Non-cash NCM exhibitor service agreement	10.1	10.1	— %	30.1	30.4	(1.0)%
Equity in (earnings) loss of non-consolidated entities	10.6	(7.5)	* %	25.9	(24.2)	* %
Investment expense (income)	(4.1)	(0.5)	* %	4.0	(18.7)	* %
Total other expense, net	<u>225.8</u>	<u>75.8</u>	<u>* %</u>	<u>443.5</u>	<u>217.3</u>	<u>* %</u>
Loss before income taxes	<u>(901.2)</u>	<u>(55.0)</u>	<u>* %</u>	<u>(3,576.6)</u>	<u>(124.7)</u>	<u>* %</u>
Income tax provision (benefit)	4.6	(0.2)	* %	66.7	10.9	* %
Net loss	<u>(905.8)</u>	<u>(54.8)</u>	<u>* %</u>	<u>(3,643.3)</u>	<u>(135.6)</u>	<u>* %</u>
Less: Net income attributable to noncontrolling interests	—	—	— %	—	—	— %
Net loss attributable to AMC Entertainment Holdings, Inc.	<u>\$ (905.8)</u>	<u>\$ (54.8)</u>	<u>* %</u>	<u>\$ (3,643.3)</u>	<u>\$ (135.6)</u>	<u>* %</u>

* Percentage change in excess of 100%

[Table of Contents](#)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating Data:				
Screen additions	21	1	34	38
Screen acquisitions	14	—	14	64
Screen dispositions	185	77	399	181
Construction openings (closures), net	14	(15)	7	(67)
Average screens (1)	4,022	10,662	4,318	10,674
Number of theatres operated	788	1,000	788	1,000
Total number of circuit screens	10,697	10,945	10,697	10,945
Total number of circuit theatres	958	1,000	958	1,000
Screens per theatre	11.2	10.9	11.2	10.9
Attendance (in thousands) (1)	6,503	87,100	67,098	263,880

(1) Includes consolidated theatres only and excludes screens offline due to construction and temporary suspension of operations as consequence of the COVID-19 pandemic.

Segment Operating Results

The following table sets forth our revenues, operating costs and expenses by reportable segment.

(In millions)	U.S. Markets		International Markets		Consolidated	
	Three Months Ended		Three Months Ended		Three Months Ended	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Revenues						
Admissions	\$ 18.4	\$ 578.1	\$ 44.5	\$ 219.2	\$ 62.9	\$ 797.3
Food and beverage	10.5	327.0	18.6	93.0	29.1	420.0
Other theatre	18.4	65.6	9.1	33.9	27.5	99.5
Total revenues	47.3	970.7	72.2	346.1	119.5	1,316.8
Operating Costs and Expenses						
Film exhibition costs	9.5	321.7	17.1	95.1	26.6	416.8
Food and beverage costs	4.4	46.5	4.4	20.7	8.8	67.2
Operating expense	122.6	303.7	69.5	115.3	192.1	419.0
Rent	157.2	174.9	57.1	63.8	214.3	238.7
General and administrative expense:						
Merger, acquisition and other costs	0.7	2.3	0.3	2.4	1.0	4.7
Other, excluding depreciation and amortization below	19.2	22.1	13.5	15.4	32.7	37.5
Depreciation and amortization	91.6	84.3	31.9	27.8	123.5	112.1
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill	185.6	—	10.3	—	195.9	—
Operating costs and expenses	590.8	955.5	204.1	340.5	794.9	1,296.0
Operating income (loss)	(543.5)	15.2	(131.9)	5.6	(675.4)	20.8
Other expense (income):						
Other expense (income)	132.2	(1.6)	(7.2)	0.3	125.0	(1.3)
Interest expense:						
Corporate borrowings	81.5	72.4	1.3	0.8	82.8	73.2
Finance lease obligations	0.3	0.5	1.1	1.3	1.4	1.8
Non-cash NCM exhibitor service agreement	10.1	10.1	—	—	10.1	10.1
Equity in (earnings) loss of non-consolidated entities	8.4	(7.2)	2.2	(0.3)	10.6	(7.5)
Investment expense (income)	(4.1)	(0.4)	—	(0.1)	(4.1)	(0.5)
Total other expense (income), net	228.4	73.8	(2.6)	2.0	225.8	75.8
Earnings (loss) before income taxes	(771.9)	(58.6)	(129.3)	3.6	(901.2)	(55.0)
Income tax provision (benefit)	6.2	(0.4)	(1.6)	0.2	4.6	(0.2)
Net earnings (loss)	(778.1)	(58.2)	(127.7)	3.4	(905.8)	(54.8)
Less: net income attributable to noncontrolling interests	—	—	—	—	—	—
Net earnings (loss) attributable to AMC Entertainment Holdings, Inc.	\$ (778.1)	\$ (58.2)	\$ (127.7)	\$ 3.4	\$ (905.8)	\$ (54.8)

Segment Operating Data:	U.S. Markets		International Markets		Consolidated	
	Three Months Ended		Three Months Ended		Three Months Ended	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Screen additions	—	—	21	1	21	1
Screen acquisitions	14	—	—	—	14	—
Screen dispositions	167	70	18	7	185	77
Construction openings (closures), net	12	6	2	(21)	14	(15)
Average screens (1)	2,237	7,996	1,785	2,666	4,022	10,662
Number of theatres operated	467	634	321	366	788	1,000
Total number of circuit screens	7,826	8,043	2,871	2,902	10,697	10,945
Total number of circuit theatres	600	634	358	366	958	1,000
Screens per theatre	13.0	12.7	8.0	7.9	11.2	10.9
Attendance (in thousands) (1)	1,964	61,172	4,539	25,928	6,503	87,100

(1) Includes consolidated theatres only and excludes screens offline due to construction and temporary suspension of operations as consequence of the COVID-19 pandemic.

[Table of Contents](#)

(In millions)	U.S. Markets		International Markets		Consolidated	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Revenues						
Admissions	\$ 407.5	\$ 1,774.1	\$ 224.3	\$ 650.2	\$ 631.8	\$ 2,424.3
Food and beverage	227.1	1,015.7	90.5	265.6	317.6	1,281.3
Other theatre	89.7	209.3	40.8	108.4	130.5	317.7
Total revenues	724.3	2,999.1	355.6	1,024.2	1,079.9	4,023.3
Operating Costs and Expenses						
Film exhibition costs	208.2	989.2	90.3	275.4	298.5	1,264.6
Food and beverage costs	42.6	145.6	24.1	59.5	66.7	205.1
Operating expense	453.9	910.2	209.9	349.0	663.8	1,259.2
Rent	496.4	531.1	179.8	195.5	676.2	726.6
General and administrative expense:						
Merger, acquisition and other costs	2.7	5.8	0.3	5.4	3.0	11.2
Other	50.3	74.4	41.0	52.5	91.3	126.9
Depreciation and amortization	275.0	252.2	90.7	84.9	365.7	337.1
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill	1,399.9	—	647.9	—	2,047.8	—
Operating costs and expenses	2,929.0	2,908.5	1,284.0	1,022.2	4,213.0	3,930.7
Operating income (loss)	(2,204.7)	90.6	(928.4)	2.0	(3,133.1)	92.6
Other expense (income):						
Other expense (income)	157.8	4.6	(12.5)	0.5	145.3	5.1
Interest expense:						
Corporate borrowings	230.2	216.5	3.5	2.2	233.7	218.7
Finance lease obligations	1.0	1.8	3.5	4.2	4.5	6.0
Non-cash NCM exhibitor service agreement	30.1	30.4	—	—	30.1	30.4
Equity in (earnings) loss of non-consolidated entities (1)	21.7	(23.2)	4.2	(1.0)	25.9	(24.2)
Investment expense (income)	4.1	(5.7)	(0.1)	(13.0)	4.0	(18.7)
Total other expense (income), net	444.9	224.4	(1.4)	(7.1)	443.5	217.3
Earnings (loss) before income taxes	(2,649.6)	(133.8)	(927.0)	9.1	(3,576.6)	(124.7)
Income tax provision	7.7	8.9	59.0	2.0	66.7	10.9
Net earnings (loss)	(2,657.3)	(142.7)	(986.0)	7.1	(3,643.3)	(135.6)
Less: net income attributable to noncontrolling interests	—	—	—	—	—	—
Net earnings (loss) attributable to AMC Entertainment Holdings, Inc.	\$ (2,657.3)	\$ (142.7)	\$ (986.0)	\$ 7.1	\$ (3,643.3)	\$ (135.6)

Segment Operating Data:	U.S. Markets		International Markets		Consolidated	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Screen additions	11	21	23	17	34	38
Screen acquisitions	14	64	—	—	14	64
Screen dispositions	305	121	94	60	399	181
Construction openings (closures), net	12	(35)	(5)	(32)	7	(67)
Average screens (1)	2,965	8,001	1,353	2,673	4,318	10,674
Number of theatres operated	467	634	321	366	788	1,000
Total number of circuit screens	7,826	8,043	2,871	2,902	10,697	10,945
Total number of circuit theatres	600	634	358	366	958	1,000
Screens per theatre	13.0	12.7	8.0	7.9	11.2	10.9
Attendance (in thousands) (1)	41,633	188,051	25,465	75,829	67,098	263,880

(1) Includes consolidated theatres only and excludes screens offline due to construction and temporary suspension of operations as consequence of the COVID-19 pandemic.

Adjusted EBITDA

We present Adjusted EBITDA as a supplemental measure of our performance. We define Adjusted EBITDA as net earnings (loss) plus (i) income tax provision (benefit), (ii) interest expense and (iii) depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance and to include attributable EBITDA from equity investments in theatre operations in International markets and any cash distributions of earnings from other equity method investees. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Adjusted EBITDA decreased \$491.0 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Adjusted EBITDA in U.S. markets decreased \$375.4 million, primarily due to the decrease in attendance largely attributable to the temporary suspension of operations as consequence of the COVID-19 pandemic, partially offset by decreases in operating expenses due to the decrease in attendance, rent and general and administrative expenses. Adjusted EBITDA in International markets decreased \$115.6 million primarily due to the decreases in attendance, partially offset by decreases in operating expenses due to the decrease in attendance, decreases in rent, and increases in governmental assistance for COVID-19.

Adjusted EBITDA decreased \$1,174.0 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Adjusted EBITDA in U.S. markets decreased \$900.3 million, primarily due to the decrease in attendance largely attributable to the temporary suspension of operations as a consequence of the COVID-19 pandemic, partially offset by a decrease in operating expenses due to the decrease in attendance, a decrease in rent and a decrease in general and administrative expenses. Adjusted EBITDA in International markets decreased \$273.7 million primarily due to the decreases in attendance, partially offset by a decrease in operating expenses due to the decrease in attendance, decreases in rent and general and administrative expenses and increases in governmental assistance for COVID-19.

The following tables set forth our Adjusted EBITDA by reportable operating segment and our reconciliation of Adjusted EBITDA:

Adjusted EBITDA (In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
U.S. markets	\$ (259.1)	\$ 116.3	\$ (504.5)	\$ 395.8
International markets	(75.4)	40.2	(167.2)	106.5
Total Adjusted EBITDA	\$ (334.5)	\$ 156.5	\$ (671.7)	\$ 502.3

[Table of Contents](#)

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net loss attributable to AMC Entertainment Holdings, Inc.	\$ (905.8)	\$ (54.8)	\$ (3,643.3)	\$ (135.6)
Plus:				
Income tax provision (benefit) (1)	4.6	(0.2)	66.7	10.9
Interest expense	94.3	85.1	268.3	255.1
Depreciation and amortization	123.5	112.1	365.7	337.1
Impairment of long-lived assets, definite and indefinite-lived intangible assets and goodwill (2)	195.9	—	2,047.8	—
Certain operating expenses (3)	1.8	5.3	2.4	10.1
Equity in (earnings) loss of non-consolidated entities (4)	10.6	(7.5)	25.9	(24.2)
Cash distributions from non-consolidated entities (5)	3.7	4.7	17.4	17.0
Attributable EBITDA (6)	(1.4)	0.9	(0.9)	3.8
Investment expense (income)	(4.1)	(0.5)	4.0	(18.7)
Other expense (income) (7)	138.5	(1.5)	163.5	4.6
Other non-cash rent (8)	(0.2)	6.1	(1.7)	19.5
General and administrative — unallocated:				
Merger, acquisition and other costs (9)	1.0	4.7	3.0	11.2
Stock-based compensation expense (10)	3.1	2.1	9.5	11.5
Adjusted EBITDA	\$ (334.5)	\$ 156.5	\$ (671.7)	\$ 502.3

(1) For information on income tax provision, see Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q.

(2) During the three months ended September 30, 2020, we recorded goodwill non-cash impairment charges of \$151.2 million and \$5.6 million related to the enterprise fair values of our Domestic Theatres and International Theatres reporting units, respectively. During the three months ended September 30, 2020, we recorded non-cash impairment charges related to our long-lived assets of \$28.1 million on 49 theatres in the U.S. markets with 527 screens which were related to property, net, operating lease right-of-use assets, net, and other long-term assets and \$0 million in the International markets. We recorded non-cash impairment charges of \$6.4 million related to our definite-lived intangible assets in the Domestic Theatres reporting unit and indefinite-lived intangible assets of \$4.5 million and \$0.1 million related to the Odeon and Nordic tradenames, respectively, in the International Theatres reporting unit during the three months ended September 30, 2020.

During the nine months ended September 30, 2020, we recorded goodwill non-cash impairment charges of \$1,276.1 million and \$625.0 million related to the enterprise fair value of our Domestic Theatres and International Theatres reporting units, respectively. During the nine months ended September 30, 2020, we recorded non-cash impairment charges related to our long-lived assets of \$109.5 million on 75 theatres in the U.S. markets with 851 screens which were related to property, net, operating lease right-of-use assets, net and other long-term assets and \$9.9 million on 23 theatres in the International markets with 213 screens which were related to property, net and operating lease right-of-use assets, net. We recorded non-cash impairment charges related to our indefinite-lived intangible assets of \$10.4 million and \$2.5 million related to the Odeon and Nordic tradenames, respectively, during the nine months ended September 30, 2020. We also recorded non-cash impairment charges of \$14.4 million related to our definite-lived intangible assets.

(3) Amounts represent preopening expense related to temporarily closed screens under renovation, theatre and other closure expense for the permanent closure of screens including the related accretion of interest, non-cash deferred digital equipment rent expense, and disposition of assets and other non-operating gains or losses included in operating expenses. We have excluded these items as they are non-cash in nature or are non-operating in nature.

(4) Equity in (earnings) loss of non-consolidated entities was primarily due to equity in loss from DCIP of \$7.5 million for the three months ended September 30, 2020, compared to equity in earnings from DCIP of \$6.5 million for the three months ended September 30, 2019. Equity in (earnings) loss of non-consolidated entities

[Table of Contents](#)

was primarily due to equity in loss from DCIP of \$19.1 million for the nine months ended September 30, 2020, compared to equity in earnings from DCIP of \$21.1 million for the nine months ended September 30, 2019.

- (5) Includes U.S. non-theatre distributions from equity method investments and International non-theatre distributions from equity method investments to the extent received. We believe including cash distributions is an appropriate reflection of the contribution of these investments to our operations.
- (6) Attributable EBITDA includes the EBITDA from equity investments in theatre operators in certain International markets. See below for a reconciliation of our equity (earnings) loss of non-consolidated entities to attributable EBITDA. Because these equity investments are in theatre operators in regions where we hold a significant market share, we believe attributable EBITDA is more indicative of the performance of these equity investments and management uses this measure to monitor and evaluate these equity investments. We also provide services to these theatre operators including information technology systems, certain on-screen advertising services and our gift card and package ticket program.

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Equity in (earnings) loss of non-consolidated entities	\$ 10.6	\$ (7.5)	\$ 25.9	\$ (24.2)
Less:				
Equity in (earnings) loss of non-consolidated entities excluding International theatre joint ventures	8.7	(7.4)	23.0	(23.2)
Equity in earnings (loss) of International theatre joint ventures	(1.9)	0.1	(2.9)	1.0
Income tax provision (benefit)	—	0.1	(0.1)	0.2
Investment income	(0.4)	(0.1)	(0.6)	(0.6)
Interest expense	0.1	—	0.1	0.1
Depreciation and amortization	0.7	0.5	2.2	2.8
Other expense	0.1	0.3	0.4	0.3
Attributable EBITDA	\$ (1.4)	\$ 0.9	\$ (0.9)	\$ 3.8

- (7) For the three months ended September 30, 2020, we recorded increases in other expense related to financing fees of \$36.3 million due to the Exchange Offers, increases in other expense due to the change in fair value of our derivative liability of \$84.2 million for the embedded conversion feature in our Convertible Notes due 2026, increases in other expense due to the change in fair value of the Company's derivative asset of \$14.4 million for the contingent call option related to the Class B common stock purchase and cancellation agreement, and increases in other expense for credit losses due to the contingent lease guarantees of \$6.1 million. For the nine months ended September 30, 2020, we recorded increases in other expense related to financing fees of \$39.1 million due to the Exchange Offers, increases in other expense due to the change in fair value of our derivative liability of \$104.3 million for the embedded conversion feature in our Convertible Notes due 2026, increases in other expense due to the change in fair value of our derivative asset of \$20.1 million for the contingent call option related to the Class B common stock purchase and cancellation agreement, and increase in other expense for the credit losses related to the contingent lease guarantees of \$15.3 million. For the nine months ended September 30, 2019, we recorded a loss on repayment of indebtedness of \$16.6 million. See Note 1—Basis of Presentation in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information related to other expense (income).
- (8) Reflects amortization expense for certain intangible assets reclassified from depreciation and amortization to rent expense due to the adoption of ASC 842 and deferred rent benefit related to the impairment of right-of-use operating lease assets.
- (9) Merger, acquisition and other costs are excluded as they are non-operating in nature.
- (10) Non-cash expense included in general and administrative: other.

[Table of Contents](#)

Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net earnings (loss) as an indicator of operating performance (as determined in accordance with U.S. GAAP). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. We have included Adjusted EBITDA because we believe it provides management and investors with additional information to measure our performance and estimate our value.

Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. For example, Adjusted EBITDA:

- does not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect the significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt;
- excludes income tax payments that represent a reduction in cash available to us; and
- does not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future.

Segment Information

Our historical results of operations for the three and nine months ended September 30, 2020 and September 30, 2019, respectively, reflect the results of operations for our two Theatrical Exhibition reportable segments, U.S. markets and International markets.

Results of Operations— For the Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

Condensed Consolidated Results of Operations

Revenues. Total revenues decreased 90.9%, or \$1,197.3 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Admissions revenues decreased 92.1%, or \$734.4 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due a 92.5% decrease in attendance. The decrease in attendance was primarily due to the temporary suspension of operations at all our theatres in U.S. markets and International markets on or before March 17, 2020. We reopened the majority of our Domestic and International Theatres during the three months ended September 30, 2020. Our average screens operated during the three months ended September 30, 2020 declined by 62.3% from the prior year.

Food and beverage revenues decreased 93.1%, or \$390.9 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the decrease in attendance.

Total other theatre revenues decreased 72.4%, or \$72.0 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to decreases in ticket fees, income from gift cards and package tickets and screen advertising due to the decrease in attendance.

Operating costs and expenses. Operating costs and expenses decreased \$501.1 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to the decrease in attendance and a decrease in average screens operated. Film exhibition costs decreased 93.6%, or \$390.2 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 42.3% for the three months ended September 30, 2020 and were 52.3% for the three months ended September 30, 2019. The decrease in film exhibition cost percentage was due to an increase in the number of second-run films exhibited in the current period where the film rental terms are much lower than film rental terms for first-run films.

Food and beverage costs decreased 86.9%, or \$58.4 million, during the three months ended September 30,

[Table of Contents](#)

2020 compared to the three months ended September 30, 2019. The decrease in food and beverage costs was primarily due to the decrease in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 30.2% for the three months ended September 30, 2020 and were 16.0% for the three months ended September 30, 2019. Food and beverage costs included \$3.2 million of charges for obsolete inventory during the three months ended September 30, 2020 due to the suspension of theatre operations.

