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

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David Ownby – Chief Financial Officer

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Ben Mogul – Stifel
Alexia Quadrani – JP Morgan
Robert Fishman – MoffettNathanson
Barton Crockett – FBR Capital Markets
David Miller – Loop Capital
Tony Wible – Drexel Hamilton
Chad Beynon – Macquerie
Jim Goss – Barrington Research
Matthew Harrigan – Wunderlich Securities

Presentation

Operator
Good afternoon. My name is Matt and I will be your conference facilitator today. At this time, I'd like to welcome everyone to the Regal Entertainment Group Third Quarter 2016 Earnings Release Conference Call with our hosts 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. [Operators instructions].

I would like to remind our listeners that this conference call contains forward-looking statements within the meaning Section 27A of the Securities Act of 1933 as amended and Section 21E 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. Important factors that could 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. 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 the call over to Amy Miles.

Amy Miles – Chief Executive Officer
Hello, everyone, and thank you for joining us this afternoon. As you listen to our prepared remarks today, you will notice a consistent theme. We'll talk about luxury seating, our food and beverage programs, the Regal Crown

Club, our ability to effectively manage our cost structure, and the impact those initiatives have on our financial results. We'll talk about the out-sized [ph] industry box office growth in the third quarter and the underlying long-term stability of the domestic box office. And of course, we'll give you an update on our near-term strategic and tactical plans.

And while even to us that message sometimes seems repetitive, we think it should be of the utmost importance to analysts and investors for one simple reason: our strategy is working. You'll see it in our key performance metrics with above average growth in our average ticket price and concession per cap. You'll see it in our market share as we outperformed the relevant industry benchmark in the third quarter. And most importantly, you'll see it in our financial results with 23% adjusted EBITDA growth in the third quarter and over $633 million of adjusted EBITDA in the last 12 months. Needless to say, we are extremely proud of our recent results.

Now, let's take a more detailed look at the third quarter and our near-term plans for continued success. First and foremost, our investment in luxury reclining seats continued at a healthy pace in the third quarter and so did the corresponding positive impact on our financial results. Specifically, the 847 existing screens that were converted to reclining seats prior to beginning of the third quarter significantly outperformed on both the revenue and a cash flow basis generating an incremental $23 million of box office revenue and incremental adjusted EBITDA of $17 million in the third quarter as compared to the same period last year.

We continue to experience frequent sell-outs at these locations and the overall demand for seats, particularly for weekend and week-day prime time shows. It's created a pricing opportunity above and beyond our normal inflationary-type price increases. In the third quarter our average ticket price at the converted locations grew by over 7.5%. That's over 300 basis points ahead of the increase at our traditional theaters.

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 contributed to the growth in our other revenue over the last several quarters, and the concession per cap growth at the recliner locations exceeded in 7% in the third quarter.

The positive impact of our recliner projects has become more evident in our overall financial results and in our market share over the last several quarters, and we expect that trend to continue. With our current pipeline of both new projects and existing theater conversions, we still expect that approximately 30% of our screens will feature luxury recliners by the end of 2017. And furthermore, we are currently evaluating projects that could extend the recliner initiative to an additional 10% to 15% of the circuit by the end of 2019.

Our concession initiatives also continued to produce meaningful results in the third quarter. Our focus on strategic price increases and efficient operations at the concession stand, combined with the success of our enhanced food menu and alcoholic beverage offerings, produced per cap growth of 4.8% in the current period and extended our streak of per cap increases of at least $0.20 to nine consecutive quarters. As we look ahead to the balance of 2016, we will continue to evaluate pricing opportunities in our local markets and expect to end the year with approximately 240 locations offering our enhanced food menu and approximately 175 theaters serving alcoholic beverages.

Our efforts to improve customer engagement and inspire brand loyalty through the Regal Crown Club are also paying off. Earlier this year we re-launched the program with a new point structure, more reward options and better communication with our most valuable customers. These changes were geared less towards growing the program and more towards driving frequency and encouraging spending by our very best customers. The early results are very promising. In the third quarter alone, average revenue per card members grew by almost 12%.

