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Transcript of
Regal Entertainment
First Quarter 2016 Earnings Release Conference Call
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Participants

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Tony Wible - Drexel Hamilton
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Matthew Harrigan - Wunderlich Securities
Jim Goss - Barrington Research

Presentation

Operator
Good afternoon. My name is Matt, and I will be your conference facilitator today. At this time, I would like to welcome everyone to the Regal Entertainment Group Fiscal First Quarter 2016 Earnings Release Conference call with our host, Amy Miles, Chief Executive Officer of Regal Entertainment Group and David Ownby, Chief Financial Officer of Regal Entertainment Group.

All lines have been placed on mute to prevent any background noise. After management's remarks, there will be a question and answer period. (Operator instructions.) I would like to remind our listeners that this conference call contains forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933 as amended and Section 21(e) of the Securities Exchange Act of 1934 as amended.

All statements other than statements of historical facts communicated during this conference call may constitute forward-looking statements. These forward looking statements involve risks and uncertainties. Factors that can cause actual results to differ materially from the company's expectations are disclosed in the risk factors contained in the company's 2015 annual report on Form 10-K dated February 29, 2016.

All forward-looking statements are expressly qualified in their entirety by such factors. Today's call and webcast may include non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP can be found in today's press release and on the company's website, www.regmovies.com.

Now, I will turn call the over to Amy Miles.

Amy Miles - Chief Executive Officer

Hello, everyone and thank you for joining us this afternoon. When we last spoke to you in early February, our message focused on the initiatives and industry dynamics that helped us achieve record adjusted EBITDA and almost $100 million of adjusted EBITDA growth in 2015. Today, we're happy to report that those same factors produced similar results in the first quarter of 2016. The positive impact of our continuing investment in premium customer amenities combined with a healthy box office environment produced record first quarter adjusted EBITDA of over $164 million. That's an increase of over $36 million, or 28% as compared to the same period last year.

Let's take a look at some of the underlying drivers of our record-setting first quarter results and the opportunity for continued success in the future.

First and foremost, our investment in luxury reclining seats continued at a healthy pace in early 2016 and so did the corresponding positive impact on our financial results. Specifically, the 691 existing screens that were converted to reclining seats prior to the beginning of the first quarter significantly outperformed on both a revenue and a cash flow basis, generating an incremental $18 million of box office revenue and incremental adjusted EBITDA at $12 million as compared to the same period last year.

We are experiencing frequent sell out at these locations, and the overall demand for seats, particularly for weekend and weekday prime time shows has created a pricing opportunity above and beyond our normally inflationtionary-type price increases.

In the first quarter, our average ticket price at the converted locations grew by over 13%, almost twice the increase for the remainder of the circuit. And the overall improvement in the customer experience at these locations, including the ability to reserve a seat online in advance has produced meaningful ancillary benefits as well.

Our share of online ticketing fees at the recliner locations has continued to grow in our other revenue over the last several quarters, and concession for cap growth at the recliner locations exceeded 14% in the first quarter. The positive impact of our recliner projects has been evidenced to us at a local theatre level for some time. But today, the impact on our overall results has not been significant due simply to the relatively small percentage of screens that feature this amenity, but that is beginning to change.

In addition to the financial benefits we've already covered, box office growth at our recliner locations has also had a positive impact on our market share for the last few quarters. As we enter the summer box office season with approximately 900 recliner screens in place and plan to convert at least 1,200 additional existing screens and open approximately 125 new build recliner screens by the end of 2017, we believe that the positive impact will continue to become more evident with each passing quarter.

While much of the benefit of our recliner initiative is still to come, our recent concession initiative produced meaningful results last year and continued to do so in the first quarter. Our focus on strategic price increases and efficient operations at the concession stand combined with the continued success of our enhanced food menu and alcoholic beverage offerings produced record concession for cap in each of the last five quarters. All told, it's $4.32 in the first quarter, and that is 10% growth, which is well ahead of the prior year amount. The concession initiative accounted for roughly $14 million of our adjusted EBITDA growth in the first quarter.