As a percentage of revenues, operating expense was not meaningful for the three months ended September 30, 2020 due to the low level of revenues and the fixed nature of certain operating expenses and was 31.8% for the three months ended September 30, 2019. Rent expense decreased 10.2%, or \$24.4 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 due primarily to cash rent abatements from landlords, declines in deferred rent expense due to the impairment of right of use assets in calendar 2019 and 2020, theatre closures and declines in common area maintenance charges. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information on the impact of COVID-19 on leases.

Merger, acquisition and other costs. Merger, acquisition and other costs were \$1.0 million during the three months ended September 30, 2020 compared to \$4.7 million during the three months ended September 30, 2019, primarily due to a decline in merger related activities.

Other. Other general and administrative expense decreased 12.8% or \$4.8 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to decreases in bonus expense and decreases in salaries as a result of our furlough program that began in March of 2020 and ended in September of 2020 and lower legal fees, partially offset by higher expense related to projects in development.

Depreciation and amortization. Depreciation and amortization increased 10.2% or \$11.4 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to recent capital expenditures, partially offset by lower depreciation expense on theatres impaired in calendar 2019 and 2020.

Impairment of long-lived assets, indefinite-lived intangible assets and goodwill. During the three months ended September 30, 2020, we recognized non-cash impairment losses of \$28.1 million on 49 theatres in the U.S. markets with 527 screens (in Alabama, California, Colorado, Florida, Illinois, Indiana, Iowa, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Wisconsin, and Wyoming) which were related to property, net, operating lease right-of-use assets, net and other long-term assets and \$0 in the International markets.

We performed a quantitative impairment evaluation of our indefinite-lived intangible assets as of September 30, 2020 related to the AMC, Odeon and Nordic tradenames and recorded impairment charges of \$4.5 million and \$0.1 million related to Odeon and Nordic tradenames, respectively, during the three months ended September 30, 2020. In addition, we performed a quantitative impairment evaluation of our definite-lived intangible assets as of September 30, 2020 and recorded impairment charge of \$6.4 million.

We performed a quantitative impairment evaluation of our goodwill as of September 30, 2020 and recorded impairment charges of \$151.2 million and \$5.6 million during the three months ended September 30, 2020 for our Domestic Theatres and International Theatres reporting units, respectively.

Other expense (income). Other expense of \$125.0 million during the three months ended September 30, 2020 was primarily due to third party expenses of \$36.3 million related to the restructuring of our debt, the increase in fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026 of \$89.9 million, the decrease in fair value of our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement of \$5.9 million, estimated credit losses related to contingent lease guarantees of \$6.1 million, partially offset by international government assistance related to COVID-19 of \$13.5 million. During the three months ended September 30, 2019, other income of \$1.3 million was primarily due to \$8.5 million of income related to the increase in the fair value our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement, partially offset by \$5.7 million of expense related to the increase in the fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026. See Note 1—The Company and Significant Accounting Policies in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about the components of other expense.

Interest expense. Interest expense increased \$9.2 million to \$94.3 million for the three months ended September 30, 2020 compared to \$85.1 million during the three months ended September 30, 2019 primarily due to the issuance of \$500 million of 10.5% First Lien Notes due 2025 on April 24, 2020, borrowings under revolving credit facilities of approximately \$325.0 million during the three months ended March 31, 2020 that remained outstanding as of September 30, 2020 and the issuance of \$300 million of 10.5% First Lien Notes due 2026 on July 31, 2020, partially offset by a reduction in the effective interest rate on \$2,017.5 million aggregate principal amount of our senior subordinated notes exchanged for \$1,462.3 million aggregate principal amount of second lien notes from 6.37% to 4.46% on July 31, 2020. See Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about our indebtedness.

Equity in (earnings) loss of non-consolidated entities. Equity in (earnings) loss of non-consolidated entities were \$10.6 million for the three months ended September 30, 2020 compared to \$(7.5) million for the three months ended September 30, 2019. The decrease in equity in earnings of \$18.1 million was primarily due to decreases in equity in earnings from DCIP of \$14.0 million as a result of accelerated depreciation charges for digital projectors during the three months ended September 30, 2020 and lower revenues due to the closure of theatres.

Investment income. Investment income was \$4.1 million for the three months ended September 30, 2020 compared to investment income of \$0.5 million for the three months ended September 30, 2019.

Income tax provision (benefit). The income tax provision (benefit) was \$4.6 million and \$(0.2) million for the three months ended September 30, 2020 and September 30, 2019, respectively. See Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

Net loss. Net loss was \$905.8 million and \$54.8 million during the three months ended September 30, 2020 and September 30, 2019, respectively. Net loss during the three months ended September 30, 2020 compared to net loss for the three months ended September 30, 2019 was negatively impacted by the decrease in attendance as a result of the temporary suspension of operations at all our theatres on or before March 17, 2020, increased impairment charges of long-lived assets, indefinite-lived intangible assets and goodwill, increased depreciation expense, declines in equity in earnings of non-consolidated entities and declines in other income, increased interest expense and an increase in translation rates partially offset by reduced operating expenses, lower amounts of rent expense, declines in general and administrative expenses and increases in investment income.

Theatrical Exhibition—U.S. Markets

Revenues. Total revenues decreased 95.1%, or \$923.4 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Admissions revenues decreased 96.8%, or \$559.7 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to a 96.8% decrease in attendance. The decrease in attendance was due to the temporary suspension of operations at all our theatres in U.S. markets on or before March 17, 2020. We reopened the majority of our Domestic Theatres during the three months ended September 30, 2020. Our average screens operated during the three months ended September 30, 2020 declined by 72.0% from the prior year.

Food and beverage revenues decreased 96.8%, or \$316.5 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, due to the decrease in attendance.

Total other theatre revenues decreased 72.0%, or \$47.2 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to decreases in ticket fees, income from gift cards and package tickets and screen advertising due to the decrease in attendance.

Operating costs and expenses. Operating costs and expenses decreased \$364.7 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to the decrease in attendance and a decrease in average screens operated. Film exhibition costs decreased \$312.2 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 51.6% for the three months ended September 30, 2020 and were 55.6% for the three months ended September 30, 2019. The decrease in film exhibition cost percentage was due to an increase in the number of second-run films exhibited in the current period where the film rental terms are much lower than film rental terms for first-run films.

[Table of Contents](#)

Food and beverage costs decreased 90.5%, or \$42.1 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The decrease in food and beverage costs was primarily due to the decrease in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 41.9% and 14.2% for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Food and beverage costs included \$3.2 million of charges for obsolete inventory during the three months ended September 30, 2020 due to the suspension of theatre operations.

As a percentage of revenues, operating expense was not meaningful for the three months ended September 30, 2020 due to the low level of revenues and the fixed nature of certain operating expenses and was 31.3% for the three months ended September 30, 2019. Rent expense decreased 10.1%, or \$17.7 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 due primarily to cash rent abatements from landlords, declines in deferred rent expense due to the impairment of right of use assets in calendar 2019 and 2020, theatre closures and declines in common area maintenance charges. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information on the impact of COVID-19 on leases.

Merger, acquisition and other costs. Merger, acquisition and other costs were \$0.7 million during the three months ended September 30, 2020 compared to \$2.3 million during the three months ended September 30, 2019, primarily due to a decline in merger related activities.

Other. Other general and administrative expense decreased 13.1% or \$2.9 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to decreases in bonus expense and decreases in salaries as a result of our furlough program that began in March of 2020 and ended in September of 2020 and lower legal fees, partially offset by higher expense related to projects in development.

Depreciation and amortization. Depreciation and amortization increased 8.7% or \$7.3 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to recent capital expenditures, partially offset by lower depreciation expense on theatres impaired in calendar 2019 and 2020.

Impairment of long-lived assets and goodwill. During the three months ended September 30, 2020, we recognized non-cash impairment losses of \$28.1 million on 49 theatres in the U.S. markets with 527 screens (in Alabama, California, Colorado, Florida, Illinois, Indiana, Iowa, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Wisconsin, and Wyoming) which were related to property, net, operating lease right-of-use assets, net and other long-term assets.

We performed quantitative impairment evaluations of our definite-lived intangible assets as of September 30, 2020 and recorded an impairment charge of \$6.4 million during the three months ended September 30, 2020.

We performed quantitative impairment evaluations of our goodwill as of September 30, 2020 and recorded an impairment charge of \$151.2 million for our Domestic Theatres reporting unit.

Other expense (income). Other expense of \$132.2 million during the three months ended September 30, 2020 was primarily due to third party expenses of \$36.3 million related to the restructuring of our debt, the increase in fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026 of \$89.9 million and the decrease in fair value of our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement of \$5.9 million. During the three months ended September 30, 2019, other income of \$1.6 million was primarily due to \$8.5 million of income related to the increase in the fair value our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement offset by \$5.7 million of expense related to the increase in the fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026. Note 1—The Company and Significant Accounting Policies in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about the components of other expense.

Interest expense. Interest expense increased \$8.9 million to \$91.9 million for the three months ended September 30, 2020 compared to \$83.0 million during the three months ended September 30, 2019 primarily due to the issuance of \$500 million of 10.5% First Lien Notes due 2025 on April 24, 2020, borrowings under revolving credit facilities of approximately \$215.0 million during the three months ended March 31, 2020 that remained outstanding as

[Table of Contents](#)

of September 30, 2020 and the issuance of \$300 million of 10.5% First Lien Notes due 2026 on July 31, 2020, partially offset by a reduction in the effective interest rate on \$2,017.5 million aggregate principal amount of our senior subordinated notes exchanged for \$1,462.3 million aggregate principal amount of second lien notes from 6.37% to 4.46% on July 31, 2020. See Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about our indebtedness.

Equity in (earnings) loss of non-consolidated entities. Equity in loss of non-consolidated entities were \$8.4 million for the three months ended September 30, 2020 compared to \$(7.2) million for the three months ended September 30, 2019. The decrease in equity in earnings of \$15.6 million was primarily due to decreases in equity in earnings from DCIP of \$14.0 million as a result of accelerated depreciation charges for digital projectors during the three months ended September 30, 2020 and lower revenues due to the closure of theatres.

Investment income. Investment income was \$4.1 million for the three months ended September 30, 2020 compared to investment income of \$0.4 million for the three months ended September 30, 2019.

Income tax provision (benefit). The income tax provision was \$6.2 million and \$(0.4) million for the three months ended September 30, 2020 and September 30, 2019, respectively. See Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

Net loss. Net loss was \$778.1 million and \$58.2 million during the three months ended September 30, 2020 and September 30, 2019, respectively. Net loss during the three months ended September 30, 2020 compared to net loss for the three months ended September 30, 2019 was negatively impacted by the decrease in attendance as a result of the temporary suspension of operations at all our theatres on or before March 17, 2020, increase in impairment charges of long-lived assets and goodwill, increased depreciation expense, declines in equity in earnings of non-consolidated entities, declines in other income and declines in income tax benefit, partially offset by reduced operating expenses, lower amounts of rent expense, declines in general and administrative expenses and increases in investment income.

Theatrical Exhibition - International Markets

Revenues. Total revenues decreased 79.1%, or \$273.9 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Admissions revenues decreased 79.7%, or \$174.7 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to an 82.5% decrease in attendance, partially offset by increases in foreign currency translation rates. The decrease in attendance was primarily due to the temporary suspension of operations at all our theatres in International markets on or before March 17, 2020. We reopened the majority of our International theatres during the three months ended September 30, 2020. Our average screens operated during the three months ended September 30, 2020 declined by 33.0% from the prior year.

Food and beverage revenues decreased 80.0%, or \$74.4 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the decrease in attendance, partially offset by increases in foreign currency translation rates.

Total other theatre revenues decreased 73.2%, or \$24.8 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to decreases in ticket fees, income from gift cards and package tickets and screen advertising due to the decrease in attendance, partially offset by increases in foreign currency translation rates.

Operating costs and expenses. Operating costs and expenses decreased \$136.4 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to the decrease in attendance and a decrease in average screens operated. Film exhibition costs decreased 82.0%, or \$78.0 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 38.4% for the three months ended September 30, 2020 and were 43.4% for the three months ended September 30, 2019. The decrease in film exhibition cost percentage was due to an increase in the number of second-run films exhibited in the current period where the film rental terms are much lower than film rental terms for first-run films.

Food and beverage costs decreased 78.7%, or \$16.3 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The decrease in food and beverage costs was primarily

[Table of Contents](#)

due to the decrease in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 23.7% for the three months ended September 30, 2020 and were 22.3% for the three months ended September 30, 2019.

As a percentage of revenues, operating expense was not meaningful for the three months ended September 30, 2020 due to the low level of revenues and the fixed nature of certain operating expenses and was 33.3% for the three months ended September 30, 2019. Rent expense decreased 10.5%, or \$6.7 million, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 due primarily to cash rent abatements from landlords, declines in deferred rent expense due to the impairment of right of use assets in calendar 2019 and 2020, declines in percentage rentals due to the decline in revenues, theatres closures and declines in common area maintenance charges, partially offset by increases in foreign currency exchange rates. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information on the impact of COVID-19 on leases.

Merger, acquisition and other costs. Merger, acquisition and other costs were \$0.3 million during the three months ended September 30, 2020 compared to \$2.4 million during the three months ended September 30, 2019, primarily due to a decline in merger related activities.

Other. Other general and administrative expense decreased 12.3% or \$1.9 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to decreases in bonus expense and decreases in salaries as a result of our furlough program that began in March of 2020 and ended in September 2020 offset by increases in foreign currency exchange rates.

Depreciation and amortization. Depreciation and amortization increased 14.7% or \$4.1 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to recent capital expenditures and the increase in foreign currency translation rates, partially offset by lower depreciation expense on theatres impaired in calendar 2019 and 2020.

Impairment of long-lived assets, indefinite-lived intangible assets and goodwill. We performed quantitative impairment evaluations of our indefinite-lived intangible assets related to the Odeon and Nordic tradenames as of September 30, 2020 and recorded impairment charges of \$4.5 million and \$0.1 million related to the Odeon and Nordic tradenames, respectively, during the three months ended September 30, 2020.

We performed a quantitative impairment evaluation of our goodwill as of September 30, 2020 and recorded an impairment charge of \$5.6 million for our International Theatres reporting unit during the three months ended September 30, 2020.

Other income. Other income of \$7.2 million during the three months ended September 30, 2020 was primarily due to the international government assistance related to COVID-19 of \$13.5 million, partially offset by estimated credit losses related to contingent lease guarantees of \$6.1 million. See Note 1—The Company and Significant Accounting Policies in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about the components of other expense (income).

Interest expense. Interest expense increased \$0.3 million to \$2.4 million for the three months ended September 30, 2020 compared to \$2.1 million during the three months ended September 30, 2019 primarily due to borrowings under revolving credit facilities of approximately \$110 million during the three months ended March 31, 2020 that remained outstanding as of September 30, 2020.

Equity in (earnings) loss of non-consolidated entities. Equity in loss of non-consolidated entities were \$2.2 million for the three months ended September 30, 2020 compared to \$(0.3) million for the three months ended September 30, 2019.

Investment income. Investment income was \$0.0 million for the three months ended September 30, 2020 compared to investment income of \$0.1 million for the three months ended September 30, 2019.

Income tax provision (benefit). The income tax benefit was \$(1.6) million and \$0.2 million for the three months ended September 30, 2020 and September 30, 2019, respectively. See Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

Net earnings (loss). Net earnings (loss) was \$(127.7) million and \$3.4 million during the three months ended

[Table of Contents](#)

September 30, 2020 and September 30, 2019, respectively. Net loss during the three months ended September 30, 2020 compared to net earnings for the three months ended September 30, 2019 was negatively impacted by the decrease in attendance as a result of the temporary suspension of operations at all our theatres on or before March 17, 2020, increased depreciation expense, increased impairment of indefinite lived intangible assets and goodwill, declines in investment income, declines in equity in earnings of non-consolidated entities, and increases in foreign currency translation rates, partially offset by reduced operating expenses, lower amounts of rent expense, declines in general and administrative expenses, increases in other income and increases in income tax benefits.

Results of Operations— For the Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

Condensed Consolidated Results of Operations

Revenues. Total revenues decreased 73.2%, or \$2,943.4 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Admissions revenues decreased 73.9%, or \$1,792.5 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to a 74.6% decrease in attendance, partially offset by a 2.5% increase in average ticket price. The decrease in attendance was primarily due to the temporary suspension of operations at all our theatres in U.S. markets and International markets on or before March 17, 2020. As some theatres across Europe began closing in late February 2020 and social distancing practices were initiated in the U.S. in response to the ensuing COVID-19 global pandemic, attendance and revenues began to deteriorate in early March. We reopened the majority of our Domestic and International Theatres during the three months ended September 30, 2020. Our average screens operated during the nine months ended September 30, 2020 declined by 59.6% from the prior year. The increase in average ticket price was primarily due to strategic pricing initiatives put in place over the prior year and lower frequency on our A-List subscription program, partially offset by decreases in attendance for 3D, IMAX and alternative premium content and declines in foreign currency exchange rates.

Food and beverage revenues decreased 75.2%, or \$963.7 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the decrease in attendance.

Total other theatre revenues decreased 58.9%, or \$187.2 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to decreases in ticket fees, income from gift cards and package tickets and screen advertising due to the decrease in attendance.

Operating costs and expenses. Operating costs and expenses increased \$282.3 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to the impairment of long-lived assets, partially offset by a decrease in operating costs and expenses due to the decrease in attendance and a decrease in average screens operated. Film exhibition costs decreased 76.4%, or \$966.1 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 47.2% for the nine months ended September 30, 2020 and 52.2% for the nine months ended September 30, 2019. The decrease in film exhibition cost percentage is primarily due to the concentration of box office revenues in lower grossing films in the current year which typically results in lower film exhibition costs and an increase in the number of second-run films exhibited in the current period where the film rental terms are much lower than film rental terms for first-run films.

Food and beverage costs decreased 67.5%, or \$138.4 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The decrease in food and beverage costs was primarily due to the decrease in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 21.0% for the nine months ended September 30, 2020 and 16.0% for the nine months ended September 30, 2019. Food and beverage costs included \$10.4 million of charges for obsolete inventory during the nine months ended September 30, 2020 due to the suspension of theatre operations.

As a percentage of revenues, operating expense was 61.5% for the nine months ended September 30, 2020 and 31.3% for the nine months ended September 30, 2019. Rent expense decreased 6.9%, or \$50.4 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due primarily to cash rent abatements from landlords, declines in deferred rent expense due to the impairment of right of use assets in calendar 2019 and 2020, theatre closures, declines in common area maintenance charges and decreases in foreign currency translation rates. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements under Item 1 of

[Table of Contents](#)

Part I of this Form 10-Q for further information on the impact of COVID-19 on leases.

Merger, acquisition and other costs. Merger, acquisition and other costs were \$3.0 million during the nine months ended September 30, 2020 compared to \$11.2 million during the nine months ended September 30, 2019, primarily due to a decline in merger related activities.

Other. Other general and administrative expense decreased 28.1% or \$35.6 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to decreases in bonus expense and decreases in salaries as a result of our furlough program that began in March of 2020 and ended in September 2020.

Depreciation and amortization. Depreciation and amortization increased 8.5% or \$28.6 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to recent capital expenditures, partially offset by lower depreciation expense on theatres impaired in calendar 2019 and 2020.

Impairment of long-lived assets, indefinite-lived intangible assets and goodwill. During the nine months ended September 30, 2020, we recognized non-cash impairment losses of \$109.5 million on 75 theatres in the U.S. markets with 851 screens (in Alabama, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming) which were related to property, net, operating lease right-of-use assets, net and other long-term assets and \$9.9 million on 23 theatres in the International markets with 213 screens (in Germany, Italy, Spain, UK and Sweden) which were related to property, net and operating lease right-of-use assets, net.

We performed quantitative impairment evaluations of our indefinite-lived intangible assets as of March 31, 2020 and September 30, 2020 related to the AMC, Odeon and Nordic tradenames and recorded impairment charges of \$12.9 million related to the Odeon and Nordic tradenames during the nine months ended September 30, 2020. In addition, we performed quantitative impairment evaluations of our definite-lived intangible assets as of March 31, 2020 and September 30, 2020 and recorded impairment charges of \$14.4 million.

