

READING INTERNATIONAL INC  
Form 10-Q  
November 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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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, 2016

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 1-8625

READING INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

NEVADA

95-3885184

(State or other jurisdiction of incorporation or organization)  
6100 Center Drive, Suite 900

(IRS Employer Identification No.)

Los Angeles, CA

90045

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (213) 235-2240

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 twelve 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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of November 8, 2016, there were 21,654,302 shares of Class A Nonvoting Common Stock, \$0.01 par value per share and 1,680,590 shares of Class B Voting Common Stock, \$0.01 par value per share outstanding.

READING INTERNATIONAL, INC. AND SUBSIDIARIES

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## PART 1 – FINANCIAL INFORMATION

## Item 1 - Financial Statements

## READING INTERNATIONAL, INC.

## CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands, except share information)

|  | September<br>30,<br>2016 | December<br>31,<br>2015(1) |
|--|--------------------------|----------------------------|
|  | (Unaudited)              |                            |
| <b>ASSETS</b>  |                          |                            |
| Current Assets:  |                          |                            |
| Cash and cash equivalents                                | \$ 9,980                 | \$ 19,702                  |
| Receivables  | 8,183                    | 10,036                     |
| Inventory  | 1,163                    | 1,122                      |
| Investment in marketable securities                      | 55                       | 51                         |
| Restricted cash  | 1,043                    | 160                        |
| Prepaid and other current assets                         | 6,224                    | 5,429                      |
| Land held for sale – current                             | --                       | 421                        |
| Total current assets                                     | 26,648                   | 36,921                     |
| Operating property, net                                  | 227,919                  | 210,298                    |
| Land held for sale – non-current                         | 39,951                   | 37,966                     |
| Investment and development property, net                 | 37,490                   | 23,002                     |
| Investment in unconsolidated joint ventures and entities | 5,504                    | 5,370                      |
| Investment in Reading International Trust I              | 838                      | 838                        |
| Goodwill   | 20,434                   | 19,715                     |
| Intangible assets, net                                   | 10,187                   | 9,889                      |
| Deferred tax asset, net                                  | 28,726                   | 25,649                     |
| Other assets   | 3,759                    | 3,615                      |
| Total assets   | \$ 401,456               | \$ 373,263                 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>              |                          |                            |
| Current Liabilities:                                     |                          |                            |
| Accounts payable and accrued liabilities                 | \$ 21,312                | \$ 23,638                  |
| Film rent payable  | 6,342                    | 9,291                      |
| Debt – current, net                                      | 8,338                    | 14,887                     |
| Taxes payable – current                                  | 7,546                    | 5,275                      |
| Deferred current revenue                                 | 11,938                   | 14,591                     |
| Other current liabilities                                | 8,078                    | 7,640                      |
| Total current liabilities                                | 63,554                   | 75,322                     |

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|  |            |            |
|--|------------|------------|
| Debt – long-term, net  | 106,776    | 87,101     |
| Subordinated debt, net   | 27,286     | 27,125     |
| Noncurrent tax liabilities   | 16,873     | 16,457     |
| Other liabilities  | 30,756     | 30,062     |
| Total liabilities  | 245,245    | 236,067    |
| Commitments and contingencies (Note 13)  |            |            |
| Stockholders' equity:  |            |            |
| Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized, 32,831,113 issued and 21,654,302 outstanding at September 30, 2016 and December 31, 2015 | 229        | 229        |
| Class B voting common stock, par value \$0.01, 20,000,000 shares authorized and 1,680,590 issued and outstanding at September 30, 2016 and December 31, 2015               | 17         | 17         |
| Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued or outstanding shares at September 30, 2016 and December 31, 2015                      | --         | --         |
| Additional paid-in capital   | 144,263    | 143,815    |
| Accumulated deficit  | (425)      | (9,478)    |
| Treasury shares  | (13,524)   | (13,524)   |
| Accumulated other comprehensive income   | 21,220     | 11,806     |
| Total Reading International, Inc. stockholders' equity   | 151,780    | 132,865    |
| Noncontrolling interests   | 4,431      | 4,331      |
| Total stockholders' equity   | 156,211    | 137,196    |
| Total liabilities and stockholders' equity   | \$ 401,456 | \$ 373,263 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

(1) Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 1 – The Company and Basis of Presentation – Reclassifications)

READING INTERNATIONAL, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; U.S. dollars in thousands, except per share data)