As we look ahead to the balance of 2016, we'll continue to evaluate pricing opportunities in local markets, and we expect to end the year with 240 theatres offering our enhanced food menu, and 175 locations serving alcoholic beverages.

And we would be remiss if we didn't acknowledge the impact of a healthy box office environment on our first quarter results. Strong carryover from holiday releases, heavily marketed titles in premium formats throughout the quarter, and a good balance of action movies, family fare and comedies drove a 12.5% increase in industry box office revenue and more importantly, a 5% to 6% increase in industry attendance.

We recognize that there are some difficult comps ahead. But with the record start already behind us, we're optimistic that 2016 will be yet another successful box office year.

Before I turn the call over to David, I'd like to take just a moment to update you on a couple of other exciting developments. Shortly after our last earnings call, our friends at Open Road Films made history by becoming the youngest company to ever win the Academy Award for Best Picture. While industry accolades were not part of our investment thesis, we are extremely proud of this accomplishment and want to congratulate CEO, Tom Ortenberg, and the entire team at Open Road that helped make Spotlight a success both critically as well as financially.

And finally, just a couple of weeks ago, we announced a new partnership with mobile ticketing provider, Atom Tickets. We are excited about the opportunity to participate in the growth of the mobile ticketing market, and are thrilled to be Atom's first national exhibition partner. We are already hard at work on integrating Atom's functionality into our theatre operations and expect to have it fully deployed across the country by the end of this year. This partnership is another great example of our commitment to enhancing the movie going experience, and we are pleased that Regal customers will be the first to enjoy the platform on a national basis.

In summary, we are pleased that a strong film slate, our investment in premium amenities and our consistent focus on operational execution helped us achieve new first quarter records for total revenues, adjusted EBITDA, average ticket price, and average concession per patron, and most importantly, adjusted EBITDA growth of over $36 million.

I would now like to turn over the presentation to David for a discussion of our financial performance.

David Ownby - Chief Financial Officer

Thanks, Amy and good afternoon, everyone. For the next few minutes, I'll provide a brief analysis of our first quarter results and an update with respect to our balance sheet and asset base.

For our fiscal first quarter, we generated total revenues of $787.1 million, including $515.7 million of box office revenues, $230.1 million of concession sales, and $41.3 million of other operating revenues. Our admissions revenue for the quarter grew by 13.6% in the aggregate and almost 14% on a per screen basis, slightly ahead of the relevant industry benchmark.

The top line benefited from both a 7.9% increase in our average ticket price and attendance growth of 5.3%. Our average ticket price was positively impacted by opportunistic price increases at our recliner locations, and an increase in premium ticket sales, which drove over 16% of our admissions revenue during the quarter as compared to only 11% in the same period last year. With each of the top five highest grossing films available in at least one premium format, this year marked our best premium content first quarter since 2012.

Our concession revenue increased by over 16% in the aggregate and by over 10% on a per attendee basis. The strategic price increases, improvements in candy and beverage volume, and the continued success at our enhanced food menu and alcoholic beverage offerings all contributed to the increase and helped us achieve a new quarterly per cap record for the fifth consecutive quarter.

Other operating revenues grew by almost 6% as compared to the same period year primarily due to increases in revenues from our advanced ticketing programs and contractual revenues from National CineMedia. Our film and advertising expense of $277.5 million represented 53.8% of admissions revenue, an increase of 220 basis points as compared to the same period last year. Highly concentrated box office results that saw the top three films of the quarter, generate almost 32% of industry admissions revenue, led to the increase in our film and advertising expense.

While we have historically experienced lower levels of both box office revenue and film concentration in the first quarter, our studio partners' willingness to utilize the entire calendar and release high profile titles like *Deadpool* and *Batman v Superman: Dawn of Justice* in the first quarter has benefited both our top line and our bottom line in recent years.