We performed quantitative impairment evaluations of our goodwill as of March 31, 2020 and September 20, 2020 and recorded impairment charges of \$1,276.1 million and \$625.0 million during the nine months ended September 30, 2020 for our Domestic Theatres and International Theatres reporting units, respectively.

Other expense (income). Other expense of \$145.3 million during the nine months ended September 30, 2020 was primarily due to third party expenses of \$39.1 million related to the restructuring of our debt, the increase in fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026 of \$89.4 million, the decrease in fair value of our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement of \$19.6 million, estimated credit losses related to contingent lease guarantees of \$15.3 million, partially offset by international government assistance related to COVID-19 of \$17.9 million. During the nine months ended September 30, 2019, other expense of \$5.1 million was primarily due to a \$16.6 million expense related to the repayment of indebtedness and \$2.4 million of foreign currency transaction losses offset by \$14.9 million of income related to the decrease in the fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026 and \$0.5 million of income related to the increase in the fair value our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement. See Note 1—The Company and Significant Accounting Policies in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about the components of other expense.

Interest expense. Interest expense increased \$13.2 million to \$268.3 million for the nine months ended September 30, 2020 compared to \$255.1 million during the nine months ended September 30, 2019 primarily due to the issuance of \$500 million of 10.5% First Lien Notes due 2025 on April 24, 2020, borrowings under revolving credit facilities of approximately \$325.0 million during the three months ended March 31, 2020 that remained outstanding as of September 30, 2020 and the issuance of \$300 million of 10.5% First Lien Notes due 2026 on July 31, 2020, partially offset by a reduction in the effective interest rate on \$2,017.5 million aggregate principal amount of our senior subordinated notes exchanged for \$1,462.3 million aggregate principal amount of second lien notes from 6.37% to 4.46% on July 31, 2020. See Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about our indebtedness.

Equity in (earnings) loss of non-consolidated entities. Equity in loss of non-consolidated entities were \$25.9 million for the nine months ended September 30, 2020 compared to \$(24.2) million for the nine months ended September 30, 2019. The decrease in equity in earnings of \$50.1 million was primarily due to decreases in equity in earnings from DCIP of \$40.2 million as a result of accelerated depreciation charges for digital projectors during the nine months ended September 30, 2020 and lower revenues due to the closure of theatres.

Investment (income) expense. Investment expense was \$4.0 million for the nine months ended September 30, 2020 compared to investment income of \$(18.7) million for the nine months ended September 30, 2019. Investment expense includes an impairment charge of \$7.2 million related to an investment, partially offset by a payment of \$3.7 million under the NCM tax receivable agreement during the nine months ended September 30, 2020. Investment income includes a gain on the sale of our Austria theatres of \$12.9 million for the nine months ended September 30, 2019 and a payment of \$4.0 million under the NCM tax receivable agreement for the nine months ended September 30, 2019.

Income tax provision. The income tax provision was \$66.7 million and \$10.9 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. The increase in income tax expense is primarily due to the recording of international valuation allowances against deferred tax assets held in Spain of \$40.1 million and Germany of \$33.1 million, partially offset by income tax benefit from net losses incurred in International markets during the nine months ended September 30, 2020 that are projected to offset previously unabsorbed deferred tax liabilities in International markets. See Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

Net loss. Net loss was \$3,643.3 million and \$135.6 million during the nine months ended September 30, 2020 and September 30, 2019, respectively. Net loss during the nine months ended September 30, 2020 compared to net loss for the nine months ended September 30, 2019 was negatively impacted by the decrease in attendance as a result of the temporary suspension of operations at all our theatres on or before March 17, 2020, impairment charges related to long-lived assets, definite and indefinite-lived intangible assets and goodwill, increased depreciation expense, declines in investment income, declines in equity in earnings of non-consolidated entities, increases in income tax provision and increases in other expense, partially offset by reduced operating expenses, lower amounts of rent expense and declines in general and administrative expenses.

Theatrical Exhibition—U.S. Markets

Revenues. Total revenues decreased 75.8%, or \$2,274.8 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Admissions revenues decreased 77.0%, or \$1,366.6 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to a 77.9% decrease in attendance, partially offset by a 3.8% increase in average ticket price. The decrease in attendance was primarily due to the temporary suspension of operations at all our theatres in U.S. markets on or before March 17, 2020. As social distancing practices were initiated in the U.S. in response to the ensuing COVID-19 global pandemic, attendance and revenues began to deteriorate in early March. We reopened the majority of our Domestic Theatres during the three months ended September 30, 2020. Our average screens operated during the three months ended September 30, 2020 declined by 62.9% from the prior year. The increase in average ticket price was primarily due to strategic pricing initiatives put in place over the prior year and lower frequency on our A-List subscription program, partially offset by decreases in attendance for 3D, IMAX and Alternative premium content.

Food and beverage revenues decreased 77.6%, or \$788.6 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the decrease in attendance.

Total other theatre revenues decreased 57.1%, or \$119.6 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to decreases in ticket fees, income from gift cards and package tickets and screen advertising due to the decrease in attendance.

Operating costs and expenses. Operating costs and expenses increased \$20.5 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to the impairment of long-lived assets, definite lived intangible assets and goodwill, partially offset by a decrease in operating costs and expenses due to the decrease in attendance and a decrease in average screens operated. Film exhibition costs decreased 79.0%, or \$781.0 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 51.1% for the nine months ended September 30, 2020 and 55.8% for the nine months ended

[Table of Contents](#)

September 30, 2019. The decrease in film exhibition cost percentage is primarily due to the concentration of box office revenues in lower grossing films in the current year which typically results in lower film exhibition costs and an increase in the number of second-run films exhibited in the current period where the film rental terms are much lower than film rental terms for first-run films.

Food and beverage costs decreased 70.7%, or \$103.0 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The decrease in food and beverage costs was primarily due to the decrease in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 18.8% for the nine months ended September 30, 2020 and 14.3% for the nine months ended September 30, 2019. Food and beverage costs included \$7.2 million of charges for obsolete inventory during the nine months ended September 30, 2020 due to the suspension of theatre operations.

As a percentage of revenues, operating expense was 62.7% for the nine months ended September 30, 2020 and 30.3% for the nine months ended September 30, 2019. Rent expense decreased 6.5%, or \$34.7 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due primarily to cash rent abatements from landlords, declines in deferred rent expense due to the impairment of right of use assets in calendar 2019 and 2020, theatre closures, declines in percentage rentals due to the decline in revenues and declines in common area maintenance charges. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information on the impact of COVID-19 on leases.

Merger, acquisition and other costs. Merger, acquisition and other costs were \$2.7 million during the nine months ended September 30, 2020 compared to \$5.8 million during the nine months ended September 30, 2019, primarily due to a decline in merger related activities.

Other. Other general and administrative expense decreased 32.4% or \$24.1 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to decreases in bonus expense and decreases in salaries as a result of our furlough program that began in March of 2020 and ended in September of 2020.

Depreciation and amortization. Depreciation and amortization increased 9.0% or \$22.8 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to recent capital expenditures, partially offset by lower depreciation expense on theatres impaired in calendar 2019 and 2020.

Impairment of long-lived assets and goodwill. During the nine months ended September 30, 2020, we recognized non-cash impairment losses of \$109.5 million on 75 theatres in the U.S. markets with 851 screens (in Alabama, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin and Wyoming) which were related to property, net, operating lease right-of-use assets, net and other long-term assets.

We performed quantitative impairment evaluations of our definite-lived intangible assets as of March 31, 2020 and September 30, 2020 and recorded impairment charges of \$14.4 million during the nine months ended September 30, 2020.

We performed quantitative impairment evaluations of our goodwill as of March 31, 2020 and September 30, 2020 and recorded impairment charges of \$1,276.1 million for our Domestic Theatres reporting unit.

Other expense. Other expense of \$157.8 million during the nine months ended September 30, 2020 was primarily due to third party expenses of \$39.1 million related to the restructuring of our debt, the increase in fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026 of \$89.4 million, the decrease in fair value of our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement of \$19.6 million and estimated credit losses related to contingent lease guarantees of \$9.2 million. During the nine months ended September 30, 2019, other expense of \$4.6 million was primarily due to a \$16.6 million expense related to the repayment of indebtedness and \$1.7 million of foreign currency transaction losses offset by \$14.9 million of income related to the decrease in the fair value of our derivative liability for the embedded conversion feature in our Convertible Notes due 2026 and \$0.5 million of income related to the increase in the fair value our derivative asset for the contingent call option related to the Class B common stock purchase and cancellation agreement. See Note 1—The Company and Significant Accounting Policies in the Notes to the Condensed

[Table of Contents](#)

Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about the components of other expense.

Interest expense. Interest expense increased \$12.6 million to \$261.3 million for the nine months ended September 30, 2020 compared to \$248.7 million during the nine months ended September 30, 2019 primarily due to the issuance of \$500 million of 10.5% First Lien Notes due 2025 on April 24, 2020, borrowings under revolving credit facilities of approximately \$325.0 million during the three months ended March 31, 2020 that remained outstanding as of September 30, 2020 and the issuance of \$300 million of 10.5% First Lien Notes due 2026 on July 31, 2020, partially offset by a reduction in the effective interest rate on \$2,017.5 million aggregate principal amount of our senior subordinated notes exchanged for \$1,462.3 million aggregate principal amount of second lien notes from 6.37% to 4.46% on July 31, 2020. See Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about our indebtedness.

Equity in (earnings) loss of non-consolidated entities. Equity in (earnings) loss of non-consolidated entities were \$21.7 million for the nine months ended September 30, 2020 compared to \$(23.2) million for the nine months ended September 30, 2019. The decrease in equity in earnings of \$44.9 million was primarily due to decreases in equity in earnings from DCIP of \$40.2 million as a result of accelerated depreciation charges for digital projectors during the nine months ended September 30, 2020 and lower revenues due to the closure of theatres.

Investment expense (income). Investment expense was \$4.1 million for the nine months ended September 30, 2020 compared to investment income of \$(5.7) million for the nine months ended September 30, 2019. Investment expense includes an impairment charge of \$7.2 million related to an investment, partially offset by a payment of \$3.7 million under the NCM tax receivable agreement during the nine months ended September 30, 2020. Investment income includes a payment of \$4.0 million under the NCM tax receivable agreement for the nine months ended September 30, 2019.

Income tax provision. The income tax provision was \$7.7 million and \$8.9 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. See Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

Net loss. Net loss was \$2,657.3 million and \$142.7 million during the nine months ended September 30, 2020 and September 30, 2019, respectively. Net loss during the nine months ended September 30, 2020 compared to net loss for the nine months ended September 30, 2019 was negatively impacted by the decrease in attendance as a result of the temporary suspension of operations at all our theatres on or before March 17, 2020, impairment charges related to long-lived assets, definite-lived intangible assets and goodwill, increased depreciation expense, declines in investment income, declines in equity in earnings of non-consolidated entities and increases in other expense, partially offset by reduced operating expenses, lower amounts of rent expense, a decrease in income tax provision and declines in general and administrative expenses.

Theatrical Exhibition - International Markets

Revenues. Total revenues decreased 65.3%, or \$668.6 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Admissions revenues decreased 65.5%, or \$425.9 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to a 66.4% decrease in attendance offset by a 2.8% increase in average ticket price. The decrease in attendance was primarily due to the temporary suspension of operations at all our theatres in International markets on or before March 17, 2020. As some theatres across Europe began closing in late February 2020, attendance and revenues began to deteriorate in early March. We reopened the majority of our International theatres during the three months ended September 30, 2020. Our average screens operated during the nine months ended September 30, 2020 declined by 49.4% from the prior year.

Food and beverage revenues decreased 65.9%, or \$175.1 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the decrease in attendance.

Total other theatre revenues decreased 62.4%, or \$67.6 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to decreases in ticket fees, income from gift cards and package tickets and screen advertising due to the decrease in attendance.

Operating costs and expenses. Operating costs and expenses increased \$261.8 million, during the nine

[Table of Contents](#)

months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to the impairment of long-lived assets, indefinite lived intangible assets and goodwill, partially offset by a decrease in operating costs and expenses due to the decrease in attendance and a decrease in average screens operated. Film exhibition costs decreased 67.2%, or \$185.1 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the decrease in admissions revenues. As a percentage of admissions revenues, film exhibition costs were 40.3% for the nine months ended September 30, 2020 and 42.4% for the nine months ended September 30, 2019. The decrease in film exhibition cost percentage is primarily due to the concentration of box office revenues in lower grossing films in the current year which typically results in lower film exhibition costs and an increase in the number of second-run films exhibited in the current period where the film rental terms are much lower than film rental terms for first-run films.

Food and beverage costs decreased 59.5%, or \$35.4 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The decrease in food and beverage costs was primarily due to the decrease in food and beverage revenues. As a percentage of food and beverage revenues, food and beverage costs were 26.6% for the nine months ended September 30, 2020 and 22.4% for the nine months ended September 30, 2019. Food and beverage costs included \$3.2 million of charges for obsolete inventory during the nine months ended September 30, 2020 due to the suspension of theatre operations.

As a percentage of revenues, operating expense was 59.0% for the nine months ended September 30, 2020 and 34.1% for the nine months ended September 30, 2019. Rent expense decreased 8.0%, or \$15.7 million, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due primarily to cash rent abatements from landlords, declines in deferred rent expense due to the impairment of right of use assets in calendar 2019 and 2020, theatre closures, declines in percentage rentals due to the decline in revenues, declines in common area maintenance charges and declines in foreign currency translation rates. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for further information on the impact of COVID-19 on leases.

Merger, acquisition and other costs. Merger, acquisition and other costs were \$0.3 million during the nine months ended September 30, 2020 compared to \$5.4 million during the nine months ended September 30, 2019, primarily due to a decline in merger related activities.

Other. Other general and administrative expense decreased 21.9% or \$11.5 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to decreases in bonus expense and decreases in salaries as a result of our furlough program that began in March of 2020 and ended in September of 2020 and declines in foreign currency translation rates.

Depreciation and amortization. Depreciation and amortization increased 6.8% or \$5.8 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to recent capital expenditures, partially offset by lower depreciation expense on theatres impaired in calendar 2019 and 2020.

Impairment of long-lived assets, indefinite-lived intangible assets and goodwill. During the nine months ended September 30, 2020, we recognized non-cash impairment losses of \$9.9 million on 23 theatres in the International markets with 213 screens (in Germany, Italy, Spain, UK and Sweden) which were related to property, net, and operating lease right-of-use assets, net.

We performed quantitative impairment evaluations of our indefinite-lived intangible assets related to the Odeon and Nordic tradenames as of March 31, 2012 and September 30, 2020 and recorded impairment charges of \$12.9 million related to these assets during the nine months ended September 30, 2020.

We performed a quantitative impairment evaluation of our goodwill as of March 31, 2020 and September 30, 2020 and recorded impairment charges of \$625.0 million for our International Theatres reporting unit during the nine months ended September 30, 2020.

Other expense (income). Other income of \$(12.5) million during the nine months ended September 30, 2020 was primarily due to the international government assistance related to COVID-19 of \$17.9 million, partially offset by estimated credit losses related to contingent lease guarantees of \$6.1 million. See Note 1—The Company and Significant Accounting Policies in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q for additional information about the components of other expense.

Interest expense. Interest expense increased \$0.6 million to \$7.0 million for the nine months ended September 30, 2020 compared to \$6.4 million during the nine months ended September 30, 2019 primarily due to borrowings under revolving credit facilities of approximately \$110 million during the nine months ended September 30, 2020 that remained outstanding as of September 30, 2020.

Equity in (earnings) loss of non-consolidated entities. Equity in loss of non-consolidated entities were \$4.2 million for the nine months ended September 30, 2020 compared to earnings of \$(1.0) million for the nine months ended September 30, 2019.

Investment income. Investment income was \$0.1 million for the nine months ended September 30, 2020 compared to investment income of \$13.0 million for the nine months ended September 30, 2019. Investment income includes a gain on the sale of our Austria theatres of \$12.9 million for the nine months ended September 30, 2019.

Income tax provision. The income tax provision was \$59.0 million and \$2.0 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. The increase in income tax provision is primarily due to the recording of international valuation allowances against deferred tax assets held in Spain of \$40.1 million and Germany of \$33.1 million, partially offset by income tax benefit from net losses incurred in International markets during the nine months ended September 30, 2020 that are projected to offset previously unabsorbed deferred tax liabilities in International markets. See Note 8—Income Taxes in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information.

Net earnings (loss). Net earnings (loss) was \$(986.0) million and \$7.1 million during the nine months ended September 30, 2020 and September 30, 2019, respectively. Net loss during the nine months ended September 30, 2020 compared to net earnings for the nine months ended September 30, 2019 was negatively impacted by the decrease in attendance as a result of the temporary suspension of operations at all our theatres on or before March 17, 2020, impairment charges related to long-lived assets, indefinite-lived intangible assets and goodwill increased depreciation expense, increased income tax provision, declines in investment income and declines in equity in earnings of non-consolidated entities, partially offset by reduced operating expenses, lower amounts of rent expense, declines in general and administrative expenses and increases in other income.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated revenues are primarily collected in cash, principally through box office admissions and food and beverage sales. We have an operating “float” which partially finances our operations, and which generally permits us to maintain a smaller amount of working capital capacity. This float exists because admissions revenues are received in cash, while exhibition costs (primarily film rentals) are ordinarily paid to distributors from 20 to 45 days following receipt of box office admissions revenues. Film distributors generally release the films which they anticipate will be the most successful during the summer and year-end holiday seasons. Consequently, we typically generate higher revenues during such periods.

We had working capital deficits (excluding restricted cash) as of September 30, 2020 and December 31, 2019 of \$990.5 million and \$1,270.6 million, respectively. As of September 30, 2020 and December 31, 2019, working capital included operating lease liabilities of \$511.0 million and \$585.8 million, respectively, and deferred revenues of \$400.9 million and \$449.2 million, respectively. We have borrowed all available amounts under our Revolving Credit Facility to meet obligations as they come due. As of September 30, 2020, we had borrowed \$212.7 million (the full availability net of letters of credit) under our \$225.0 million Senior Secured Revolving Credit Facility. We also maintain a revolving credit facility due February 14, 2022 at our Odeon subsidiary (the “Odeon Revolver”). As of September 30, 2020, we had borrowed \$113.6 million (the full availability net of letters of credit) under our £100.0 million Odeon Revolver (\$128.3 million based on the foreign currency translation rate of 1.2834 on September 30, 2020).

In response to the COVID-19 pandemic, we have taken and are continuing to take significant steps to preserve cash by eliminating non-essential costs, including reductions to executive cash compensation and elements of its fixed cost structure:

- Suspended non-essential operating expenditures, including marketing & promotional and travel and entertainment expenses; and where possible, for example: utilities, reduced essential operating expenditures to minimum levels necessary while theatres are closed.

[Table of Contents](#)

- Terminated or deferred all non-essential capital expenditures to minimum levels necessary while theatres are closed.
- Implemented measures to reduce corporate-level employment costs, including full or partial furloughs of all corporate-level Company employees, including senior executives, with individual work load and salary reductions ranging from 20% to 100%; cancellation of pending annual merit pay increases; and elimination or reduction of non-healthcare benefits.
- All domestic theatre-level crew members were fully furloughed and theatre-level managements' hours were reduced to the minimum levels necessary to begin resumption of operations when permitted. Similar efforts to reduce theatre-level and corporate employment costs were undertaken internationally consistent with applicable laws across the jurisdictions in which we operate. As we resumed limited operations, employment costs increased.
- Working with our landlords, vendors, and other business partners to manage, defer, and/or abate the related rent expenses and operating expenses during the disruptions caused by the COVID-19 pandemic.
- Introduced an active cash management process, which, among other things, requires senior management approval of all outgoing payments.
- Since April 24, 2020, we have been prohibited from making dividend payments in accordance with the covenant suspension conditions in its Senior Secured Credit Facility Agreement. We had also previously elected to decrease the dividend paid in the first quarter of 2020 by \$0.17 per share when compared to the first quarter of 2019. The cash savings as a result of the prior decrease and current prohibition on making dividend payments was \$59.1 million during the nine months ended September 30, 2020 in comparison to the nine months ended September 30, 2019.
- We are prohibited from making purchases under its recently authorized stock repurchase program in accordance with the covenant suspension conditions in its Senior Secured Credit Facility Agreement.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees. Based on our analysis of the CARES Act, we expect to recognize the following benefits:

- Approximately \$17.4 million of cash tax refunds from overpayments and refundable alternative minimum tax credits with the filing of our 2019 federal tax return, amending 2018 state tax returns and filing 2019 state tax returns in which we expect a refund. Thus far in 2020 we have received approximately \$7.1 million of cash tax refunds.
- Deferral of social security payroll tax matches that would otherwise be required in 2020.
- Receipt of a payroll tax credit in 2020 for expenses related to paying wages and health benefits to employees who are not working as a result of temporarily suspended operations and reduced receipts associated with COVID-19.