|  | Quarter Ended            |                          | Nine Months Ended        |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | September<br>30,<br>2016 | September<br>30,<br>2015 | September<br>30,<br>2016 | September<br>30,<br>2015 |
| Operating revenue  |                          |                          |                          |                          |
| Cinema   | \$ 67,825                | \$ 54,368                | \$ 192,579               | \$ 180,223               |
| Real estate  | 3,490                    | 3,420                    | 10,443                   | 10,951                   |
| Total operating revenue  | 71,315                   | 57,788                   | 203,022                  | 191,174                  |
| Operating expense  |                          |                          |                          |                          |
| Cinema   | (52,103)                 | (44,463)                 | (148,864)                | (140,825)                |
| Real estate  | (2,296)                  | (2,570)                  | (6,628)                  | (7,004)                  |
| Depreciation and amortization  | (4,131)                  | (3,501)                  | (11,766)                 | (10,769)                 |
| General and administrative   | (6,175)                  | (4,134)                  | (18,372)                 | (13,736)                 |
| Total operating expense  | (64,705)                 | (54,668)                 | (185,630)                | (172,334)                |
| Operating income   | 6,610                    | 3,120                    | 17,392                   | 18,840                   |
| Interest income  | 18                       | 485                      | 74                       | 1,007                    |
| Interest expense   | (1,571)                  | (2,379)                  | (5,264)                  | (7,077)                  |
| Net gain on sale of assets   | --                       | --                       | 393                      | 11,023                   |
| Other expense  | (12)                     | (577)                    | (115)                    | (667)                    |
| Income before income tax expense and equity earnings of unconsolidated joint ventures and entities | 5,045                    | 649                      | 12,480                   | 23,126                   |
| Equity earnings of unconsolidated joint ventures and entities                                      | 200                      | 195                      | 808                      | 915                      |
| Income before income taxes   | 5,245                    | 844                      | 13,288                   | 24,041                   |
| Income tax expense   | (1,328)                  | (517)                    | (4,222)                  | (4,605)                  |
| Net income   | \$ 3,917                 | \$ 327                   | \$ 9,066                 | \$ 19,436                |
| Net (income) loss attributable to noncontrolling interests   | (62)                     | 54                       | (12)                     | 60                       |
| Net income attributable to Reading International, Inc. common stockholders                         | \$ 3,855                 | \$ 381                   | \$ 9,054                 | \$ 19,496                |
| Basic earnings per share attributable to Reading International, Inc. stockholders                  | \$ 0.17                  | \$ 0.02                  | \$ 0.39                  | \$ 0.84                  |
| Diluted earnings per share attributable to Reading International, Inc. stockholders                | \$ 0.16                  | \$ 0.02                  | \$ 0.38                  | \$ 0.83                  |
| Weighted average number of shares outstanding – basic  | 23,334,892               | 23,287,449               | 23,334,892               | 23,283,405               |

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|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Weighted average number of shares outstanding –<br>diluted | 23,532,796 | 23,482,262 | 23,532,796 | 23,478,218 |
|--|------------|------------|------------|------------|

See accompanying Notes to Unaudited Consolidated Financial Statements.

READING INTERNATIONAL, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; U.S. dollars in thousands)

|  | Quarter Ended            |                          | Nine Months Ended        |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | September<br>30,<br>2016 | September<br>30,<br>2015 | September<br>30,<br>2016 | September<br>30,<br>2015 |
| Net income   | \$ 3,917                 | \$ 327                   | \$ 9,066                 | \$ 19,436                |
| Foreign currency translation gain (loss)                                   | 5,042                    | (13,741)                 | 9,310                    | (27,769)                 |
| Unrealized gain (loss) on available for sale<br>investments                | 2                        | (4)                      | 2                        | (3)                      |
| Amortization of actuarial loss   | 52                       | 51                       | 116                      | 155                      |
| Comprehensive income (loss)  | 9,013                    | (13,367)                 | 18,494                   | (8,181)                  |
| Net (income) loss attributable to noncontrolling<br>interests              | (62)                     | 54                       | (12)                     | 60                       |
| Comprehensive income attributable to<br>noncontrolling interests           | (8)                      | (37)                     | (14)                     | (59)                     |
| Comprehensive income (loss) attributable to<br>Reading International, Inc. | \$ 8,943                 | \$ (13,350)              | \$ 18,468                | \$ (8,180)               |

See accompanying Notes to Unaudited Consolidated Financial Statements.



READING INTERNATIONAL, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; U.S. dollars in thousands)

|   | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2016 | September 30,<br>2015 |
| Cash flows from Operating Activities  |                       |                       |
| Net income  | \$ 9,066              | \$ 19,436             |
| Adjustments to reconcile net income to net cash provided by operating activities: |                       |                       |
| Equity earnings of unconsolidated joint ventures and entities                     | (808)                 | (915)                 |
| Distributions of earnings from unconsolidated joint ventures and entities         | 779                   | 901                   |
| Gain on sale of property  | (393)                 | (11,023)              |
| Change in net deferred tax assets   | (3,782)               | 1,405                 |
| Depreciation and amortization   | 11,766                | 10,769                |
| Amortization of actuarial loss  | 116                   | 155                   |
| Amortization of beneficial leases   | 898                   | 344                   |
| Amortization of deferred financing costs  | 653                   | 706                   |
| Amortization of straight-line rent  | (258)                 | (370)                 |
| Stock based compensation expense  | 449                   | 222                   |
| Net change in:  |                       |                       |
| Receivables   | 2,092                 | 2,492                 |
| Prepaid and other assets  | (738)                 | (85)                  |
| Accounts payable and accrued expenses   | (2,783)               | 2,905                 |
| Film rent payable   | (3,089)               | (3,608)               |
| Taxes payable   | 2,142                 | (314)                 |
| Deferred revenue and other liabilities  | (1,594)               | (1,653)               |
| Net cash provided by operating activities   | 14,516                | 21,367                |
| Cash flows from Investing Activities  |                       |                       |
| Purchases of and additions to property and equipment                              | (35,682)              | (14,411)              |
| Change in restricted cash   | (848)                 | 1,256                 |
| Distributions of investment in unconsolidated joint ventures and entities         | 190                   | --                    |
| Proceeds from sale of property  | 831                   | 21,889                |
| Net cash (used in)/provided by investing activities                               | (35,509)              | 8,734                 |
| Cash flows from Financing Activities  |                       |                       |
| Repayment of long-term borrowings   | (40,802)              | (7,347)               |
| Proceeds from borrowings  | 52,396                | --                    |
| Capitalized borrowing costs   | (785)                 | (191)                 |
| Repurchase of Class A Nonvoting Common Stock                                      | --                    | (3,109)               |
| Proceeds from the exercise of stock options                                       | --                    | 183                   |