Our 87.5% concession margin improved by 60 basis points as compared to the same period last year as minor changes in raw material and packaged good costs were more than offset by strategic price increases implemented in the last 12 months. Total rent expense of $107.5 million increased 3.7% in the aggregate due primarily to an increase in contingent rents associated with a quarterly increase in our total revenue, and the incremental rent associated with the five theatres we acquired from Georgia Theatre Company in the fall of last year.

In total, other operating expenses of $211.5 million grew by $9.3 million, or 4.6% due primarily to an increase in theatre level payroll costs associated with the improvement in our first quarter attendance, and higher equipment license fees associated with the uptick in our premium content revenue.

We are extremely pleased that a healthy box office combined with our strategic and operational execution produced first quarter adjusted EBITDA of over $164 million, one of the highest quarterly EBITDA growth rates in our history, and total revenue adjusted EBITDA and adjusted earnings per share that are well ahead of consensus Wall Street estimates.

As per our asset base and balance sheet, capital expenditures net of asset sales and landlord contributions for the quarter totaled $7.6 million, and we continue to actively manage our asset base, closing five theatres with 37 screens and reopening five screens to end the quarter with 567 theatres and 7,329 screens. In light of our ongoing focus on premium customer amenities, we still expect our 2016 capital expenditures, net of asset sales and landlord contributions, to be between $130 million and $145 million.

For the full year, we expect to open four theatres with 50 screens and close six to ten theatres with 60 to 90 screens, which would result in an ending count of approximately 568 theatres and 7,336 screens for 2016. And with respect to our capital structure, we ended the quarter with $328 million in cash, approximately $2.3 billion in total debt, and a leverage ratio of 3.1 times net debt-to-adjusted EBITDA.

In closing, as Amy mentioned earlier, we are happy that 2016 is off to a great start, and excited about the opportunity to further enhance the customer experience and the potential for box office success for the remainder of the year.

Operator that concludes our prepared remarks. You can now open the lines for questions.

Operator
At this time, we'll be conducting a question and answer session. (Operator instructions.) One moment, please, while we poll for questions.

Our first question comes from Eric Handler from MKM Partners. Please go ahead.

Q: Thank you very much. Two questions for you guys. First, when I look at your strong concessions number, how much of that growth was from the tax on top strategy? How much was from alcohol? How much was from other enhanced options, and how much a reflection of just general price increases?

Then secondly, when I look at your rent expense, rent on a per screen basis has really been very stable since 2011. And as you engage in additional theatre reseating initiatives and landlords are contributing more money, is that going to change where we start to see rent increase on a per screen basis start rising at a faster rate than we've seen in the last several years?

David Ownby - Chief Financial Officer
So Eric, at the concession stand, our increases per cap was about $0.40 this quarter. If you break that down between the different components that drive that, about $0.10 of that is associated with the new menu items and alcoholic beverages. That number has been pretty consistent now for the last several quarters, kind of that $0.08, $0.09, $0.10 every one of those quarters.

The other $0.30 relates to the core items, and I'll call that Coke, candy and popcorn. And in this particular quarter, about half of that $0.30 was pricing and that includes the benefit of tax on top, which we implemented in Q2 last year and then the other $0.15 is volume related. In this particular quarter, that volume came a little more from the candy side than from the popcorn side, and that's just a reflection of the film slate.

Remember last year, first quarter was *American Sniper* and *Fifty Shades of Grey*. Neither of those would you really consider candy-type movies. Those are more popcorn and Coke movies. And this year with the superhero films and with *Zootopia*, I think you've got a little bit younger audience and you had better candy sales this year. So, some of that's just film slate related.