We intend to seek any available potential benefits, including loans, investments or guarantees, under future government programs for which we qualify domestically and internationally, including those described above. We have taken advantage of many forms of governmental assistance internationally including but not limited to revenue and fixed cost reimbursements, payroll subsidies, rent support programs, direct grants, and property tax holidays. We cannot predict the manner in which such benefits will be allocated or administered, and we cannot assure the reader that we will be able to access such benefits in a timely manner or at all.

During the three months ended September 30, 2020, we exchanged more than 87% of our senior subordinated notes for newly issued 10%/12% Cash/PIK Toggle Second Lien Subordinated Secured Notes due 2026 (the "Second Lien Notes due 2026"), thereby generating a near-term cash savings for the Company of between approximately \$120 million to \$180 million as a result of the ability to pay interest in kind on the Second Lien Notes due 2026 for the first three interest payment periods that would be payable semi-annually in arrears on June 15 and December 15, beginning on December 15, 2020 through December 15, 2021, subject to certain limitations described herein, and received proceeds from the issuance of the new 10.5% first lien secured notes due 2026 (the "First Lien Notes due 2026") of \$270.0 million, net of discounts of \$30.0 million and deferred financing costs paid to lenders of \$6.0 million. Further, as discussed in Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements under Item 1 of Part I of this Form 10-Q, our lenders have granted relief from the maintenance covenants in the revolving credit agreements through March 31, 2021. The first required compliance in the next 12 months is June 30, 2021. Our ability to maintain compliance with the covenants will depend on the recovery of our theatre operations and the generation of sufficient cash flow (or EBITDA). If we are not in compliance with financial covenants, our lenders could

[Table of Contents](#)

exercise remedies including declaring the principal and interest on all outstanding indebtedness due or payable immediately. Our cash and cash equivalents as of September 30, 2020 were \$417.9 million. Our total cash burn for the three months ended September 30, 2020 was approximately \$388 million and included approximately \$39 million of third party costs and \$23.3 million of accrued interest payments related to the Exchange Offers. Our total cash burn is impacted by, among other things, the timing of resumption of theatre operations, costs associated with the AMC Safe and Clean initiative, landlord negotiations and minimum lease payments, the timing of movie releases, theatre attendance levels, and food and beverage receipts.

Going forward, our ability to reduce cash burn rates and ultimately generate positive cash flow, and therefore the extent to which we will require additional sources of liquidity, will depend almost entirely on our future attendance levels that drive admission and food and beverage revenue. Attendance in the fourth quarter of 2020 will be influenced by, among other things, the timing of new film releases, the ability to open remaining theatres in our major markets, the expansion or contraction of mandated seating capacity limitations, and consumer confidence in moviegoing. If we experience negative developments with any of these factors, among others, our cash burn rates and liquidity will also be negatively affected, and we may require additional sources of liquidity in amounts that could be material. Furthermore, commencing in 2021, absent further negotiations with landlords, our cash expenditures for rent will increase significantly following periods of agreed deferrals. Given the reduced movie slate for the fourth quarter, in the absence of significant increases in attendance from current levels or incremental sources of liquidity, at the existing cash burn rate, we anticipate that existing cash resources would be largely depleted by the end of 2020 or early 2021. Thereafter, to meet our obligations as they become due, we will require additional sources of liquidity or increases in attendance levels. The required amounts of additional liquidity are expected to be material. We continue to explore potential sources of additional liquidity, including:

- Additional debt and equity financing; to date, we raised gross proceeds of approximately \$2.9 million and \$53.2 million during September 2020 and October 2020, respectively, through our at-the-market offering of approximately 15.0 million shares of its Class A common stock, see Note 7—Stockholders' Equity in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information. In addition, we announced on October 20, 2020, we authorized the sale of 15.0 million additional shares of our Class A common stock through at the market offerings, under which, as of the October 30, 2020 settlement date, we raised additional gross proceeds of approximately \$33.8 million through the sale of approximately 11.8 million shares of our Class A common stock;
- Further renegotiations with landlords regarding our lease payments;
- Potential asset sales;
- Joint-venture or other arrangements with existing business partners; and
- Minority investments in our capital stock.

There is a significant risk that these potential sources of liquidity will not be realized or that they will be insufficient to generate the material amounts of additional liquidity that would be required until we are able to achieve more normalized levels of operating revenues. In the event we determine that these sources of liquidity will not be available to us or will not allow us to meet our obligations or does not comply with financial covenants as they become due, we would likely seek an in-court or out-of-court restructuring of our liabilities, and in the event of a future liquidation or bankruptcy proceeding, holders of our common stock would likely suffer a total loss of their investment. Our cash burn is impacted by, among other things, the timing of resumption of theatre operations, including with respect to some of our most productive theatres which remain closed, the timing of movie releases and the slate of future releases, theatre attendance levels, landlord negotiations and minimum lease payments, costs associated with the AMC Safe and Clean initiative, and food and beverage receipts. **See Item 1A "Risk Factors" of Part II of this Form 10-Q—"We will require significant amounts of additional liquidity and there is a substantial doubt about our ability to continue as a going concern for a reasonable period of time; holders of our Class A common stock could suffer a total loss of their investment."**

While we have used our best estimates based on currently available information, it is very difficult to estimate our liquidity requirements and future cash burn rates, and depending on the assumptions used regarding the timing and ability to achieve more normalized levels of operating revenue, the estimates of amounts of required liquidity vary significantly. There can be no assurance that the accuracy of the assumptions used to estimate our liquidity requirements and future cash burn will be correct, or that we will be able to achieve more normalized levels of attendance described above, which are materially higher than our current attendance levels, and our ability to be predictive is uncertain due to the unknown magnitude and duration of the COVID-19 pandemic, which has resulted in stay-at-home orders, governmental closure orders, film production and scheduling disruption, reopening uncertainties and the cessation of our entire U.S. and International theatre operations for the first time in its history.

[Table of Contents](#)

We realized significant cancellation of debt income (“CODI”) in connection with our debt restructuring. As a result of such CODI, we estimate a significant portion of our net operating losses and tax credits will be eliminated as a result of tax attribute reductions. Any loss of tax attributes as a result of such CODI may adversely affect our cash flows and therefore our ability to service our indebtedness.

Due to these factors, substantial doubt exists about our ability to continue as a going concern for a reasonable period of time.

Cash Flows from Operating Activities

Cash flows provided by (used in) operating activities, as reflected in the condensed consolidated statements of cash flows, were \$(771.6) million and \$210.2 million during the nine months ended September 30, 2020 and September 30, 2019, respectively. The decrease in cash flows provided by operating activities was primarily due to decreased attendance levels and temporary suspension of operations at all of our theatres on or before March 17, 2020, which resulted in lower operating results during the nine months ended September 30, 2020 and higher payments for accounts payable primarily due to timing.

Cash Flows from Investing Activities

Cash flows used in investing activities, as reflected in the condensed consolidated statements of cash flows, were \$154.8 million and \$348.4 million during the nine months ended September 30, 2020 and September 30, 2019, respectively. Cash outflows from investing activities include capital expenditures of \$156.0 million and \$348.2 million during the nine months ended September 30, 2020 and September 30, 2019, respectively. Our capital expenditures primarily consisted of strategic growth initiatives and remodels, capital improvements to existing locations in our theatre circuit, and technology upgrades. During the nine months ended September 30, 2020, cash flows used in investing activities included an additional investment in SCC, a non-consolidated entity of \$9.3 million, and proceeds from the disposition of assets of \$8.6 million primarily related to seven properties and other asset sales. During the nine months ended September 30, 2019, cash inflows from investing activities included the proceeds from the disposition of long-term assets of \$21.4 million primarily from the sale of theatres located in Austria of \$15.3 million and disposition of assets of \$6.1 million, partially offset by cash outflows of \$11.8 million for the acquisition of assets related to four theatres in the U.S. markets.

We fund the costs of constructing, maintaining and remodeling our theatres through existing cash balances, cash generated from operations, landlord contributions, or borrowed funds, as necessary. We generally lease our theatres pursuant to long-term non-cancelable operating leases which may require the developer, who owns the property, to reimburse us for the construction costs. We terminated or deferred all non-essential capital expenditures to minimum levels necessary while theatres are closed. We expect capital expenditures (net of landlord contributions) to be between \$130 million and \$160 million for calendar year 2020, which includes \$124.1 million net spend during the nine months ended September 30, 2020. In addition, we expect capital expenditures (net of landlord contributions) to be between \$80 million and \$100 million for calendar year 2021 to maintain operations.

Cash Flows from Financing Activities

Cash flows provided by (used in) financing activities, as reflected in the condensed consolidated statements of cash flows, were \$1,082.5 million and \$(72.9) million during the nine months ended September 30, 2020 and September 30, 2019, respectively. The increase in cash flows from financing activities during the nine months ended September 30, 2020 compared to September 30, 2019 was primarily due to the borrowings under our First Lien Notes due 2025, First Lien Notes due 2026, revolving credit facilities, proceeds from sale of the noncontrolling interest in Forum Cinemas OU and the reduction in cash dividends paid.

Borrowings, net of discounts, under our First Lien Notes due 2025, First Lien Notes due 2026, and revolving credit facilities were \$490.0 million, \$270.0 million, and \$322.2 million, respectively, during the nine months ended September 30, 2020.

On August 28, 2020, we entered into an agreement to sell our equity interest in Forum Cinemas OU, which consists of nine theatres located in the Baltic’s region (Latvia, Lithuania and Estonia) in several steps. For further information, see Note 1—Basis of Presentation in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q. We received \$37.5 million (€31.5 million) cash consideration and transferred an equity interest of 49% in Forum Cinemas OU to the purchaser during the nine months ended September 30, 2020.

[Table of Contents](#)

During the nine months ended September 30, 2019, cash inflows from financing activities included the proceeds from the issuance of \$1,990.0 million of Term Loan due 2026, offset by cash outflows for the repayment of the Term Loan due 2022 of \$849.8 million, repayment of the Term Loan due 2023 of \$488.7 million, repayments of the 6.0% Senior Secured Notes due 2023 of \$230.0 million, and payment of the 5.875% Senior Subordinated Notes due 2023 of \$375.0 million. Call premiums paid related to the repayment of the 6.0% Senior Secured Notes due 2023 and the 5.875% Senior Subordinated Notes due 2022 were \$15.9 million and deferred financing costs paid were \$11.7 million.

The following is a summary of dividends and dividend equivalents declared to stockholders:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Date Paid</u>	<u>Amount per Share of Common Stock</u>	<u>Total Amount Declared (In millions)</u>
February 26, 2020	March 9, 2020	March 23, 2020	\$ 0.03	\$ 3.2
October 24, 2019	December 2, 2019	December 16, 2019	0.20	21.0
August 2, 2019	September 9, 2019	September 23, 2019	0.20	21.3
May 3, 2019	June 10, 2019	June 24, 2019	0.20	21.3
February 15, 2019	March 11, 2019	March 25, 2019	0.20	21.3

During the nine months ended September 30, 2020 and September 30, 2019, we paid dividends and dividend equivalents of \$4.3 million and \$63.4 million, respectively. As of September 30, 2020, we accrued \$1.1 million for the remaining unpaid dividend equivalents. As of April 24, 2020, we are prohibited from making dividend payments in accordance with the covenant suspension conditions in our Senior Secured Credit Facility Agreement.

Senior Secured Credit Facility (Revolving Credit Facility and Term Loan due 2026). On April 23, 2020, we entered into an amendment to the Senior Secured Credit Facility pursuant to which the requisite lenders thereunder granted a waiver of the maintenance covenant thereunder for the period from the and after the effective date of the Senior Secured Credit Agreement Amendment to and including the earlier of (a) March 31, 2021 and (b) the day immediately preceding the last day of the Test Period (as defined in the Senior Secured Credit Facility).

On July 31, 2020, we entered into the Eighth Amendment with the administrative agent to the Senior Secured Credit Facility to add restrictive provisions, including modifying covenants limiting indebtedness, liens, investments, asset sales and restricted payments, to ensure that the terms and conditions of the First Lien Notes due 2026, the Convertible Notes due 2026 and the Second Lien Notes due 2026 (subject to certain exceptions) are not materially more favorable (when taken as a whole) to the noteholders than the terms and conditions of the Senior Secured Credit Facility Agreement (when taken as a whole).

Odeon Revolving Credit Facility. On April 24, 2020, we entered into an amendment to the Odeon Revolving Credit Facility, pursuant to which the requisite lenders thereunder granted a waiver of the maintenance covenant thereunder for the period from and after the effective date of the Odeon Amendment to and including the earlier of (a) March 31, 2021 and (b) the day immediately preceding the last day of the Relevant Period (as defined in the Odeon Amendment).

First Lien Notes due 2025. On April 24, 2020, we issued \$500.0 million aggregate principal amount of our 10.5% First Lien Notes due 2025, with an original issue discount of \$10.0 million. The First Lien Notes due 2025 bear interest at a rate of 10.5% per annum, payable semi-annually on April 15 and October 15 each year, commencing October 15, 2020 and are secured, on a pari passu basis with the Senior Secured Credit Facility. The First Lien Notes due 2025 will mature on April 15, 2025.

Senior Subordinated Debt Exchange Offers. On July 31, 2020, we closed our previously announced private offers to exchange (the "Exchange Offers") any and all of our outstanding 6.375% Senior Subordinated Notes due 2024, 5.75% Senior Subordinated Notes due 2025, 5.875% Senior Subordinated Notes due 2026 and 6.125% Senior Subordinated Notes due 2027 (together the "Existing Subordinated Notes") for approximately \$1.46 billion in aggregate principal amount of newly issued 10%/12% Cash/PIK Toggle Second Lien Subordinated Secured Notes due 2026.

[Table of Contents](#)

The aggregate principal amounts of the Existing Subordinated Notes set forth in the table below were validly tendered and subsequently accepted. Such accepted Existing Subordinated Notes were retired and cancelled.

(In thousands)	Total Aggregate Principal Amount Validly Tendered	Percentage of Outstanding Existing Subordinated Notes Validly Tendered
6.375% Senior Subordinated Notes due 2024 (£496,014 par value)	\$ 632,145	99.20 %
5.75% Senior Subordinated Notes due 2025	\$ 501,679	83.61 %
5.875% Senior Subordinated Notes due 2026	\$ 539,393	90.65 %
6.125% Senior Subordinated Notes due 2027	\$ 344,279	72.48 %

The Exchange Offers reduced the principal amounts of our debt by approximately \$555 million, which represented approximately 23.9% of the principal amount of the Existing Subordinated Notes. We raised \$300 million in additional cash from the issuance of the incremental 10.5% first lien secured notes due 2026 (the “First Lien Notes due 2026”), prior to deducting \$36 million related to discounts and deferred financing costs paid to the lenders. Additionally, certain holders of the Existing Subordinated Notes that agreed to backstop the rights offering for \$200 million of the First Lien Notes due 2026 received five million Class A common shares. The closing of the Exchange Offers also allowed us to extend maturities on approximately \$1.7 billion of debt to 2026, most of which was maturing in 2024 and 2025 previously. Interest due for the coming 12 to 18 months on the Second Lien Notes due 2026 is expected to be paid all or in part on an in-kind basis, thereby generating a further near-term cash savings for us of between approximately \$120 million and \$180 million.

In connection with the Exchange Offers, we also received consents from eligible holders of the Existing Subordinated Notes to amend the indentures governing the Existing Subordinated Notes to among other things, (i) release the existing subsidiary guarantees of the Existing Subordinated Notes, (ii) eliminate substantially all of the restrictive covenants, certain affirmative covenants and certain events of default contained in the indentures governing the Existing Subordinated Notes, and (iii) makes other conforming changes to internally conform to certain proposed amendments.

We performed an assessment on a lender by lender basis to identify certain lenders that met the criteria for a troubled debt restructuring (“TDR”) under ASC 470-60, Troubled Debt Restructurings by Debtors (“ASC 470-60”) as we were experiencing financial difficulties and the lenders granted us a concession. The portion of the loans that did not meet the assessment of TDR under ASC 470-60 were treated as modifications. We accounted for the exchange of approximately \$1,782.5 million principal amount of our Existing Senior Subordinated Notes for approximately \$1,289.1 million principal amount of the Second Lien Notes due 2026 as TDR. We accounted for the exchange of the remaining approximately \$235.0 million principal amount of our Existing Senior Subordinated Notes for approximately \$173.2 million principal amount of the Second Lien Notes due 2026 as a modification of debt as the lenders did not grant a concession and the difference between the present value of the old and new cash flows was less than 10%. The TDR and modification did not result in a gain recognition and we established new effective interest rates based on the carrying value of the Existing Subordinated Notes and recorded the new fees paid to third parties of approximately \$36.3 million and \$39.1 million in other expense, during both the three and nine months ended September 30, 2020.

Convertible Notes. On April 24, 2020, we entered into a supplemental indenture (the “Supplemental Indenture”) to the Convertible Notes due 2024 indenture, dated as of September 14, 2018. The Supplemental Indenture amended the debt covenant under the Convertible Notes due 2024 Indenture to permit us to issue the First Lien Notes due 2025, among other changes.

Concurrently with the Exchange Offers, to obtain the consent of the holders of the Convertible Notes due 2024, we restructured \$600 million of Convertible Notes due 2024 issued in 2018 to Silver Lake and others pursuant to which the maturity of the Convertible Notes due 2024 were extended to May 1, 2026 (the “Convertible Notes due 2026”) and a first-priority lien on the collateral was granted to secure indebtedness thereunder. We accounted for this transaction as a modification of debt as the lenders did not grant a concession and the difference between the present value of the old and new cash flows was less than 10%. The modification did not result in the recognition of any gain or loss and the Company established new effective interest rates based on the carrying value of the Convertible Notes due 2024. Third party costs related to the transaction were expensed as incurred and amounts paid to lenders were capitalized and amortized through maturity of the debt.

Second Lien Notes due 2026. In connection with the Exchange Offers on July 31, 2020, we issued \$1,462.3

[Table of Contents](#)

million aggregate principal amount of the new Second Lien Notes due 2026 in exchange for the Existing Subordinated Notes. We have reflected a premium of \$535.1 million on the Second Lien Notes due 2026 as the difference between the principal balance of the Second Lien Notes due 2026 and the \$1,997.4 million carrying value of the Existing Subordinated Notes exchanged. The premium will be amortized to interest expense over the term of the Second Lien Notes due 2026 using the effective interest method.

In connection with the Exchange Offers and the First Lien Notes due 2026, we issued five million shares of Class A common stock to certain holders of subordinated notes as consideration for their commitment to backstop the issuance of \$200 million of the First Lien Notes due 2026. Pursuant to the Backstop Commitment Agreement dated July 10, 2020, certain of the actual or beneficial holders of Existing Subordinated Notes agreed to purchase 100% of the First Lien Notes due 2026 that were not subscribed for in connection with the \$200 million rights offering to holders of the existing Subordinated Notes participating in the Exchange Offers. Those providing a backstop commitment pursuant to the Backstop Commitment Agreement received their pro-rata share of 5 million shares of the Class A common stock, or 4.6% of AMC's outstanding shares as of July 31, 2020, worth \$20.2 million at the market closing price on July 31, 2020. The equity issuance was recorded by us in stockholders' deficit with an offset in corporate borrowings as a discount. The discount will be amortized to interest expense over the term of the Second Lien Notes due 2026 using the effective interest method. As part of the registration rights agreement related to the issuance of the Class A common stock, we filed a shelf registration statement in August 2020 providing for the resale of the shares of Class A common stock issued as consideration for the backstop commitment described above.