We are excited about the potential benefits associated with the re-launch of the Crown Club and look forward to updating you on our progress in the future.

And of course we would be remiss if we didn't acknowledge the impact of a healthy box office environment on our third quarter results. Near record results in both July and August, including two films that grossed over $300 million domestically, drove a 12% increase in industry box office revenue. And with 2016 receipts currently outpacing last year's total by 3%, it's becoming increasingly clear that 2016 will be another successful box office year.

And finally, our comments today focused on the accretive investment opportunities that are readily available to us and easy to execute. But those opportunities are only part of our overall capital allocation philosophy. As has been the case historically, we will continue to allocate capital in ways that we believe will best reward our long-term shareholders by carefully evaluating the alternatives available to us, including investment in future growth, via acquisitions and capital expenditures, strengthening the company's balance sheet, and returning value to shareholders via dividends.

We continue to believe that our proven track record of effectively allocating capital sets us apart from our peers and produces superior long-term returns for our shareholders.

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

David Ownby – Chief Financial Officer
Thanks, Amy. Good afternoon, everyone. For the next few minutes, I'll provide a brief analysis of our third quarter results and an update with respect to our balance sheet, asset base and capital structure.

For our fiscal third quarter we generated total revenues of $811.5 million, including $525.3 million of box office revenue, $239.9 million of concession sales, and $46.3 million of other operating revenue. Our admissions revenue for the quarter grew by almost 12% driven by a 4.9% increase in our average ticket price, and attendance growth of 6.6%. Our average ticket price benefitted from opportunistic price increases, particularly at our recliner locations, and a flat uptick in premium content revenue at our IMAX, RPX, and 3-D screens.

On a per screen basis, our box office revenue grew by 12.3% and surpassed the relevant per screen industry benchmark by over 100 basis points, thanks largely to market share gains at our recliner locations and to a lesser extent 14% box office growth at our 182 large format screens.

Our concession revenue increased by 11.7% in the aggregate and by 4.8% on a per attendee basis. Strategic price increases, improvements in beverage, popcorn, and candy volume, and the continued success of our enhanced food menu and alcoholic beverage offerings continue to have a positive impact on our concession revenue and helped us achieve per cap growth of at least $0.20 for the ninth consecutive quarter.

Other operating revenues grew by almost $6 million as compared to the same period last year, driven primarily by an increase in attendance driven revenues from our vendor marketing programs and a continued climb in our advanced ticketing revenue. Over the course of the summer box office season, almost one-fifth of our admissions revenue was generated through online ticket sales.

Our film and advertising expense of $275.6 million represented 52.5% of admissions revenue, in line with the same period last year and the long-term historical average for the third quarter.

Our 87% concession margin declined by 140 basis points as compared to the same period last year but was in line with the recent historical average. As a reminder our concession margin in the third quarter of last year was abnormally impacted by a significant increase in the amount of vendor marketing revenue recorded as a reduction of cost of concession. Excluding the impact of vendor marketing revenue in both periods, our current quarter concession margin remained flat with the amount from a year ago.

Total rent expense of $107.3 million increased 2.4% due to higher contingent rate associated with the quarterly increase in our total revenue, and the incremental rent at the 61 screens acquired midway through the third quarter of last year.

And total other operating expenses of $226.3 million increased 4.8% versus the same period last year, as most theaters increased staffing levels in response to the attendance growth experienced during July and August. We are extremely pleased that a healthy box office, combined with our strategic and operational execution, produced third quarter adjusted EBITDA growth of over 23% and total revenue adjusted EBITDA and adjusted earnings per share that are all ahead of consensus Wall Street estimates.

As for our asset base, capital expenditures net of asset sales and landlord contributions for the quarter totaled $53 million and we continue to actively manage our asset base, opening 1 theater with 8 screens and closing 5 screens at an operating location to end the quarter with 565 theaters and 7,310 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. In the fourth quarter we expect to close 5 to 6 theaters with 35 to 40 screens, which would result in ending counts of approximately 560 theaters and 7,273 screens for 2016.