And as for our rent expense, you are correct. That number has been pretty steady since 2011. When you go back that far, remember, you're factoring in the fact that we had some acquisitions over that time period and those acquisitions were in smaller markets. So, our rent was a little bit lower in those markets. So really, if you go back the last couple of years, I think you'd see what's more indicative is that we have had kind of low inflationary-type increases in our rent expense. Some of that relates to just the normal escalators that we see in some of our leases and to your point, a little bit of that relates to the initiatives that we have going on with luxury seating and the contributions from our landlord from there.

Q: So, is inflationary growth, given what's going on now, as we think just out years and the next couple of years, can that remain in place?

David Ownby - Chief Financial Officer
I think as you just look ahead and you think about how we account for those contributions that we get from the landlord, I wouldn't expect it to be an outsize number. You might think about just as the high end of the range from an inflationary perspective, but nothing higher than that.

Q: Okay. Thank you very much.

David Ownby - Chief Financial Officer
Thank you.

Operator
Our next question comes from Ben Mogil from Stifel. Please go ahead.

Q: Great. Thank you. Good afternoon. Thanks for taking my question. So, one quick one and one longer question. Quick on; on Atom, do you have any equity in it, or do you have any sort of equity participation or the ability to be involved in some kind of corporate capacity?

Amy Miles - Chief Executive Officer
At this stage, what we're willing to disclose is we have an operating agreement and we're having further conversations with respect to the overall partnership.

Q: Okay. Fair enough. Thank you, Amy. And then maybe a larger, like a longer question. If you had your druthers and you could sort of start and build a brand new venue from scratch, let's say in an A or B market and there were no encumbrances in terms of IMAX being in the cost [indiscernible], etc., how big of a venue in terms of number of screens would you want to build optimally? How many screens would have recliners? How many would be IMAX, or let's assume it's just one, how many would be PLFs? I'm kind of curious if you kind of almost have a do over, what would be an idea venue from your perspective?

Amy Miles - Chief Executive Officer
I think it's going to be market-by-market. So, I'll try to answer your question more general, Ben. But obviously, that would apply market-to-market.

But, let's say 12 to 14 screens. All those screens would feature recliners, and we would have other premium formats in that offering, an IMAX, and for us, it would be an RPX. I'm answering, again, without any kind of restriction or with a blank slate. That's how I would answer your question.

Q: So, only two would have like a premium—so, I know you said one IMAX. How many RPXs would you think normally you would have in this ideal—

Amy Miles - Chief Executive Officer
I think in that example it would still be one because we would always want to make sure that the premium auditoriums are truly premium auditorium. So, you're always going to have different size auditoriums in a theatre in order for the demand flow to be appropriate. We just, from our perspective, whatever premium we offer our customer, we want to make sure it's truly premium.

Q: That's great. Good quarter. Thank you very much.

Amy Miles - Chief Executive Officer
Thank you.

Operator
Our next question comes from the line of Alexia Quadrani from JP Morgan. Please go ahead.

Q: Thank you. I have two questions really on pricing. One was sort of in terms of how much opportunity you may have ahead in terms of further raising pricing for the premium seating format. Then the second question is maybe a bit of a bigger picture question in terms of we've heard from the studios that they think there's opportunity in having more of a dynamic pricing format in general for different films, meaning a big blockbuster film may have different pricing versus maybe a smaller budget rom/com. Is that something you think the industry on your end is discussing or considering?

David Ownby - Chief Financial Officer
Alexia, I'll take the first one there. Just on the pricing opportunity at the recliner locations, you heard Amy talk about the benefit we got from that in the first quarter, about a 13% price increase, average ticket price increase at those locations. We've talked in general that over the first couple of years at a recliner site we feel like we have an incremental $1 to $2 of pricing power.

Once you kind of get past that initial $1 to $2, it becomes much more of a market-by-market decision, and that's based solely on how often we're selling out those auditoriums. We certainly continue to think there'll be an outsize pricing opportunity at those locations. But, I think the big benefit that you'll see in the near-term is not necessarily from further raising the price at those existing locations, but simply the fact that we'll keep adding more and more recliner locations and therefore have more and more opportunities to raise the price.