First Lien Notes due 2026. In connection with the Exchange Offers, certain holders of the Existing Subordinated Notes purchased 10.5% First Lien Notes due 2026 in an aggregate principal amount of \$200 million. The 10.5% First Lien Notes due 2026 issued to certain holders of the Existing Subordinated Notes were issued pursuant to an indenture, dated as of July 31, 2020, among the Company, the guarantors named therein and GLAS Trust Company LLC, as trustee and collateral agent.

Separately, upon the closing of its private debt exchange, Silver Lake Alpine, L.P. and Silver Lake Alpine (Offshore Master), L.P., each affiliates of Silver Lake Group, L.L.C. ("Silver Lake"), purchased from us \$100 million principal amount of First Lien Notes due 2026. The 10.5% First Lien Notes due 2026 issued to affiliates of Silver Lake were issued pursuant to an indenture, dated as of July 31, 2020, among the Company, the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent. The terms of the 10.5% First Lien Notes due 2026 issued to the holders of the Existing Subordinated Notes and the 10.5% First Lien Notes due 2026 issued to Silver Lake are substantially identical. The \$300 million principal amount of new funding is prior to deducting discounts of \$30.0 million and deferred financing costs paid to lenders of \$6.0 million related to the First Lien Notes due 2026. The discount and deferred financing costs will be amortized to interest expense over the term using the effective interest method.

See Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information regarding the above.

Contractual Obligations, Commitments and Contingencies

We have commitments and contingencies for finance leases, corporate borrowings, operating leases, capital related betterments and pension funding that were summarized in a table in our Annual Report on Form 10-K for the year ended December 31, 2019. Except as set forth above and below with respect to corporate borrowings and leases since December 31, 2019, there have been no material changes to the commitments and contingencies outside of the ordinary course of business.

We borrowed under our revolving lines of credit, issued First Lien Notes due 2025, and consummated the Senior Subordinated Debt Exchange Offers. See Note 6—Corporate Borrowings in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information, including a table that provides the principal payments required and maturities of corporate borrowings as of September 30, 2020.

We received rent concessions provided by the lessors that aided or will aid, in mitigating the economic effects of COVID-19. These concessions primarily consist of deferral of rent payments and rent abatements. See Note 2—Leases in the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q for further information, including a table of the minimum annual payments required under existing operating and finance lease liabilities (net present value thereof) as of September 30, 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, our financial results are exposed to fluctuations in interest rates and foreign currency exchange rates. In accordance with applicable guidance, we presented a sensitivity analysis showing the potential impact to net income of changes in interest rates and foreign currency exchange rates. For the nine months ended September 30, 2020 and September 30, 2019, our analysis utilized a hypothetical 100 basis-point increase or decrease to the average interest rate on our variable rate debt instruments to illustrate the potential impact to interest expense of changes in interest rates. For the nine months ended September 30, 2020 and September 30, 2019, our analysis utilized a hypothetical 100 basis-point increase or decrease to market interest rates on our fixed rate debt instruments to illustrate the potential impact to fair value of changes in interest rates.

Similarly, for the same period, our analysis used a uniform and hypothetical 10% strengthening of the U.S. dollar versus the average exchange rates of applicable currencies to depict the potential impact to net income of changes in foreign exchange rates. These market risk instruments and the potential impacts to the condensed consolidated statements of operations are presented below.

Market risk on variable-rate financial instruments. At September 30, 2020 and September 30, 2019, we maintained a Senior Secured Credit Facility comprised of a \$225.0 million revolving credit facility and \$2,000.0 million of Term Loan due 2026. The Senior Secured Credit Facility provides for borrowings at a rate per annum equal to an applicable margin, plus, at our option, either (1) a base rate determined by reference to the highest of (a) 0.50% per annum plus the Federal Funds Effective Rate, (b) the prime rate of Citi and (ii) LIBOR determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% or (2) LIBOR determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. The rate in effect for the outstanding Term Loan due 2026 was 4.08% per annum at September 30, 2020 and 5.23% per annum at September 30, 2019. We also maintain a revolving credit facility due February 14, 2020 at our Odeon subsidiary. Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease. The change in interest expense and earnings before income taxes would be dependent upon the weighted average outstanding borrowings during the reporting period following an increase in market interest rates. At September 30, 2020, we had an aggregate principal balance of \$212.7 million under our revolving credit facility, \$113.6 million under the Odeon Revolver, and had an aggregate principal balance of \$1,970.0 million outstanding under the Term Loan due 2026. A 100-basis point change in market interest rates would have increased or decreased interest expense on the Senior Secured Credit Facility and the Odeon Revolver Credit Facility by \$17.2 million during the nine months ended September 30, 2020. At September 30, 2019, we had no variable-rate borrowings outstanding under our revolving credit facility and had an aggregate principal balance of \$1,990.0 million outstanding under the Term Loan due 2026. A 100-basis point change in market interest rates would have increased or decreased interest expense on the Senior Secured Credit Facility by \$14.9 million during the nine months ended September 30, 2019.

Market risk on fixed-rate financial instruments. Included in long-term corporate borrowings at September 30, 2020 were principal amounts of \$500.0 million of our First Lien Notes due 2025, \$1,462.3 million of our Second Lien Notes due 2026, \$600.0 million of our Convertible Notes due 2026, \$300.0 million of our First Lien Notes due 2026, \$98.3 million of our Notes due 2025, \$55.6 million of our Notes due 2026, \$130.7 million of our Notes due 2027, and £4.0 million (\$5.1 million) of our Sterling Notes due 2024. A 100-basis point change in market interest rates would have caused an increase or (decrease) in the fair value of our fixed rate financial instruments of approximately \$46.0 million and \$(43.9) million, respectively, during the nine months ended September 30, 2020.

Included in long-term corporate borrowings at September 30 2019 were principal amounts of \$600.0 million of our Convertible Notes due 2024, \$600.0 million of our Notes due 2025, \$595.0 million of our Notes due 2026, \$475.0 million of our Notes due 2027, and £500.0 million (\$614.9 million) of our Sterling Notes due 2024. A 100-basis point change in market interest rates would have caused an increase or (decrease) in the fair value of our fixed rate financial instruments of approximately \$136.0 million and \$(128.0) million, respectively, during the nine months ended September 30, 2019.

Foreign currency exchange rate risk. We are also exposed to market risk arising from changes in foreign currency exchange rates as a result of our ownership of Odeon and Nordic. Odeon's revenues and operating expenses are transacted in British Pounds and Euros, and Nordic's revenues and operating expenses are transacted primarily in Swedish Krona and Euros. U.S. GAAP requires that our subsidiaries use the currency of the primary economic environment in which they operate as their functional currency. If Odeon and Nordic operate in a highly inflationary economy, U.S. GAAP requires that the U.S. dollar be used as the functional currency for Odeon and Nordic. Currency fluctuations in the countries in which we operate result in us reporting exchange gains (losses) or foreign currency translation adjustments. Based upon our ownership in Odeon and Nordic as of September 30, 2020, holding everything else constant, a hypothetical 10% strengthening of the U.S. dollar versus the average exchange rates of applicable currencies to depict the potential impact to net income (loss) of changes in foreign exchange rates would decrease the aggregate net loss of our International theatres for the nine months ended September 30, 2020 by approximately \$98.6 million. Based upon our ownership in Odeon and Nordic as of September 30, 2019, holding everything else constant, a hypothetical 10% strengthening of the U.S. dollar versus the average exchange rates of applicable currencies to depict the potential impact to net income of changes in foreign exchange rates would decrease the aggregate net earnings of our International theatres for the nine months ended September 30, 2019 by approximately \$0.7 million.

Our foreign currency translation rates decreased by approximately 1.0% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, which did not significantly impact our consolidated net loss for the nine months ended September 30, 2020.

Item 4. Controls and Procedures.

- (a) Evaluation of disclosure controls and procedures.

The Company maintains a set of disclosure controls and procedures designed to ensure that material information required to be disclosed in its filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that material information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have evaluated these disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q and have determined that such disclosure controls and procedures were effective.

- (b) Changes in internal control.

The Company has not experienced any material impact to its internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the COVID-19 pandemic. Most of the Company's employees worked remotely during the period in which we prepared these financial statements due to the impact of COVID-19. The Company enhanced its oversight and monitoring during the close and reporting process and assessed frequency of controls to align with decreased or no volume of transactions occurring during the suspension of theatre operations. Other than enhancing Company's oversight and monitoring processes, the Company did not alter or compromise its disclosure controls and procedures. The Company is continually monitoring and assessing the need to modify or enhance its disclosure controls to ensure disclosure controls and procedures continue to be effective.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Note 11—Commitments and Contingencies of the Notes to the Company's Condensed Consolidated Financial Statements contained in Part I of this quarterly report on Form 10-Q for information on certain litigation to which we are a party.

Item 1A. Risk Factors

Reference is made to Part I Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019. Except as set forth below, there have been no material changes to the risk factors contained in our Quarterly Report on Form 10-Q for the three months ended September 30, 2020.

We will require significant amounts of additional liquidity and there is substantial doubt about our ability to continue as a going concern for a reasonable period of time; holders of our Class A common stock could suffer a total loss of their investment.

As previously disclosed, in the absence of significant increases in attendance from current levels or the availability of significant additional sources of liquidity, at the existing cash burn rate, the Company anticipates that existing cash resources would be largely depleted by the end of 2020 or early 2021. Thereafter, to meet its obligations as they become due, the Company will require additional sources of liquidity and/or increases in attendance levels. The required amounts of additional liquidity will be material. Although the Company is actively continuing to explore additional sources of liquidity, the Company is unable to determine at this time whether any of these potential sources of liquidity will be available to it or if available, individually or taken together, will be sufficient to address its liquidity needs. There is a significant risk that these potential sources of liquidity will not be realized or that they will be insufficient to generate the material amounts of additional liquidity that would be required until the Company is able to achieve more normalized levels of operating revenues. Further, any relief provided by lenders, governmental agencies, and business partners may not be adequate and may include onerous terms, particularly if we face a second round of theatre closures, we are unable to open theatres in our major markets that remain closed, scheduled movies releases fail to drive increased attendance, scheduled releases continue to be postponed or moved to the home video market, or if the attendance levels of, and revenues generated by, our reopened theatres normalize at a level that will not support our substantial amount of indebtedness, rent liabilities or other obligations. Due to these factors, as previously disclosed, substantial doubt exists about the Company's ability to continue as a going concern for a reasonable period of time.

In the event the Company determines that additional sources of liquidity will not be available to it or will not allow it to meet its obligations as they become due, it would likely seek an in-court or out-of-court restructuring of its liabilities, and in the event of a future liquidation or bankruptcy proceeding, holders of the Company's Class A common stock would likely suffer a total loss of their investment.

The COVID-19 pandemic has disrupted our business and will continue to adversely affect our business, theatres, results of operations and liquidity.

The COVID-19 pandemic has had and will continue to have a significant and adverse impact on our business. As a result of the pandemic, primarily all of our theatres worldwide temporarily suspended operations between March and late summer, during which period we generated only immaterial revenue. While we have now reopened a majority of our theaters, we have not reopened all of our theaters in major markets and our reopening in those markets may be further delayed. Currently, although we are in early stages, our reopened theaters are generating only a small portion of the attendance and revenue from admissions and food and beverage sales compared to historical levels and during the third quarter of 2020 our cash burn is expected to be higher than when theatres were closed. The extent of our cash burn in the future will primarily be dependent on attendance which drives admission, food and beverage, and other revenue. The ultimate duration of the pandemic and of responsive governmental regulations, including shelter-in-place orders and mandated business closures is uncertain and we may need to suspend existing theatre operations or extend the suspension of operations at theatres that are currently closed. We cannot predict when or if our business will return to closer to normal levels. In addition, governmental officials may impose further restrictions on travel or introduce social distancing measures such as limiting the number of people allowed in a theatre at any given time.

The resumption of operations has resulted in a ramp-up in costs to operate our business. While we plan to closely monitor our variable costs and reduce fixed costs to the extent possible, we continue to incur significant cash outflows, including interest payments, taxes, critical maintenance capital expenditures, expenses associated with the resumption of operations, and certain compensation and benefits payments.

We may face difficulty in maintaining relationships with our landlords, vendors, motion picture distributors, customers, and employees during a suspension period. Since the outbreak of the COVID-19 virus, movie studios have suspended production of movies and delayed the release date of movies. Some movie studios have also reduced or eliminated the theatrical exclusive release window or have skipped a theatrical release and released their movies through streaming or other channels and may continue to do so with additional releases for the duration of the pandemic

[Table of Contents](#)

and after the pandemic has subsided. The longer and more severe the pandemic, including repeat or cyclical outbreaks beyond the one we are currently experiencing, the more severe the adverse effects will be on our business, results of operations, liquidity, cash flows, financial condition, access to credit markets and ability to service our existing and future indebtedness.

Even when the COVID-19 pandemic subsides, we cannot guarantee that we will recover as rapidly as other industries, or that we will recover as rapidly as others within the industry due to our strong footprint in densely populated areas. For example, even where applicable government restrictions are lifted or reduced, it is unclear how quickly patrons will return to our theatres, which may be a function of continued concerns over safety and social distancing and/or depressed consumer sentiment due to adverse economic conditions, including job losses, among other things. In our theatres that have resumed operations, a single case of COVID-19 in a theatre could result in additional costs and further closures, or a “second wave” or recurrence of COVID-19 cases could cause another widespread suspension of operations. If we do not respond appropriately to the pandemic, or if customers do not perceive our response to be adequate, we could suffer damage to our reputation, which could significantly adversely affect our business. Furthermore, the effects of the pandemic on our business could be long-lasting and could continue to have adverse effects on our business, results of operations, liquidity, cash flows and financial condition, some of which may be significant, and may adversely impact our ability to operate our business on the same terms as we conducted business prior to the pandemic. Significant impacts on our business caused by the COVID-19 pandemic include and are likely to continue to include, among others:

- lack of availability of films in the short or long term, including as a result of (i) continued delay in film releases; (ii) release of scheduled films on alternative channels or (iii) disruptions of film production;
- decreased attendance at our theatres, including due to (i) continued safety and health concerns, (ii) additional regulatory requirements limiting our seating capacity or (iii) a change in consumer behavior in favor of alternative forms of entertainment;
- a ramp up of costs in connection with theatre reopenings that is not matched by increases in revenues from those reopened theatres, which costs may be substantial;
- increased operating costs resulting from additional regulatory requirements enacted in response to the COVID-19 pandemic and from precautionary measures we voluntarily take at our facilities to protect the health and well-being of our customers and employees;
- our inability to negotiate favorable rent payment terms with our landlords;
- unavailability of employees and/or their inability or unwillingness to conduct work under any revised work environment protocols;
- increased risks related to employee matters, including increased employment litigation and claims relating to terminations or furloughs caused by the suspension of theatre operations;
- reductions and delays associated with planned operating and capital expenditures;
- further impairment charges upon a portion of our goodwill, long-lived assets or intangible assets as consequence of failure to meet operating projections and other adverse events or circumstances, as a result of the impact on our prior impairment analysis due to delays in theatre reopenings, which could be material to our results of operations and financial conditions;
- our inability to generate significant cash flow from operations if our theatres continue to operate at significantly lower than historical levels, which could lead to a substantial increase in indebtedness and negatively impact our ability to comply with the financial covenants, as applicable, in our debt agreements;
- our inability to access lending, capital markets and other sources of liquidity, if needed, on reasonable terms, or at all, or obtain amendments, extensions and waivers of financial maintenance covenants, among other material terms; our inability to effectively meet our short- and long-term obligations; and
- our inability to service our existing and future indebtedness or other liabilities, the failure of which could result in insolvency proceedings and result in a total loss of your equity investment.

The outbreak of COVID-19 has also significantly increased economic uncertainty. It is possible that the current outbreak or continued spread of COVID-19 will cause a global recession, which could further adversely affect our business, and such adverse effects may be material. We have never previously experienced a complete cessation of

[Table of Contents](#)

our operations, and as a consequence, our ability to be predictive regarding the impact of such a cessation on our operations and future prospects is uncertain. In addition, the magnitude, duration and speed of the global pandemic is uncertain. As a consequence, we cannot estimate the impact on our business, financial condition or near or longer-term financial or operational results with certainty.

The COVID-19 pandemic (including governmental responses, broad economic impacts and market disruptions) has heightened the risks related to the other risk factors described in our Annual Report and Quarterly Reports, each of which is incorporated by reference herein and may also heighten many of the other risks described herein.

Our substantial level of indebtedness and our current liquidity constraints could adversely affect our financial condition and our ability to service our indebtedness, which could negatively impact your ability to recover your investment in the common stock.

We have a substantial amount of indebtedness, which requires significant interest payments. As of September 30, 2020, following the financial restructuring that occurred on July 31, 2020 (the “debt restructuring”), we and our subsidiaries had approximately \$5.5 billion aggregate principal amount of indebtedness outstanding. Our substantial level of indebtedness and the current constraints on our liquidity could have important consequences, including the following:

- we must use a substantial portion of our cash flow from operations to pay interest and principal on our indebtedness, which reduces or will reduce funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes and potential acquisitions;
- we may be unable to comply with financial and other restrictive covenants contained in the agreements governing our indebtedness, including the financial maintenance covenants in our credit facility once the current waiver period expires and the covenant renews in March 2021, which could result in an event of default that, if not cured or waived, would have an adverse effect on our business and prospects and could force us into bankruptcy or liquidation. In the event of a bankruptcy or liquidation, the claims in respect of indebtedness rank senior to claims of an equity holder, and any holder of our common stock would likely suffer a total loss on their investment in the common stock;
- our ability to refinance such indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- we are exposed to fluctuations in interest rates because our senior credit facilities have variable rates of interest;
- our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- the loss of tax attributes resulting from the cancellation of indebtedness that occurred in connection with the exchange offers that closed on July 31, 2020, coupled with the increased interest expense that will ultimately result therefrom and the inability to deduct all or significant portions of our interest expense for tax purposes, will ultimately increase the need to generate revenues to support our capital structure;
- there are significant constraints on our ability to generate liquidity through incurring additional debt; and
- we may be more vulnerable to economic downturn and adverse developments in our business.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the agreements governing our indebtedness. To the extent new indebtedness is added to our debt levels, including as a result of satisfying interest payment obligations on certain of our indebtedness with payments-in-kind, the related risks that we now face could intensify. Our ability to access funding under our revolving credit facilities will depend upon, among other things, the absence of an event of default under such indebtedness, including any event of default arising from a failure to comply with the related covenants. If we are unable to comply with our covenants under our indebtedness, our liquidity may be further adversely affected.

Our ability to meet our expenses, to remain in compliance with our covenants under our debt instruments and to make future principal and interest payments in respect of our debt depends on, among other factors, our operating performance, competitive developments and financial market conditions, all of which are significantly affected by

[Table of Contents](#)

financial, business, economic and other factors. We are not able to control many of these factors. Given current industry and economic conditions, our cash flow may not be sufficient to allow us to pay principal and interest on our debt and meet our other obligations.

In connection with the exchange offers and related financing transactions that closed on July 31, 2020, a group of lenders that purported at the time to represent a majority of loans under our credit facility and which opposed the exchange offers and related financing transactions, alleged various defaults, including in connection with those transactions. The company in closing the transactions determined that no continuing default or event of default existed that would prohibit the transactions or enable the lenders to accelerate the loans, and, to date, the lenders have not sought to accelerate the loans. However, to the extent our relationship with lenders is negatively affected by these events or other disputes that may arise from time to time, it may be more difficult to seek covenant relief, if needed, or to raise additional funds in the future.

The cancellation of certain indebtedness in connection with the debt restructuring resulted in significant cancellation of indebtedness income to us.

We realized significant cancellation of debt income (“CODI”) in connection with our debt restructuring. As a result of such CODI, we estimate a significant portion of our net operating losses and tax credits will be eliminated as a result of tax attribute reductions. Any loss of tax attributes as a result of such CODI may adversely affect our cash flows and therefore our ability to service our indebtedness.

