

READING INTERNATIONAL INC
Form 10-Q
August 10, 2015

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: June 30, 2015

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

Edgar Filing: READING INTERNATIONAL INC - Form 10-Q

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 August 10, 2015, there were 21,695,021 shares of Class A Nonvoting Common Stock, \$0.01 par value per share and 1,580,590 shares of Class B Voting Common Stock, \$0.01 par value per share outstanding.

READING INTERNATIONAL, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
<u>PART I - Financial Information</u>	
<u>Item 1 – Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 3 – Quantitative and Qualitative Disclosure about Market Risk</u>	38
<u>Item 4 – Controls and Procedures</u>	39
<u>PART II – Other Information</u>	40
<u>Item 1 - Legal Proceedings</u>	40
<u>Item 1A - Risk Factors</u>	40
<u>Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3 - Defaults Upon Senior Securities</u>	40
<u>Item 5 - Other Information</u>	40
<u>Item 6 - Exhibits</u>	41
<u>SIGNATURES</u>	42
<u>Certifications</u>	

PART 1 - Financial Information

Item 1 - Financial Statements

Reading International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(U.S. dollars in thousands)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 69,597	\$ 50,248
Receivables	9,027	11,348
Inventory	890	1,010
Investment in marketable securities	50	54
Restricted cash	239	1,433
Deferred tax asset	2,773	6,300
Prepaid and other current assets	3,836	3,426
Land held for sale	417	10,112
Total current assets	86,829	83,931
Operating property, net	176,471	186,889
Land held for sale	40,144	42,588
Investment and development property, net	22,923	26,124
Investment in unconsolidated joint ventures and entities	5,586	6,169
Investment in Reading International Trust I	838	838
Goodwill	19,837	21,281
Intangible assets, net	10,772	11,486
Deferred tax asset, net	17,018	15,967
Other assets	5,761	6,313
Total assets	\$ 386,179	\$ 401,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 19,659	\$ 18,107
Film rent payable	8,123	9,328
Notes payable – current	1,541	38,104
Taxes payable - current	5,649	6,003
Deferred current revenue	12,862	14,239
Other current liabilities	8,767	6,969
Total current liabilities	56,601	92,750
Notes payable – long-term	121,600	98,019
Subordinated debt	27,913	27,913
Noncurrent tax liabilities	7,192	10,029
Other liabilities	38,154	40,577

Edgar Filing: READING INTERNATIONAL INC - Form 10-Q

Total liabilities	251,460	269,288
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized, 32,792,113 issued and 21,707,938 outstanding at June 30, 2015 and 32,254,199 issued and 21,741,586 outstanding at December 31, 2014	229	228
Class B voting common stock, par value \$0.01, 20,000,000 shares authorized and 1,580,590 issued and outstanding at June 30, 2015 and at December 31, 2014	16	15
Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued or outstanding shares at June 30, 2015 and December 31, 2014	--	--
Additional paid-in capital	141,388	140,237
Accumulated deficit	(13,136)	(32,251)
Treasury shares	(12,377)	(8,582)
Accumulated other comprehensive income	14,095	28,039
Total Reading International, Inc. stockholders' equity	130,215	127,686
Noncontrolling interests	4,504	4,612
Total stockholders' equity	134,719	132,298
Total liabilities and stockholders' equity	\$ 386,179	\$ 401,586

See accompanying Notes to Consolidated Financial Statements.

Reading International, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

(U.S. dollars in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015 ¹	June 30, 2014
Operating revenue				
Cinema	\$ 68,957	\$ 65,854	\$ 125,855	\$ 119,278
Real estate	3,846	4,068	7,531	8,697
Total operating revenue	72,803	69,922	133,386	127,975
Operating expense				
Cinema	51,222	49,933	96,363	93,723
Real estate	2,295	2,259	4,435	5,234
Depreciation and amortization	3,526	3,865	7,268	7,670
General and administrative	5,274	5,366	9,602	10,267
Total operating expense	62,317	61,423	117,668	116,894
Operating income	10,486	8,499	15,718	11,081
Interest income	327	147	522	226
Interest expense	(1,928)	(2,977)	(4,698)	(5,352)
Net gain on sale of assets	8,201	--	11,023	--
Other income	1	646	(89)	1,388
Income before income tax expense and equity earnings of unconsolidated joint ventures and entities	17,087	6,315	22,476	7,343
Income tax expense	(1,564)	(1,842)	(4,088)	(3,435)
Income before equity earnings of unconsolidated joint ventures and entities	15,523	4,473	18,388	3,908
Equity earnings of unconsolidated joint ventures and entities	483	301	720	611
Net Income	\$ 16,006	\$ 4,774	\$ 19,108	\$ 4,519
Net (income) loss attributable to noncontrolling interests	(9)	(15)	7	23
Net income attributable to Reading International, Inc. common stockholders	\$ 15,997	\$ 4,759	\$ 19,115	\$ 4,542
Basic earnings per share attributable to Reading International, Inc. stockholders	\$ 0.69	\$ 0.20	\$ 0.82	\$ 0.19
Diluted earnings per share attributable to Reading International, Inc. stockholders	\$ 0.68	\$ 0.20	\$ 0.81	\$ 0.19
Weighted average number of shares outstanding—basic	23,272,918	23,471,776	23,275,860	23,480,429
Weighted average number of shares outstanding—diluted	23,492,192	23,775,923	23,495,134	23,784,576

See accompanying Notes to Consolidated Financial Statements.

¹ Certain prior period amounts have been reclassified to conform to the current period presentation.

Reading International, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(U.S. dollars in thousands)

Quarter
Ended