Amy Miles - Chief Executive Officer
With respect to differential or dynamic pricing in the industry, I can say that historically, technology was a barrier. Most of the POS systems with inside the theatres would not have had that capability. Speaking solely for Regal, we've upgraded all our technology.

So, we have the ability to do any kind of price testing that's offered to us. Today, I can't say that there's anything in the marketplace that we've been presented with. But again, we have 570 locations and are open to doing any kind of test that we think grows the overall revenue pie.

Q: Thank you very much.

Operator
Our next question comes from Robert Fishman from MoffettNathanson. Please go ahead.

Q: Hello. Good afternoon. I've got one for Amy and one for David. Amy, maybe this is following up on your comments on growing the overall revenue pie. Given the recent industry focus on premium window strategies and we've at least that initially seen, like the exhibitors and studios would prefer to come up with their own solution, but we're just curious. How do you balance innovation versus maintaining the health of the current ecosystem?

Amy Miles - Chief Executive Officer
Yes, that's a fair question. I think what's really important, and you've kind of hit that point when you've asked your question is as we look forward to whatever opportunities there may be in the ancillary market, it's going to have to be very important that we keep the appropriate balance. We believe in the theatrical window. We've said that many times.

But as it relates to any kind of future changes, it's incumbent that exhibition and the studios work together, and we have to be prudent and we have to be very thoughtful about making sure that this theatrical business, and let's think about it. It's just under $11.5 billion domestically; $38 billion globally. Nobody is encouraged to do anything to denigrate box office.

So, we in the studios are going to have aligned interest with respect to that perspective of making sure that we grow that pie, and it's just something that we're going to have to work on together as partners going forward.

Q: Thank you. David, would it be possible to update us with any early thoughts on the level of capex funding we should expect for 2017? And then if you think that that number should drop off in the out years, or remain somewhat elevated given further premium receiving upgrades.

David Ownby - Chief Financial Officer
Yes. For 2017, Robert, I mean we haven't put our entire list together of sites that we're going to add recliners to in 2017, but I think given the number of screens that you'll see there, that number is probably similar to 2016. Once you get past that, we still think there will be opportunities for further recliner renovations, but I do think that number will begin to drop back off, and we may just shift some of those dollars back into our new build program. So, maybe you think about that number coming back down toward our normal run rate capex of call it $125 million or so.

Q: Okay. Great. Thank you, guys.

Operator
Our next question comes from Tony Wible from Drexel Hamilton. Please go ahead.

Q: Thanks. I was hoping you guys could go through more broadly some of the initiatives you guys are looking at, whether it be recline seating, alcohol, expanded menu, and kind of where do you see that going as kind of a percentage of the footprint that you have today? I don't know if there's some other innovations out there that are still relatively new that maybe you could speak of too such as Superticket or anything else. Thanks.

David Ownby - Chief Financial Officer
So, Tony, as for the ongoing initiatives, I think we've talked about, round numbers, 30% of the circuit in terms of screen count would have recliners by the end of 2017. You should probably think about that as a floor and not a ceiling. At a minimum, all of our new build locations even after that would be to recliners, and there likely will be still be some more opportunities for conversions as well.

Then from an expanded food and alcohol perspective, by the end of this year, we would expect to have 240 locations that offer our enhanced food menu, and about 175 theatres serving alcoholic beverages. Again, I think there's still runway after that, but we have not specifically defined what that is.

Then just maybe in general terms of other initiatives, I think for us the biggest one there is probably the Crown Club. We've spent some time revamping that program this year. We've got 14 million active members. We spent a lot of time building that base of customers, that base of loyal customers, and we're only now just turning to, in the last year or so, how to do we better utilize the data we have on those customers and better engage those customers as they come into our theatre. So, I think that's where you'll see our efforts at least in the near-term.