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

- (a) On July 31, 2020, the Company issued five million shares of Class A common stock in a private placement pursuant to an exemption from the registration requirements of the Securities Act. The Company issued the Class A common stock in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act to certain holders of the Company’s existing senior subordinated notes that agreed to backstop the Company’s issuance of \$200.0 million of first lien notes due 2026. The Company relied on this exemption from registration based in part on representations made by the holders of the Company’s senior subordinated notes. The shares of Class A common stock were issued as consideration for the backstop commitment provided by certain holders of the Company’s senior subordinated notes.
- (b) None.
- (c) Issuer Purchases of Equity Securities

Period	Purchases of Equity Securities			Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program (a) (in millions)
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	
February 27, 2020 through September 30, 2020 (1)	—	\$ —	—	\$ 200.0
Total	—	—	—	—

(1) As announced on February 27, 2020, our Board of Directors authorized a share repurchase program for an aggregate purchase of up to \$200.0 million of our common stock. As of September 30, 2020, \$200.0 million remained available for repurchase under this plan. Also, as of April 24, 2020, the Company is prohibited from making purchases under its recently authorized stock repurchase program in accordance with the covenant suspension conditions in its Senior Secured Credit Facility Agreement. A three-year time limit had been set for the completion of this program, expiring February 26, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

Compensatory Arrangements of Certain Officers.

In order to recognize the sacrifice of employees, including taking voluntary salary reductions for some 5 1/2 months during the COVID-19 pandemic, encourage continued engagement and incentivize our management and employees during the continuing and unprecedented difficult business conditions, on October 30, 2020, the Board of Directors (the “Board”) of AMC Entertainment Holdings, Inc. (the “Company”), upon the recommendation of the Compensation Committee of the Board of Directors (the “Committee”) and in consultation with the Company’s independent compensation consultant, approved (1) modifications to certain equity awards under its 2013 Employee Incentive Plan (“EIP”), and (2) certain cash bonuses in lieu of any potential future payments under its 2020 Annual Incentive Plan (“AIP”), all as described below.

Background

Our compensation program is grounded in a pay-for-performance philosophy and designed with equity as a significant component of compensation. In addition, as previously disclosed, a key goal of executive compensation is to attract, retain, motivate and reward talented executives. However, the severe and continuing effects of COVID-19 have dramatically impacted the Company’s financial performance and the price of the Company’s common stock for reasons unrelated to the favorable performance by our management and employees in managing the Company’s business and preserving shareholder value during the COVID crisis. The Company’s financial performance and the significant decline in its common stock price reflect, among other things, the closure of all theatre operations globally and the resulting cessation of substantially all the Company’s revenue generating activities for significant periods, in compliance with local, state and federal governmental restrictions; significantly reduced attendance levels as theatres have reopened; delays of almost all major new film releases and releases directly to the home video and streaming channel; and the resulting impact on the Company’s liquidity.

At the same time, in the view of the Committee and the Board, management has successfully undertaken major initiatives to reduce and control costs, restructure a substantial portion of the Company’s debt, structure more favorable arrangements with studios, reopen theatres safely, promote attendance and keep the business ready for a return to normalcy. Since March of 2020 the management of the Company has raised almost \$1 billion of gross cash proceeds primarily by securing new debt and equity capital, along with the selling of some assets. In addition, the management has successfully negotiated more than an additional \$1 billion in concessions for the Company from landlords and creditors. These initiatives, in the view of the Committee and the Board, have been essential to preserving the Company’s business and shareholder value at a critical time for the Company, as it continues to face the ongoing uncertainty created by the pandemic. Consequently, at a time when the Company needs to retain and incentivize management and employees, key aspects of the Company’s incentive plans provide little value, which the Compensation Committee believes is inconsistent with the aims of the Company’s compensation philosophy.

Noting that the Company has seen a significant increase this year in voluntary resignations by important members of management, resulting from financial and operational instability in the movie theatre industry generally, sizable salary reductions and a substantial decrease in the value of stock-related compensation, the Committee and the Board have determined that the Company must take tangible steps to retain management and key employees to enable the Company to emerge from the impact of the COVID-19 crisis, and they believe that retention of the Company’s leadership is one of the most critical issues it faces in order to allow the Company to continue to confront the ongoing challenges presented by COVID-19.

Equity Grant Modifications

The Board has approved modifications to certain grants under the EIP. These modifications reflect, among other things, the following considerations:

[Table of Contents](#)

- As a result of COVID, certain of the stock price and other performance thresholds were unobtainable and would have the effect of eliminating these grants and thus removing an appropriate incentive for management to continue to take action to maximize operational results and increase shareholder value.
- The Company's management took salary reductions ranging between 20% and 80% for almost half of the year in response to the COVID-19 impacts and to participate in certain special grants under the EIP.
- In addition to incentivizing grant holders to maximize performance and increase shareholder value, the grants encourage continued retention.
- To further this retention intent, the modifications require that certain vested shares for senior management be held for at least a year before they can be sold.

Special Performance Stock Unit Award Agreements dated February 26, 2020 (“SPSU”) (awarded to named executive officers (“NEOs”) and certain other senior officers)

A description of the original SPSUs, including the grants made to the NEOs, is set forth in the Company's Form 8-K filed on March 3, 2020 .

Each SPSU award agreement was amended as follows:

- (1) The participant's base salary, annual incentive opportunity at target, and eligibility for future annual PSU and RSU grants under the EIP were restored to their pre-reduced levels effective October 30, 2020;
- (2) The stock price thresholds (ranging from \$12 to \$24) and service requirement for tranches 1 through 4 of the SPSUs were eliminated and such SPSUs shall vest on October 30, 2020;
- (3) Participants shall be prohibited from selling the shares of common stock issued upon the foregoing vesting until October 30, 2021;
- (4) The stock price threshold for tranche 5 of the SPSUs was changed to \$4 from \$28 and the stock price threshold for tranche 6 of the SPSUs was changed to \$8 from \$32; and
- (5) The service requirement for tranches 5 and 6 was shortened to end on October 30, 2021.

As a result, the Company will issue approximately 1.3 million shares of common stock and make cash payments of approximately \$2.5 million to cover tax withholding and dividend equivalents that would not have occurred absent the modifications.

2018 Restricted Stock Units (“RSU”) & Performance Stock Units (“PSU”)

The 2018 RSUs and PSUs were awarded to the following NEOs: Mr. Adam Aron, Mr. John McDonald, Ms. Elizabeth Frank, and Mr. Stephen Colanero, as well as other senior officers. The RSUs time vest ratably over three years subject to continued service. The PSUs vest subject to the attainment of certain financial performance goals over a three-year performance period, as described in the Company's definitive proxy statement on Schedule 14A in connection with its 2019 Annual Meeting of Stockholders, filed on April 2, 2019 and in the Company's definitive proxy statement on Schedule 14A in connection with its 2020 Annual Meeting of Stockholders, filed on June 10, 2020.

Each 2018 award was modified as follows:

- (1) The RSUs scheduled to vest on January 4, 2021, will instead vest on December 28, 2020 (the “Vesting Date”);
- (2) The Adjusted EBITDA PSU award and the Diluted EPS PSU award were divided into three equal tranches with each tranche allocated to a fiscal year within the Performance Period (each a “Tranche Year”);
- (3) The fiscal year 2018-2020 cumulative Adjusted EBITDA Target was split into three separate Adjusted EBITDA Targets applicable to each tranche year with the certified attainment and approved eligible vesting as set forth below. Due to the dramatic impact of the COVID-19 pandemic on the Company's business, the Board waived attainment of the 2020 Tranche Year Adjusted EBITDA Target and established a vesting level for such PSUs at 90%.

Tranche Year	Adjusted EBITDA Target	Attainment	Eligible Vesting Level
2018	\$848,118,000	\$886,790,000	125%
2019	\$923,686,000	\$821,429,000	61.5%
2020	\$984,811,000	N/A	90%

- (4) The fiscal year 2018-2020 Cumulative Diluted EPS Target was split into three separate Diluted EPS Targets applicable to each Tranche Year with the certified attainment and approved eligible vesting as set forth below. Due to the dramatic impact of the COVID-19 pandemic on the Company’s business, the Board waived attainment of the 2020 Tranche Year Diluted EPS Target and established a vesting level for such PSUs at 90%.

Tranche Year	Diluted EPS Target	Attainment	Eligible Vesting Level
2018	(\$0.33)	\$0.06	200%
2019	\$0.03	(\$1.01)	0%
2020	\$0.23	N/A	90%

- (5) Unless earlier forfeited and subject to the participant’s continued employment through such date, the PSUs will vest at the Eligible Vesting Levels set forth above on the Vesting Date; and
- (6) Unless otherwise provided in a written agreement with the participant in effect as of the grant date, all PSUs will be forfeited upon termination of the participant’s employment for any reason prior to the Vesting Date.

As a result, the Company will issue approximately 250,000 shares of common stock and make cash payments of approximately \$1.9 million to cover tax withholding and dividend equivalents that would not have occurred absent the modifications.

2019 RSUs & PSUs

The 2019 RSUs and PSUs were awarded to the following NEOs: Mr. Adam Aron, Mr. John McDonald, Ms. Elizabeth Frank, and Mr. Stephen Colanero, as well as other senior officers. The RSUs time vest ratably over three years subject to continued service. The PSUs vest subject to the attainment of certain financial performance goals over a three-year performance period, as described in the Company’s definitive proxy statement on Schedule 14A in connection with its 2020 Annual Meeting of Stockholders, filed on June 10, 2020.

Each 2019 PSU award was modified as follows:

- (1) The RSUs scheduled to vest on January 4, 2021, will instead vest on December 28, 2020;
- (2) The Adjusted EBITDA PSU award and the Diluted EPS PSU award were divided into three equal tranches with each tranche allocated to a fiscal year within the Performance Period (each a “Tranche Year”);
- (3) The fiscal year 2019-2021 cumulative Adjusted EBITDA Target was replaced with three separate Adjusted EBITDA Targets applicable to each Tranche Year with the certified attainment and approved eligible vesting as set forth below. Due to the dramatic impact of the COVID-19 pandemic on the Company’s business, the Board waived attainment of the 2020 Tranche Year Adjusted EBITDA Target and established a vesting level for such PSUs at 90%. The 2021 Tranche Year targets will be established and approved by the Compensation Committee in conjunction with the 2021 budgeting process.

Tranche Year	Adjusted EBITDA Target	Attainment	Eligible Vesting Level
2019	\$807,218,000	\$730,629,000	68.5%
2020	\$914,483,000	N/A	90%
2021	TBD	TBD	TBD

- (4) The fiscal year 2019-2021 Cumulative Diluted EPS Target was replaced with three separate Diluted EPS Targets applicable to each Tranche Year with the certified attainment and approved eligible vesting as set forth below. Due to the dramatic impact of the COVID-19 pandemic on the Company’s business, the Board waived attainment of the 2020 Tranche Year Diluted EPS Target and established a vesting level for such

[Table of Contents](#)

PSUs at 90%. The 2021 Tranche Year targets will be established and approved by the Compensation Committee in conjunction with the 2021 budgeting process.

Tranche Year	Diluted EPS Target	Attainment	Eligible Vesting Level
2019	(\$0.48)	(\$1.02)	0%
2020	\$0.43	N/A	90%
2021	TBD	TBD	TBD

- (5) Unless earlier forfeited and subject to the participant's continued employment through December 31, 2021, the PSUs will vest at the Eligible Vesting Levels set forth above (if applicable) upon the date the Committee certifies the attainment for the 2021 Tranche Year; and
- (6) Unless otherwise provided in a written agreement with the participant in effect as of the grant date, all PSUs shall be forfeited upon termination of the participant's employment for any reason prior to December 31, 2021.

The foregoing modifications will not result in share issuances or cash payments by the Company that were not otherwise planned until the first quarter of 2022 and such impacts cannot be fully determined until that time.

2020 RSUs & PSUs

The Company granted 2020 RSUs and PSUs to the following NEO's: Mr. Adam Aron, Mr. Sean Goodman, Mr. John McDonald, Ms. Elizabeth Frank, and Mr. Stephen Colanero, as well as other senior officers in February of 2020. Each 2020 RSU and PSU award was modified as follows:

- (1) The RSUs scheduled to vest on January 4, 2021 will instead vest on December 28, 2020;
- (2) The Adjusted EBITDA PSU award and the Free Cash Flow PSU award is divided into three equal tranches with each tranche allocated to a fiscal year within the performance period (each a "Tranche Year");
- (3) The fiscal year 2020-2022 Cumulative Adjusted EBITDA and Free Cash Flow Targets are replaced with three separate Targets applicable to each Tranche Year;
- (4) Due to the dramatic impact of the COVID-19 pandemic on the Company's business, the Board waived attainment of the 2020 Tranche Year Adjusted EBITDA and Free Cash Flow Targets and established a vesting level for such PSUs at 90%. The 2021 and 2022 Tranche Year targets will be established and approved by the Compensation Committee in conjunction with the budgeting process for the applicable year;
- (5) Unless earlier forfeited and subject to the participant's continued employment through December 31, 2022, the PSUs will vest based upon attainment of the performance targets for each Tranche Year upon the date the Committee certifies the attainment for the 2022 Tranche Year; and
- (6) Unless otherwise provided in a written agreement with the participant in effect as of the grant date, all PSUs shall be forfeited upon termination of the Participant's employment for any reason prior to December 31, 2022.

The foregoing modifications will not result in share issuances or cash payments by the Company that were not otherwise planned until the first quarter of 2023 and such impacts cannot be fully determined until that time.

Annual Incentive Plan.

To motivate our executives and employees, the Board of Directors approved special one-time bonuses to approximately 1,800 of the Company's employees, including the Company's NEOs along with other corporate and theatre management employees. The Board of Directors has authorized a special incentive pool of approximately \$9.2 million which represents approximately 33% of target which is a level of payout significantly below the threshold level of our normal incentive plan which would have paid at 50% of target. Individual bonus awards range between 20% and 50% of an employee's annual bonus at target. In the view of the Committee, this incentive payment is intended to motivate our employees to remain with the Company and is provided as an acknowledgement that their contributions have been extraordinary in a time of significant duress. The special bonuses will be paid in lieu of any payout under the 2020 AIP. The bonuses will be paid in the fourth quarter of 2020 and will include the following payments to NEOs:

[Table of Contents](#)

NEO	Bonus Amount	Percent of 2020 AIP Potential at Target
Adam Aron	\$1,250,000	50%
Sean Goodman	\$253,750	50%
John McDonald	\$194,550	50%
Elizabeth Frank	\$180,650	50%
Stephen Colanero	\$173,875	50%

Item 6. Exhibits.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1.1	Third Amended and Restated Certificate of Incorporation of AMC Entertainment Holdings, Inc. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-33892) filed on December 23, 2013).
3.1.2	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of AMC Entertainment Holdings, Inc., dated as of July 29, 2020 (incorporated by reference from Exhibit 3.1 to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
3.2.1	Third Amended and Restated Bylaws of AMC Entertainment Holdings, Inc. (incorporated by reference from Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-190904) filed on November 22, 2013, as amended).
3.2.2	Amendment to the Third Amended and Restated Bylaws of AMC Entertainment Holdings, Inc., effective as of July 29, 2020 (incorporated by reference from Exhibit 3.2 to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.1	Indenture by and among AMC Entertainment Holdings, Inc., the guarantors party thereto and GLAS Trust Company LLC, as trustee and collateral agent, dated as of July 31, 2020 (incorporated by reference from Exhibit 4.1 to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.2	Form of 10%/12% Cash/PIK Toggle Second Lien Subordinated Secured Notes due 2026 (incorporated by reference from Exhibit 4.2 (and is included in Exhibit 4.1) to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.3	Indenture by and among AMC Entertainment Holdings, Inc., the guarantors party thereto and GLAS Trust Company LLC, as trustee and collateral agent, dated as of July 31, 2020 (incorporated by reference from Exhibit 4.3 to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.4	Form of 10.500% Senior Secured Notes due 2026 (incorporated by reference from Exhibit 4.4 (and is included in Exhibit 4.3) to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.5	Indenture by and among AMC Entertainment Holdings, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee and collateral agent, dated as of July 31, 2020 (incorporated by reference from Exhibit 4.5 to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.6	Form of 10.500% Senior Secured Notes due 2026 (incorporated by reference from Exhibit 4.6 (and is included in Exhibit 4.5) to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.7	Amended and Restated Indenture by and among AMC Entertainment Holdings, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee and collateral agent, dated as of July 31, 2020 (incorporated by reference from Exhibit 4.7 to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).
4.8	Form of 2.95% Convertible Senior Secured Notes due 2026 (incorporated by reference from Exhibit 4.8 (and is included in Exhibit 4.7) to AMC's Current Report on Form 8-K (File No. 1-33892) filed on July 31, 2020).

Table of Contents

- [4.9 Fourth Supplemental Indenture by and among AMC Entertainment Holdings, Inc. and U.S. Bank National Association, as trustee, dated as of July 31, 2020 \(incorporated by reference from Exhibit 4.9 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [4.10 Second Supplemental Indenture by and among AMC Entertainment Holdings, Inc. and U.S. Bank National Association, as trustee, dated as of July 31, 2020 \(incorporated by reference from Exhibit 4.10 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [4.11 Second Supplemental Indenture by and among AMC Entertainment Holdings, Inc. and U.S. Bank National Association, as trustee, dated as of July 31, 2020 \(incorporated by reference from Exhibit 4.11 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [4.12 Registration Rights Agreement by and among AMC Entertainment Holdings, Inc. and the Backstop Parties, dated as of July 31, 2020 \(incorporated by reference from Exhibit 4.12 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [10.1 Transaction Support and Standstill Agreement, dated July 10, 2020 \(incorporated by reference from Exhibit 10.1 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 10, 2020\).](#)
- [10.2 Backstop Commitment Agreement, dated July 10, 2020 \(incorporated by reference from Exhibit 10.2 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 10, 2020\).](#)
- [10.3 Commitment, Transaction Support and Fee Letter, dated July 10, 2020 \(incorporated by reference from Exhibit 10.3 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 10, 2020\).](#)
- [10.4 Second Amendment to the AMC Entertainment Holdings, Inc. 2013 Equity Incentive Plan, approved as of July 29, 2020 \(incorporated by reference from exhibit 10.1 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [10.5 First Lien/Second Lien Intercreditor Agreement, by and among AMC Entertainment Holdings, Inc., the guarantors party thereto and the Collateral Agents, dated as of July 31, 2020 \(incorporated by reference from Exhibit 10.1 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [10.6 Joinder No. 1 to First Lien Intercreditor Agreement, by and among AMC Entertainment Holdings, Inc., the guarantors party thereto, the First Lien Credit Facilities Collateral Agent, the Additional Silver Lake First Lien Notes Collateral Agent, the New First Lien Notes Collateral Agent and the Convertible First Lien Notes Collateral Agent, dated as of July 31, 2020 \(incorporated by reference from Exhibit 10.2 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [10.7 Eighth Amendment to the Credit Agreement, by and among AMC Entertainment Holdings, Inc., the lenders party thereto and Citigroup North America, Inc. as administrative agent, dated as of July 31, 2020 \(incorporated by reference from Exhibit 10.3 to AMC's Current Report on Form 8-K \(File No. 1-33892\) filed on July 31, 2020\).](#)
- [10.8 Amended and Restated Investment Agreement by and among AMC Entertainment Holdings, Inc., SLA CM Avatar Holdings, L.P., and Sargas Investment Pte. Ltd, dated as of July 31, 2020 \(incorporated by reference from Exhibit 10.8 to AMC's Quarterly Report on Form 10-Q \(File No. 1-33892\) filed on August 6, 2020\).](#)
- [*10.9 Employment Agreement between AMC Entertainment Holdings, Inc. and Sean D. Goodman executed on October 6, 2020.](#)
- [*10.10 Third Amendment to the AMC Entertainment Holdings, Inc. 2013 Equity Incentive Plan, approved as of October 30, 2020.](#)

[Table of Contents](#)

[*10.11 Form of First Modification to the AMC Entertainment Holdings, Inc. 2013 Equity Incentive Plan Special Performance Stock Unit Award Notice & Agreement Dated February 26, 2020, First Modification Effective October 30, 2020.](#)

[*31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.](#)

[*31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Acts of 2002.](#)

[*32.1 Section 906 Certifications of Adam M. Aron \(Chief Executive Officer\) and Sean D. Goodman \(Chief Financial Officer\) furnished in accordance with Securities Act Release 33-8212.](#)

**101.INS Inline XBRL Instance Document

**101.SCH Inline XBRL Taxonomy Extension Schema Document

**101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

**101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

**101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

**101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

**104 Cover Page Interactive Data File (formatted as inline XBRL and contained as Exhibit 101)

* Filed herewith

** Submitted electronically with this Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMC ENTERTAINMENT HOLDINGS, INC.

Date: November 3, 2020

/s/ ADAM M. ARON

Adam M. Aron
Chief Executive Officer, Director and President

Date: November 3, 2020

/s/ SEAN D. GOODMAN

Sean D. Goodman
Executive Vice President and Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is effective the **December 2, 2019**, by and between AMC Entertainment Holdings, Inc., a Delaware corporation (the "Company"), and **Sean D. Goodman** (the "Officer").

RECITALS

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

- A. The Company desires to obtain the services of the Officer on the terms and conditions set forth in this Agreement.
- B. This Agreement shall govern the employment relationship between the Officer and the Company and supersedes and negates all previous agreements with respect to such relationship.
- C. The Officer desires to be employed by the Company on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals incorporated herein and the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

1. Retention and Duties.

- 1.1 **Retention.** The Company does hereby hire, engage and employ the Officer beginning on the date first set forth above (the "Effective Date"), and concluding on the last day of the Period of Employment (as such term is defined in Section 2) on the terms and conditions expressly set forth in this Agreement. The Officer does hereby accept and agree to such hiring, engagement and employment, on the terms and conditions expressly set forth in this Agreement. Officer's employer of record will be Company's wholly owned subsidiary, American Multi-Cinema, Inc.
- 1.2 **Duties.** As of the Effective Date and through the earlier to occur of (i) the date that the Company's current Chief Financial Officer retires or (ii) March 31, 2020, the Officer shall serve the Company as its Executive Vice President, Finance. Thereafter, during the Period of Employment, the Officer shall serve the Company as its Executive Vice President & Chief Financial Officer and shall have the powers, authorities, duties and obligations of management usually vested in such position of a company of a similar size and similar nature as the Company, and such other powers, authorities, duties and obligations commensurate with such position as the Company's Board of Directors (the "Board") or the Company's Chief Executive Officer may assign from time to time, all subject to the directives of the Board and the corporate policies of the Company as they are in effect from time to time throughout the Period of Employment (including, without limitation, the Company's business conduct and ethics policies, as they may change from time to time).

- 1.3 No Other Employment; Minimum Time Commitment.** During the Period of Employment, the Officer shall (i) devote substantially all of the Officer's business time, energy and skill to the performance of the Officer's duties for the Company, (ii) perform such duties in a faithful, effective and efficient manner to the best of his/her abilities, and (iii) hold no other employment. The Officer's service on the boards of directors (or similar body) of other for-profit business entities is subject to the approval of the Board or the Company's Chief Executive Officer. The Company shall have the right to require the Officer to resign from any board or similar body (including, without limitation, any association, corporate, civic or charitable board or similar body) on which he/she may then serve if the Board or the Company's Chief Executive Officer reasonably determines that the Officer's service on such board or body interferes with the effective discharge of the Officer's duties and responsibilities to the Company or that any business related to such service is then in competition with any business of the Company or any of its Affiliates (as such term is defined in Section 5.5), successors or assigns.
- 1.4 No Breach of Contract.** The Officer hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Officer and the Company and the performance by the Officer of the Officer's duties hereunder do not and shall not constitute a breach of, conflict with, or otherwise contravene or cause a default under, the terms of any other agreement or policy to which the Officer is a party or otherwise bound or any judgment, order or decree to which the Officer is subject; (ii) the Officer has no information (including, without limitation, confidential information and trade secrets) relating to any other Person (as such term is defined in Section 5.5) which would prevent, or be violated by, the Officer entering into this Agreement or carrying out his/her duties hereunder; (iii) the Officer is not bound by any employment, consulting, non-compete, confidentiality, trade secret or similar agreement with any other Person; and (iv) the Officer understands the Company will rely upon the accuracy and truth of the representations and warranties of the Officer set forth herein and the Officer consents to such reliance.
- 1.5 Location.** The Officer's principal place of employment shall be in Leawood, Kansas. The Officer agrees that he/she will be regularly present at that office. The Officer acknowledges that he/she will be required to travel from time to time in the course of performing his/her duties for the Company including periodically to Beijing, China.
- 2. Period of Employment.** The "Period of Employment" shall be a period of two (2) years commencing on the Effective Date and ending at the close of business on the second anniversary of the Effective Date (the "Termination Date"); provided, however, that this Agreement shall be automatically renewed, and the Period of Employment shall be automatically extended, for one (1) additional year on the Termination Date and each anniversary of the Termination Date thereafter. The term "Period of Employment" shall include any extension thereof pursuant to the preceding sentence. Notwithstanding the foregoing, the Period of Employment is subject to earlier termination as provided below in this Agreement.
- 3. Compensation.**
- 3.1 Base Salary.** During the Period of Employment, the Company shall pay the Officer a base salary (the "Base Salary"), which shall be paid in accordance with the Company's regular payroll practices in effect from time to time, but not less frequently than monthly. The Officer's Base Salary shall be at an annualized rate of six hundred seventy-five thousand dollars (\$675,000). The Board (or a committee thereof) will review the Officer's rate of Base Salary on an annual basis and may, in its sole discretion, increase (but not decrease) the rate then in effect.

3.2 Incentive Bonus. The Officer shall be eligible to receive an incentive bonus for each fiscal year of the Company that occurs during the Period of Employment (“Incentive Bonus”); provided, that the Officer must be employed by the Company at the end of the fiscal year in order to be eligible for an Incentive Bonus with respect to that fiscal year. If the Officer is not so employed at such time, he shall not be considered to have “earned” any Incentive Bonus with respect to the fiscal year in question. Any Incentive Bonus shall be paid to the Officer in the immediately following fiscal year at the same time that the Company pays its annual bonuses to officers generally. The Officer’s target Incentive Bonus amount for a particular fiscal year of the Company shall be determined by the Company in its sole discretion, based on performance objectives (which may include corporate, business unit or division, financial, strategic, individual or other objectives) established with respect to that particular fiscal year by Company. The initial target Incentive Bonus shall be 70% of Base Salary.

(a) For fiscal 2019, the Officer shall receive a guaranteed Incentive Bonus payout of \$550,000, provided, however, that such amount shall be reduced by the amount of any annual bonus paid to the Officer by his former employer with respect to fiscal 2019.

3.3 Long Term Incentives. The Officer will be considered for long term incentive awards in the amount and on terms and conditions established by the Board from time to time (“Long Term Incentive”). The Officer’s initial Long Term Incentive shall consist of an annual grant of Restricted Stock Units (“RSUs”) and Performance Stock Units (“PSUs”) under the Company’s 2013 Equity Incentive Plan (“EIP”) with an aggregate grant date value of \$1,200,000.

3.4 Initial Equity Grants. On the Effective Date, the Officer shall receive the following equity grants under the EIP:

(a) A grant of 200,000 RSUs that shall vest pursuant to the following schedule

Vesting Date	RSUs Vesting
December 2, 2020	133,333
December 2, 2021	33,333
December 2, 2022	33,334

(b) A grant of 300,000 PSUs. The PSUs granted pursuant to this provision shall vest based upon achievement of target prices for the Company’s Class A Common Stock using the volume weighted average closing price over a 20 trading day period. Any unvested PSUs shall be forfeited on the tenth anniversary of the date of grant. The target prices and vesting tranches for the PSUs are set forth in the table below:

Target Price	PSUs Vesting
\$15.00	75,000
\$20.00	75,000
\$25.00	75,000
\$30.00	75,000

Subsequent to the Effective Date but prior to the execution of this Agreement, to coincide with a program implemented for the senior management team of the Company, the above referenced PSU grant was replaced with a grant of the same size with the target prices and vesting tranches set forth below:

Target Price	PSUs Vesting
\$12.00	50,000
\$16.00	50,000
\$20.00	50,000
\$24.00	50,000
\$28.00	50,000
\$32.00	50,000

(c) All vesting of RSUs and PSUs shall be subject to the Officer's continued employment by the Company on the applicable vesting date. All unvested RSUs and PSUs shall be forfeited upon termination of the Officer's employment with the Company.

3.5 **Clawback.** Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation or any other compensation paid to the Officer pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company (whether in existence as of the Effective Date or later adopted) pursuant to any such law, government regulation or stock exchange listing requirement or otherwise).

4. **Benefits.**

4.1 **Retirement, Welfare and Fringe Benefits.** During the Period of Employment, the Officer shall be entitled to participate in all retirement and welfare benefit plans and programs, and fringe benefit plans and programs, made available by the Company to the Company's executive officers generally, in accordance with the eligibility and participation provisions of such plans and as such plans or programs may be in effect from time to time.

4.2 **Reimbursement of Business Expenses.** The Officer is authorized to incur reasonable expenses in carrying out the Officer's duties for the Company under this Agreement and shall be entitled to reimbursement for all reasonable business expenses that the Officer incurs during the Period of Employment in connection with carrying out the Officer's duties for the Company, subject to the Company's expense reimbursement policies and any pre-approval policies in effect from time to time.

4.3 **Vacation and Other Leave.** During the Period of Employment, the Officer's annual rate of vacation accrual shall be four (4) weeks per year with rollovers and maximum accruals conforming with Company's vacation policies in effect from time to time. The Officer shall also be entitled to all other holiday and leave pay generally available to other Officers of the Company.

4.4 **Relocation Expenses.** In order to reimburse the Officer for expenses incurred in connection with his relocation to the Kansas City metropolitan area, the Company shall pay the Officer a lump sum relocation stipend of \$175,000. Such relocation stipend will be paid with the Officer's first payroll disbursement following the Effective Date.

5. **Termination.**

5.1 **Termination by the Company.** The Officer's employment by the Company, and the Period of Employment, may be terminated at any time by the Company: (i) with Cause (as such term is defined in Section 5.5), or (ii) without Cause, or (iii) in the event of the

Officer's death, or (iv) in the event that the Board determines in good faith that the Officer has a Disability (as such term is defined in [Section 5.5](#)).

5.2 Termination by the Officer. The Officer's employment by the Company, and the Period of Employment, may be terminated by the Officer with no less than ninety (90) days' advance written notice to the Company (such notice to be delivered in accordance with [Section 16](#)); provided, however, that in the case of a termination with Good Reason, the Officer may provide immediate written notice of termination once the applicable cure period (as contemplated by the definition of Good Reason) has lapsed if the Company has not reasonably cured the circumstances that gave rise to the basis for the termination with Good Reason.

5.3 Benefits Upon Termination. If the Officer's employment by the Company is terminated during the Period of Employment for any reason by the Company or by the Officer (in any case, the date that the Officer's employment by the Company terminates is referred to as the "[Severance Date](#)"), the Company shall have no further obligation to make or provide to the Officer, and the Officer shall have no further right to receive or obtain from the Company, any payments or benefits except as follows:

(a) The Company shall pay the Officer (or, in the event of his/her death, the Officer's estate) any Accrued Obligations (as such term is defined in [Section 5.5](#));

(b) If, during the Period of Employment, the Officer's employment with the Company terminates as a result of an Involuntary Termination, the Company shall pay the Officer (in addition to the Accrued Obligations), subject to tax withholding and other authorized deductions, an amount equal to one (1) times his/her annualized Base Salary. Such amount is referred to hereinafter as the "[Severance Benefit](#)." Subject to [Section 5.8\(a\)](#), the Company shall pay the Severance Benefit to the Officer in substantially equal installments in accordance with the Company's standard payroll practices over a period of twelve (12) consecutive months, with the first installment payable on the last day of the month following the month in which the Officer's Separation from Service (as such term is defined in [Section 5.5](#)) occurs. (For purposes of clarity, each such installment shall equal the applicable fraction of the aggregate Severance Benefit. For example, if such installments were to be made on a monthly basis, each installment would equal 1/12th of the Severance Benefit.)

(c) Notwithstanding the foregoing provisions of this [Section 5.3](#), if the Officer breaches his/her obligations under [Section 6](#) or under any other agreement that imposes restrictions with respect to the Officer's activities at any time, from and after the date of such breach and not in any way in limitation of any right or remedy otherwise available to the Company, the Officer will no longer be entitled to, and the Company will no longer be obligated to pay, any remaining unpaid portion of the Severance Benefit; provided that, if the Officer provides the release contemplated by [Section 5.4](#), in no event shall the Officer be entitled to a Severance Benefit payment of less than \$5,000, which amount the parties agree is good and adequate consideration, standing alone, for the Officer's release contemplated by [Section 5.4](#).

(d) The foregoing provisions of this [Section 5.3](#) shall not affect: (i) the Officer's receipt of any benefits otherwise due terminated employees under group insurance coverage consistent with the terms of an applicable Company welfare benefit plan; (ii) the Officer's rights to continued health coverage under COBRA; (iii) the Officer's receipt of benefits otherwise due in accordance with the terms of the Company's 401(k) plan (if any); or (iv) the Officer's rights (if any) to stock options or other equity-based awards or

incentive previously granted, which shall be governed by the terms of the applicable equity incentive plan and award documents.

5.4 Release; Exclusive Remedy.

(a) This Section 5.4 shall apply notwithstanding anything else contained in this Agreement. As a condition precedent to payment of the Severance Benefit, the Officer shall, prior to the last day of the month following the month in which Executive's Separation from Service (as such term is defined in Section 5.5) occurs, provide the Company and its Affiliates with a valid, executed general release agreement in a form acceptable to the Company (which form shall be substantially in the same form as that attached hereto as Exhibit A), and such release agreement shall have not been revoked or remain revocable by the Officer pursuant to any revocation rights afforded by applicable law.

(b) The Officer agrees that the payments and benefits contemplated by Section 5.3 shall constitute the exclusive and sole remedy for any termination of his/her employment and the Officer covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. The Officer agrees to resign, on the Severance Date, as an officer and director of the Company and any Affiliate of the Company, and as a fiduciary of any benefit plan of the Company or any Affiliate of the Company, and to promptly execute and provide to the Company any further documentation, as requested by the Company, to confirm such resignation.

5.5 Certain Defined Terms.

(a) As used herein, "Accrued Obligations" means:

- (i) any Base Salary that had accrued but had not been paid on or before the Severance Date;
- (ii) any Incentive Bonus for a completed fiscal year that has not yet been paid, to the extent the Officer is eligible for any such Incentive Bonus for such fiscal year; and
- (iii) any reimbursement due to the Officer pursuant to Section 4.2 for expenses reasonably incurred by the Officer on or before the Severance Date and documented and pre-approved, to the extent applicable, in accordance with the Company's expense reimbursement policies in effect at the applicable time.

(b) As used herein, "Affiliate" of the Company means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. As used in this definition, the term "control," including the correlative terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person. The term "Affiliate" shall not include any entity that would not otherwise be an Affiliate of the Company but for the controlling ownership interest of Dalian Wanda Group Co., Ltd. or its successors or related investment funds.

(c) As used herein, "Cause" shall mean, as reasonably determined by the Board (excluding the Officer, if he/she is then a member of the Board) or Company's Chief

Executive Officer based on the information then known to it, that one or more of the following has occurred:

- (i) the Officer has committed a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction);
- (ii) the Officer has engaged in acts of fraud, dishonesty, gross negligence or other misconduct including abuse of controlled substances, that is injurious to the Company, its Affiliates or any of their customers, clients or employees;
- (iii) the Officer willfully fails to perform or uphold his/her duties under this Agreement and/or willfully fails to comply with reasonable directives of the Board or Company's Chief Executive Officer, in either case, that is not remedied by the Officer within fifteen (15) days after written notice thereof has been delivered to the Officer; or
- (iv) any breach by the Officer of any provision of Section 6, or any material breach by the Officer of any other contract he/she is a party to with the Company or any of its Affiliates including the code of ethics or another material written policy.

(d) As used herein, "Good Reason" shall mean a termination of the Officer's employment by means of resignation by the Officer after the occurrence (without the Officer's consent) of any one or more of the following conditions:

- (i) a material diminution in the Officer's rate of Base Salary;
- (ii) a material diminution in the Officer's authority, duties, or responsibilities;
- (iii) a material change in the geographic location of the Officer's principal office with the Company (for this purpose, in no event shall a relocation of such office to a new location that is not more than fifty (50) miles from the current location of the Company's executive offices constitute a "material change"); or
- (iv) a material breach by the Company of this Agreement;

provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for a termination with Good Reason unless (x) the Officer provides written notice to the Company of the condition claimed to constitute grounds for a termination with Good Reason within thirty (30) days after the initial existence of such condition(s) (such notice to be delivered in accordance with Section 16), and (y) the Company fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and (z) the termination of the Officer's employment with the Company shall not constitute a termination with Good Reason unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute grounds for a termination with Good Reason.

(e) As used herein, "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Officer unable to perform the essential functions of his/her employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 90 days in any

180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.

(f) As used herein, “Involuntary Termination” shall mean (i) a termination of the Officer’s employment by the Company without Cause (and other than due to Officer’s death or in connection with a good faith determination by the Board that the Officer has a Disability), or (ii) a termination with Good Reason.

(g) As used herein, the term “Person” shall be construed broadly and shall include, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

(h) As used herein, a “Separation from Service” occurs when the Officer dies, retires, or otherwise has a termination of employment with the Company that constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

5.6 Notice of Termination. Any termination of the Officer’s employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. This notice of termination must be delivered in accordance with Section 16 and must indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

5.7 Limitation on Benefits.

(a) To the extent that any payment, benefit or distribution of any type to or for the benefit of the Officer by the Company or any of its Affiliates, whether paid or payable, provided or to be provided, or distributed or distributable pursuant to the terms of this Agreement or otherwise (including, without limitation, any accelerated vesting of stock options or other equity-based awards or incentives) (collectively, the “Total Payments”) would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), then the Company shall submit for the vote of the stockholders of the Company (the “Stockholders”) the payments to the Officer in a manner that complies with the requirements of Section 280G(b)(5)(B) of the Code and the Treasury Regulations promulgated thereunder. It shall be a prerequisite to the Company’s obligations under this Section 5.7(a) that the Officer shall have executed a valid waiver in a form reasonably satisfactory to the Company and sufficient to enable the Stockholders’ approval to have the effect that no payments to the Officer would be subject to the excise tax under Section 4999 of the Code. If the exemption described in Section 280G(b)(5)(B) of the Code and the Treasury Regulations promulgated thereunder does not apply, then the procedures set forth in Section 5.7(b) and Section 5.7(c) hereof shall apply.

(b) Notwithstanding anything contained in this Agreement to the contrary, to the extent that the Total Payments would be subject to Section 4999 of the Code, then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the excise tax imposed by Section 4999 of the Code. Unless the Officer shall have given prior written notice to the Company to effectuate a reduction in the Total Payments that complies with the requirements of Section 409A of the Code to avoid the imputation of any tax, penalty or interest thereunder, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash

severance benefits (with the payments to be made furthest in the future being reduced first), then by reducing or eliminating any accelerated vesting of stock options or similar awards, then by reducing or eliminating any other remaining Total Payments. The preceding provisions of this Section 5.7(b) shall take precedence over the provisions of any other plan, arrangement or agreement governing the Officer's rights and entitlements to any benefits or compensation.

(c) Any determination that Total Payments to the Officer must be reduced or eliminated in accordance with Section 5.7(b) and the assumptions to be utilized in arriving at such determination, shall be made by the Board in the exercise of its reasonable, good faith discretion based upon the advice of such professional advisors it may deem appropriate in the circumstances. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Board hereunder, it is possible that Total Payments to the Officer which will not have been made by the Company should have been made ("Underpayment"). If an Underpayment has occurred, the amount of any such Underpayment shall be promptly paid by the Company to or for the benefit of the Officer. In the event that any Total Payment made to the Officer shall be determined to otherwise result in the imposition of any tax under Section 4999 of the Code, then the Officer shall promptly repay to the Company the amount of any such Underpayment together with interest on such amount (at the same rate as is applied to determine the present value of payments under Section 280G of the Code or any successor thereto), from the date the reimbursable payment was received by the Officer to the date the same is repaid to the Company.