Q: If I could, on reserved seating, obviously there's a limit in how far you guys can take reclined seating with the penetration. The IRR eventually kind of trades off as you get more productive theatres. But, reserved seating seems really intriguing. How much of the circuit do you think can go to that, and can you broader than just the recline auditoriums and kind of how do you introduce that concept to patrons?

Amy Miles - Chief Executive Officer
We've already done that with respect to our reserved seating rollout. It's featured in all of our premium seating. So, if you think about IMAX and RPX as well as recliners, that's a broader definition of reserved seating than just the recliner locations. So, that is continuing as we speak.

As we think about that opportunity in the future, we'll just evaluate it on a market-by-market basis. There's some markets where reserved seating is a big attraction and there's other markets where it's really easy to come into the theatre and get your ticket. And so, it seems to be less attractive to customers in certain markets. We'll base our strategy based on what our consumer wants. Where we see a demand for reserved seating, we're sure going to offer it.

Q: Okay. Thank you.

Operator
Our next question comes from David Miller from Topeka Capital Markets. Please go ahead.

Q: Yes. Hello, guys. David, I just want to make sure I have my facts straight. So, the March quarter seems like it's the first quarter where you felt a real significant economic impact from a price raise on the reseated theatres but not necessarily on the concession side, right? If you go back to the last quarter, it felt to me like the economic impact from the reseated theatres came more from the concession side, not necessarily from the ticketing side. This time, it seems like it's the inverse of that. Would that be correct?

David Ownby - Chief Financial Officer
Yes. I think the impact from that to concession stand has been pretty steady, David. I think what you're seeing for the first time on the recliner side is simply that we're finally getting to a critical mass, that you start to see the impact of that in our numbers. Obviously, those sites have been doing well individually. There just has not been enough of them yet to really show up in the overall numbers for the circuit. In this particular case, you're seeing that benefit for the first time really.

Q: Is there any significant difference in pricing that you're utilizing for the reseated assets versus what AMC is doing in your view in the markets in which you compete with AMC?

David Ownby - Chief Financial Officer
Yes, that would be a market-by-market answer, David, and I don't have all that data in front of me. So, we're just always going to look at the market. Obviously in these recliner locations where we're experiencing a lot of sell-outs, particularly on the weekend, we feel like we have the opportunity to raise the price and we've done that.

Q: Got it. Okay. Thank you.

David Ownby - Chief Financial Officer
Thank you.

Operator
Our next question comes from Leo Kulp from RBC Capital Markets. Please go ahead.

Q: Hello. Good afternoon, guys. Thanks for taking the questions. I just have two quick ones. First, it looks like you had an extra day in the quarter. Can you quantify the impact of that on the admissions revenue per screen?

David Ownby - Chief Financial Officer
Leo, you are correct. Last year, January 1st was not in our first quarter and this year obviously it was. I think that, and I'll get this wrong, but I think the industry box office for that one day was between $40 million and $50 million. Sorry, I don't have my calculator right here. I don't know what that equates to from a basis point increase perspective, but it's not terribly material.

Q: All right. Thank you. And then, David, also in the $0.15 of pricing that you saw this quarter, how should we think about that going forward now that you're fully anniversaring the tax on top?

David Ownby - Chief Financial Officer
Leo, not all of that $0.15 was strictly related to tax on top. We continued to do our normal, market-by-market price evaluations all throughout last year and we'll continue to do that going forward.

So, maybe just as you think about that, the growth that we get that's from pricing, maybe that just kind of returns to our normal, I'll call it, 3% or 4% historical average as opposed to something more outsized than that, which it's been for the past three or four quarters. Now, we should still get the benefit from the enhanced menu and the alcoholic beverages, and we've continued over the last couple of years to see volume increases on the core items as well.

So, hopefully we continue to get all those benefits, but that pricing one as we get past that one-time opportunity to go tax on top, maybe it just comes back more towards the historical average.

Q: Got it. Thank you.

David Ownby - Chief Financial Officer
Thank you, Leo.

Operator
Our next question comes from Matthew Harrigan from Wunderlich Securities. Please go ahead.

Q: Thank you. You've probably been a little more tepid on alternative revenues than some other exhibitors, but particularly with the appeal of the new reclining seats and enhanced concessions and all that if people talked about obviously live sporting events and concerts, which you've done, and even things like *World of Warcraft*. Can you talk a little bit more about the opportunities there, or do you think that that's just something that's going to fade and doesn't at all surprise you?

And then, there's always some boogieman with the exhibition industry. I've gotten calls, people worrying about 360-degree movies and VR and I think it's more of a consumer electronics alternative in the home and hopefully it even subsidizes more activity at the studios. But, I know that that's something that's given people some pause. They've even had some discussions with some major financial publication guys on that.

Amy Miles - Chief Executive Officer
Let me take the first part of the question with respect to alternative content, and I'll speak directly to the recliner seats that you specifically mentioned. I think what we're seeing there is there's such a high demand for those seats for film content that it's hard for certain other non-film content to compete with the demand that we're seeing today. We're taking out a lot of the seating capacity, and as we've mentioned earlier, we have pricing opportunities because of sell out. So, we're seeing such a high performance on the film side that I think it's just harder for the alternative content to compete in that environment in that group of theatres. Now, we are continuing to invest in alternative content, and we're continuing to try new and different things. It's just yet to be seen what's going to work on a wide-scale basis.

Then with the second question, as it relates to separate technology, I think you specifically mentioned VR; I think at this point it's a little bit early to see what that means for our industry, but we will continue to watch all of the new changes from a technology perspective to see if there's any way that they can complement the theatre experience. I think it's just really early today to try to forecast what that would be.

Q: Thanks, Amy. Congratulations in the quarter.

Amy Miles - Chief Executive Officer
Thank you.

Operator
The next question comes from Jim Goss from Barrington Research. Please go ahead.

Q: Thanks. To the extent that you have pricing opportunities from the sell-outs, is there any thought about having a different pricing structure on the weekends when you are more likely to have those sell-outs and possibly push some of the demand to other neighboring nights or other day parts, or is that not going to be the case and it'll just be the same pricing?

David Ownby - Chief Financial Officer
Jim, we do that in some parts of the country already in some markets. I think the good news at the recliner locations is that that shift to the weekdays is already happening and those sell-outs that we're experiencing are not just happening on the weekend. They're happening throughout the week as well.

So, in most of those instances when we have the opportunity to raise the price, we've gone ahead and done that for the entire week, not just the weekend.

Q: Okay, and I was wondering also if you look at neighboring competitors—I suppose it depends on how theatres are spaced in certain markets, but if they're big enough markets that there are competitors nearby, is that influencing your pricing decision at all? Is it getting a little bit granular like that?

David Ownby - Chief Financial Officer
We're always going to evaluate the market overall, Jim, when we think about pricing decisions. But at the recliner locations in particular, I think the real driver of our decision there is simply how busy the theatre is and how often we're having sell-outs.

Q: Okay, and then with Open Road, I wonder if the Academy Award emboldened your partnership to take more risks, or increase the slate, or anything like that. Is there a different strategy now that you feel you have this momentum?

David Ownby - Chief Financial Officer
No, Jim. We certainly hope that the academy award helped attract more and better partners to Open Road. But, I think in terms of our risk profile and in terms of the size of the deal, that we are happy where they are today and just hope that they can stay on the course that they're on and continue to have success.

Q: Okay. Thanks.

Operator
Thank you. I'd now like to turn the floor back over to management for any closing remarks.

Amy Miles - Chief Executive Officer
Thank you for joining us this afternoon and we look forward to speaking with you soon after our second quarter. Thank you.