5.8 Section 409A.

(a) If the Officer is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Officer's Separation from Service and the Severance Benefit or any other amount payable under this Agreement constitutes deferred compensation within the meaning of Section 409A of the Code, the Officer shall not be entitled to such Severance Benefit or other amount until the earlier of (i) the date which is six (6) months after his/her Separation from Service for any reason other than death, or (ii) the date of the Officer's death. The provisions of this paragraph shall apply only if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code after taking into account all applicable exemptions available thereunder. Any amounts otherwise payable to the Officer upon or in the six (6) month period following the Officer's Separation from Service that are not so paid by reason of this Section 5.8(a) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Officer's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Officer's death).

(b) It is intended that any amounts payable under this Agreement and the Company's and the Officer's exercise of authority or discretion hereunder shall comply with and avoid the imputation of any tax, penalty or interest under Section 409A of the Code. This Agreement shall be construed and interpreted consistent with that intent. Nothing contained herein is intended to provide a guarantee of tax treatment to the Officer. For purposes of Section 409A of the Code, the Officer's right to receive installment payments pursuant to Section 5.3(b) shall be treated as a right to receive a series of separate and distinct payments.

6. Protective Covenants.

6.1 Confidential Information; Inventions.

(a) The Officer shall not disclose or use at any time, either during the Period of Employment or thereafter, any confidential information (as defined below) of which the Officer is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Officer's performance in good faith of duties for the Company. The Officer will take all appropriate steps to safeguard confidential information in his/her possession and to protect it against disclosure, misuse, espionage, loss and theft. The Officer shall deliver to the Company at the termination of the Period of Employment, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the confidential information or the Work Product (as hereinafter defined) of the business of the Company or any of its Affiliates which the Officer may then possess or have under his/her control. Notwithstanding the foregoing, the Officer may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company or its Affiliates in connection with their respective businesses, including, but not limited to, information, observations and data obtained by the Officer while employed by the Company or any predecessors thereof (including those obtained prior to the Effective Date) concerning (i) the business or affairs of the Company or its Affiliates (or such predecessors), (ii) products or services, (iii) fees, costs, compensation and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by the Officer in breach of this Agreement) in a form generally available to the public prior to the date the Officer proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(c) As used in this Agreement, the term "Work Product" means all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable, copyrightable, registerable as a trademark, reduced to writing, or otherwise) which relates to the Company's or any of its Affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Officer (whether or not during usual business hours, whether or not by the use of the facilities of the Company or any of its Affiliates, and whether or not alone or in

conjunction with any other person) while employed by the Company (including those conceived, developed or made prior to the Effective Date) together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing. All Work Product that the Officer may have discovered, invented or originated during his/her employment by the Company or any of its Affiliates prior to the Effective Date, that he/she may discover, invent or originate during the Period of Employment or at any time in the period of twelve (12) months after the Severance Date, shall be the exclusive property of the Company and its Affiliates, as applicable, and Officer hereby assigns all of Officer's right, title and interest in and to such Work Product to the Company or its applicable Affiliate, including all intellectual property rights therein. Officer shall promptly disclose all Work Product to the Company, shall execute at the request of the Company any assignments or other documents the Company may deem necessary to protect or perfect its (or any of its Affiliates', as applicable) rights therein, and shall assist the Company (or any of its Affiliates, as applicable), at the Company's expense, in obtaining, defending and enforcing the Company's (or any of its Affiliates', as applicable) rights therein. The Officer hereby appoints the Company as his/her attorney-in-fact to execute on his/her behalf any assignments or other documents deemed necessary by the Company to protect or perfect the Company's (and any of its Affiliates', as applicable) rights to any Work Product.

- 6.2 Restriction on Competition.** The Officer agrees that if the Officer were to become employed by, or substantially involved in, the business of a competitor of the Company or any of its Affiliates during the twelve (12) months following the Severance Date, it would be very difficult for the Officer not to rely on or use the Company's and its Affiliates' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Company's and its Affiliates' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Company's and its Affiliates' relationships and goodwill with customers, during the Period of Employment and for a period of twelve (12) months after the Severance Date, the Officer will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer, licensor of technology or otherwise. For purposes of this Agreement, "Competing Business" means a Person anywhere in the continental United States or elsewhere in the world where the Company or any of its Affiliates engage in business, or reasonably anticipate engaging in business, on the Severance Date (the "Restricted Area") that at any time during the Period of Employment has competed, or at any time during the twelve (12) month period following the Severance Date competes, with the Company or any of its Affiliates in any of its or their businesses, including, without limitation, theatrical exhibition, digital cinema, internet ticketing and virtual box office for theatrical exhibitions, IMAX or other three dimensional screened entertainment, pre-show content, cinema or lobby advertising products, meeting and event services or special in-theater events. Nothing herein shall prohibit the Officer from (i) being a passive owner of not more than 2% of the outstanding stock of any class of a corporation that is publicly traded, so long as the Officer has no active participation in the business of such corporation, (ii) providing services to a Person otherwise engaged in a Competing Business, provided the Officer provides no services to any business operated, managed or controlled by such Person that causes such Person to constitute a Competing Business, or (iii) providing

services to a Person the business or businesses of which are unrelated to theatrical exhibition.

- 6.3 Non-Solicitation of Employees and Consultants.** During the Period of Employment and for a period of twelve (12) months after the Severance Date, the Officer will not directly or indirectly through any other Person (i) induce or attempt to induce any employee or independent contractor of the Company or any Affiliate of the Company to leave the employ or service, as applicable, of the Company or such Affiliate, or in any way interfere with the relationship between the Company or any such Affiliate, on the one hand, and any employee or independent contractor thereof, on the other hand, or (ii) hire any person who was an employee of the Company or any Affiliate of the Company until twelve (12) months after such individual's employment relationship with the Company or such Affiliate has been terminated.
- 6.4 Non-Solicitation of Customers.** During the Period of Employment and for a period of twelve (12) months after the Severance Date, the Officer will not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, associates, consultants, agents, or partners of the Company or any Affiliate of the Company to divert their business away from the Company or such Affiliate, and the Officer will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Company or any Affiliate of the Company, on the one hand, and any of its or their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.
- 6.5 Nondisparagement.** For the Period of Employment and five years thereafter, the Officer and the Company (acting through any of its executive officers or directors), acknowledge and agree that neither party will defame, disparage or publicly criticize, directly or through another Person, the services, business or reputation of the Company or any of its officers, directors, partners, employees, Affiliates or agents, on the one hand, or the Officer, on the other, in either a professional or personal manner.
- 6.6 Understanding of Covenants.** The Officer acknowledges that, in the course of his/her employment with the Company and/or its Affiliates and their predecessors, he/she has become familiar, or will become familiar, with the Company's and its Affiliates' and their predecessors' trade secrets and with other confidential and proprietary information concerning the Company, its Affiliates and their respective predecessors and that his/her services have been and will be of special, unique and extraordinary value to the Company and its Affiliates. The Officer agrees that the foregoing covenants set forth in this Section 6 (together, the "Restrictive Covenants") are reasonable and necessary to protect the Company's and its Affiliates' trade secrets and other confidential and proprietary information, good will, stable workforce, and customer relations.

Without limiting the generality of the Officer's agreement in the preceding paragraph, the Officer (i) represents that he/she is familiar with and has carefully considered the Restrictive Covenants, (ii) represents that he/she is fully aware of his/her obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company and its Affiliates currently conducts business throughout the Restricted Area, and (v) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 6 regardless of whether the Officer is then entitled to receive severance pay or benefits from the Company. The Officer understands that the Restrictive Covenants may limit his/her ability to earn a livelihood in a business similar to the business of the

Company and any of its Affiliates, but he nevertheless believes that he/she has received and will receive sufficient consideration and other benefits as an employee of the Company and as otherwise provided hereunder or as described in the recitals hereto to clearly justify such restrictions which, in any event (given his/her education, skills and ability), the Officer does not believe would prevent him/her from otherwise earning a living. The Officer agrees that the Restrictive Covenants do not confer a benefit upon the Company disproportionate to the detriment of the Officer.

- 6.7 Enforcement.** The Officer agrees that the Officer's services are unique and that he/she has access to Confidential Information and Work Product. Accordingly, the Officer agrees that a breach by the Officer of any of the covenants in this Section 6 would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, the Officer agrees that in the event of any breach or threatened breach of any provision of this Section 6 or any similar provision, the Company shall be entitled, in addition to and without limitation upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 6 or any similar provision, as the case may be, and/or require the Officer to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 6 or any similar provision, as the case may be, if and when final judgment of a court of competent jurisdiction or arbitrator is so entered against the Officer. The Officer further agrees that for the applicable period of time any Restrictive Covenant is in effect following the Severance Date, as determined pursuant to the foregoing provisions of this Section 6, such period of time shall be extended by the same amount of time that Officer is in breach of any Restrictive Covenant. Any action to enforce this Agreement pursuant to this Section 6.7 shall be instituted in the United States Federal Court for the District of Kansas or the courts of the State of Kansas located in Johnson County, Kansas, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by mail to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.
- 6.8** The Officer agrees to execute any additional documentation as may reasonably be requested by the Company in furtherance of the enforcement of any Restrictive Covenant.
- 7. Withholding Taxes.** Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such federal, state and local income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.
- 8. Successors and Assigns.**
- 8.1** This Agreement is personal to the Officer and without the prior written consent of the Company shall not be assignable by the Officer otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Officer's legal representatives.

- 8.2** This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any assignee or successor to all or substantially all of the Company’s assets, as applicable, which assumes this Agreement by operation of law or otherwise.
- 9.** **Number and Gender; Examples.** Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates.
- 10.** **Section Headings.** The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.
- 11.** **Governing Law; Arbitration; Waiver of Jury Trial.**
- 11.1** THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION’S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.
- 11.2** Except for the limited purpose provided in Section 6.7, any legal dispute related to this Agreement and/or any claim related to this Agreement, or breach thereof, shall, in lieu of being submitted to a court of law, be submitted to arbitration, in accordance with the applicable dispute resolution procedures of the American Arbitration Association. The award of the arbitrator shall be final and binding upon the parties. The parties hereto agree that (i) one arbitrator shall be selected pursuant to the rules and procedures of the American Arbitration Association, (ii) the arbitrator shall have the power to award injunctive relief or to direct specific performance, (iii) each of the parties, unless otherwise required by applicable law, shall bear its own attorneys’ fees, costs and expenses and an equal share of the arbitrator’s and administrative fees of arbitration and the arbitrator shall award to the prevailing party a sum equal to that party’s share of the arbitrator’s and administrative fees of arbitration, and (iv) the arbitration shall be conducted in Johnson County, Kansas. Nothing in this Section 11 shall be construed as providing the Officer a cause of action, remedy or procedure that the Officer would not otherwise have under this Agreement or the law.
- 11.3** EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.
- 12.** **Severability.** It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this

Agreement shall be adjudicated by an arbitrator or court of competent jurisdiction to be invalid, prohibited or unenforceable under any present or future law, and if the rights and obligations of any party under this Agreement will not be materially and adversely affected thereby, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction, and to this end the provisions of this Agreement are declared to be severable; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn (as to geographic scope, period of duration or otherwise) so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13. **Entire Agreement.** This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bears upon the subject matter hereof, including, without limitation, any term sheet prepared in connection herewith. Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein. Notwithstanding the foregoing integration provisions, the Officer acknowledges having received and read the Company's code of ethics and agrees to conduct himself in accordance therewith as in effect from time to time.
14. **Modifications.** This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.
15. **Waiver.** Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
16. **Notices.** Any notice provided for in this Agreement must be in writing and must be either personally delivered, transmitted via telecopier, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated or at such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder and received when delivered personally, when received if transmitted via telecopier, five days after deposit in the U.S. mail and one day after deposit on a weekday with a reputable overnight courier service.

if to the Company:

AMC Entertainment Holdings, Inc.
11500 Ash Street
Leawood, KS 66211
Facsimile: 913-213-2059
Attn: Chief Executive Officer
General Counsel

if to the Officer, to the address most recently on file in the payroll records of the Company.

17. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.
18. **Legal Counsel; Mutual Drafting.** Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language. The Officer agrees and acknowledges that he/she has read and understands this Agreement, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Agreement and has had ample opportunity to do so.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the Company and the Officer have executed this Agreement as of the day and year first set forth above.

“COMPANY”

AMC Entertainment Holdings, Inc.

By: /s/ Adam Aron

Date: 10/06/2020

“OFFICER”

/s/ Sean Goodman

Date: 10/06/2020

FORM OF RELEASE¹

1. Release by Officer. _____ (the "Officer"), on his/her own behalf, on behalf of any entities he/she controls and on behalf of his/her descendants, dependents, heirs, executors, administrators, assigns and successors, and each of them, hereby acknowledges full and complete satisfaction of and releases and discharges and covenants not to sue AMC ENTERTAINMENT HOLDINGS, INC. , a Delaware corporation (the "Company"), its divisions, subsidiaries, parents, or affiliated corporations, and each of its and their employees, officers and directors, past and present, and each of them, as well as its assignees and successors (individually and collectively, "Company Releasees"), from and with respect to any and all claims, agreements, obligations, demands and causes of action, known or unknown, suspected or unsuspected, arising out of or in any way connected, in whole or in part, with the Officer's employment, the termination thereof, or any other relationship with or interest in the Company, including without limiting the generality of the foregoing, any claim for severance pay, profit sharing, bonus or similar benefit, pension, retirement, life insurance, health or medical insurance or any other fringe benefit, or disability, or any other claims, agreements, obligations, demands and causes of action, known or unknown, suspected or unsuspected, resulting from or arising out of, in whole or in part, any act or omission by or on the part of Company Releasees committed or omitted prior to the date of this release agreement (this "Agreement"), including, without limiting the generality of the foregoing, any claim under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Family and Medical Leave Act, or any other federal, state or local law, regulation or ordinance; provided, however, that the foregoing release does not apply to any obligation of the Company to the Officer pursuant to the benefits due to the Officer in connection with the execution and delivery of this Release Agreement pursuant to his/her employment agreement with _____ dated as of _____, 20__ by and between the Company and the Officer. In addition, this release does not cover any claim that cannot be released as a matter of applicable law.

2. Waiver of Civil Code Section 1542. This Agreement is intended to be effective as a general release of and bar to each and every claim, agreement, obligation, demand and cause of action hereinabove specified (collectively, the "Claims"). Accordingly, the Officer hereby expressly waives any rights and benefits conferred by Section 1542 of the California Civil Code as to the Claims. Section 1542 of the California Civil Code provides:

"A GENERAL RELEASE DOES NOT EXTEND TO A CLAIM WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The Officer acknowledges that he/she later may discover claims, demands, causes of action or facts in addition to or different from those which the Officer now knows or believes to exist with respect to the subject matter of this Agreement and which, if known or suspected at the time of executing this Agreement, may have materially affected its terms. Nevertheless, the Officer hereby waives, as to the Claims, any claims, demands, and causes of action that might arise as a result of such different or additional claims, demands, causes of action or facts.

¹Subject to revision to the extent advisable based on changes in law or legal interpretation.

3. ADEA Waiver. The Officer expressly acknowledges and agrees that by entering into this Agreement, he/she is waiving any and all rights or claims that he may have arising under the Age Discrimination in Employment Act of 1967, as amended, which have arisen on or before the date of execution of this Agreement. The Officer further expressly acknowledges and agrees that:

- (a) In return for this Agreement, he/she will receive consideration beyond that to which he/she would have been entitled had he/she not entered into this Agreement;
- (b) He/She is hereby advised in writing by this Agreement to consult with an attorney before signing this Agreement;
- (c) He/She was given a copy of this Agreement on [_____, 20__] and informed that he/she had twenty-one (21) days within which to consider the Agreement; and
- (d) He/She was informed that he/she has seven (7) days following the date of execution of the Agreement in which to revoke the Agreement.

4. No Transferred Claims. The Officer represents and warrants to the Company that he/she has not heretofore assigned or transferred to any person other than the Company any released matter or any part or portion thereof.²

The undersigned has read and understands the consequences of this Agreement and voluntarily signs it. The undersigned declares under penalty of perjury under the laws of the State of [Delaware] that the foregoing is true and correct.

EXECUTED this _____ day of _____ 20 __, at _____ County, [State].

“Officer”

Name

Acknowledged and agreed:

AMC ENTERTAINMENT HOLDINGS, INC.,
on behalf of itself and its divisions, subsidiaries, parents, and affiliated
companies, past and present, and each of them

By: _____

Name:
Title:

² If requested by the Company, the Officer shall provide a separate release from the Officer’s spouse at the time of execution.

**THIRD AMENDMENT
TO THE
AMC ENTERTAINMENT HOLDINGS, INC.
2013 EQUITY INCENTIVE PLAN**

THIS THIRD AMENDMENT (this “Amendment”) is approved as of October 30, 2020, for the purpose of amending that certain AMC Entertainment Holdings, Inc. (the “Company”) 2013 Equity Incentive Plan (the “Plan”), adopted as of December 23, 2013. Capitalized terms used in this Amendment shall have the same meanings given to them in the Plan unless otherwise indicated.

1. Amendment.

14.9 *Tax Withholding.* The Participant shall be responsible for payment of any taxes or similar charges required by law to be paid or withheld from an Award or an amount paid in satisfaction of an Award. Any required withholdings shall be paid by the Participant on or prior to the payment or other event that results in taxable income in respect of an Award. The Award Agreement may specify the manner in which the withholding obligation shall be satisfied with respect to the particular type of Award, which may include permitting the Participant to elect to satisfy the withholding obligation by tendering shares of Common Stock to the Company or having the Company withhold a number of shares of Common Stock having a value up to the maximum statutory tax or similar charge required to be paid or withheld.

2. Miscellaneous.

Except as amended hereby, the Plan remains in full force and effect.

**FIRST MODIFICATION
TO THE
AMC ENTERTAINMENT HOLDINGS, INC.
2013 EQUITY INCENTIVE PLAN
Special Performance Stock Unit Awards Notice & Agreement
Dated February 26, 2020
First Modification Effective October 30, 2020**

The Special Performance Stock Unit Award Notice and Agreement dated February 26, 2020 between AMC Entertainment Holdings, Inc. and Participant (the "Agreement") is hereby modified as follows effective October 30, 2020. Capitalized terms not defined herein shall have the same meaning as in the Agreement.

- SECTION 1.** Participant's base salary, annual incentive opportunity at target, and eligibility for future annual PSU and RSU grants under the EIP shall be restored to their pre-reduced levels effective October 30, 2020.
- SECTION 2.** The Stock Price Thresholds and Service Requirement for Tranches 1 through 4 of the SPSUs are hereby eliminated and such SPSUs shall vest on October 30, 2020. Participant shall be prohibited from selling the shares of Common Stock issued upon the foregoing vesting until October 30, 2021.
- SECTION 3.** The Stock Price Threshold for Tranche 5 of the SPSUs shall be changed to \$4 and the Stock Price Threshold for Tranche 6 of the SPSUs shall be changed to \$8. The Service Requirement for Tranches 5 and 6 shall be shortened to end on October 30, 2021.

Except as set forth above, all provisions of the Agreement shall remain unaffected by this First Modification.

CERTIFICATIONS

I, Adam M. Aron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMC Entertainment Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ ADAM M. ARON

Adam M. Aron

Chief Executive Officer, Director and President

CERTIFICATIONS

I, Sean D. Goodman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMC Entertainment Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ SEAN D. GOODMAN

Sean D. Goodman

Executive Vice President and Chief Financial Officer

CERTIFICATION OF PERIODIC REPORT

The undersigned Chief Executive Officer, Director and President and Executive Vice President and Chief Financial Officer of AMC Entertainment Holdings, Inc. (the “Company”), each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2020

/s/ ADAM M. ARON

Adam M. Aron

Chief Executive Officer, Director and President

/s/ SEAN D. GOODMAN

Sean D. Goodman

Executive Vice President and Chief Financial Officer