With respect for our capital structure, in early May, we took advantage of a healthy debt market to reduce the interest rate applicable to our senior credit facility. The amendment will save us approximately $2.4 million in annual cash interest payments, and with our current capital structure, we now expect our quarterly interest expense to be approximately $32 million for the remainder of this year and into 2017. As for the balance sheet, we ended the quarter with $187 million in cash, approximately $2.3 billion in total debt, and a leverage ratio of 3.4 times net debt to adjusted EBITDA.

In closing, as we look ahead to the upcoming holiday season, we're pleased that year-to-date, industry box-office revenue is ahead of 2015's record total, and that our investment in premium amenities continues to have a meaningful impact on our market share and our financial results.

Operator, this concludes our prepared remarks. We will now open the lines for questions.

Operator
Thank you. At this time, we will 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. David, wonder if you could talk a little bit about your cap ex spending and as we think about the re-seating initiative continuing on for 2019, can you talk directionally, or if you want to give some hard numbers, that's fine too, but how should we think about '17, '18, '19? When does cap ex, how much does it need to keep going up? When does it level off, and when does it start coming down again?

David Ownby – Chief Financial Officer
Sure, Eric, thanks for the question. I think as you think about that roll out, I think those out years likely will look a lot like these past couple of years for us. Honestly, some of that depends on our ability to negotiate with our landlords and have them participate in these deals at the respective theaters. That has been a good dynamic for us, and I expect it will continue to be a good dynamic for us. So, as you think about those out years, I suspect they look a lot like 2015 and 2016.

Q: Great, and then just as a follow up, you had some really good growth numbers for the theaters that were open, the re-seated theaters opened prior to the third quarter. I wonder if you're seeing a wide variance between the theaters that were done first versus the ones that were done more recently. How are things? Are you still getting similar ROIs? Are the growth rates very similar, or are you starting to see maybe some leveling off with the initial theaters that were being re-seated?

David Ownby – Chief Financial Officer
Yes, Eric, it's actually been very consistent, the returns that we see, the attendance growth that we see, the per cap and the average ticket price growth that we see. Obviously, as you convert a theater, you get that initial pop in year one, but we're even seeing some of the theaters now that we have were converted way back in the back half of 2014, and even in year two and heading into year three, we're continuing to see some solid growth at those theaters as well.

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

Q: Hi, good afternoon. Thanks for taking my question. It's probably for Amy or David. On the renovated venues, when you're going into zones where a competitor has already done some level of renovation, are you seeing in those markets that you're just gaining back share, or are you actually seeing that the second entry into that market can still actually grow the overall market size?

David Ownby – Chief Financial Officer
Ben, obviously, it's some of both. Any time we do one of these projects, the most successful ones are going to do a little bit of both. They're going to take share from elsewhere and they're also going to grow the market.

I think the good news there is that we look around the country, and look at markets that have a, I'll call it a relatively high penetration rate of these types of theaters, we're seeing those markets, and I'll call out maybe Atlanta, Philadelphia, Boston, some of those markets are generating upwards of 20%, 30%, even close to 40% of their gross now in recliner theaters, and those markets are outperforming the rest of the country's box office.

Q: Okay, and then in terms of where you're looking to do renovations, are you trying to target zones where the competitor has not yet renovated or is it a mix of both, if you will?

Amy Miles – Chief Executive Officer
Ben, this is Amy, obviously. It's a mix of both. It's a very return focused analysis, so we're looking at each of our opportunities and figuring out where we can generate the greatest return. We're seeing that, somewhat due to landlord deals, and specific to those locations, but I would say it's a mix of both, to answer your question.

Q: Would it be sort of fair to say that a zone which has been renovated already, if it's a large affluent zone where there's capacity, there's no reason not to renovate your venue, and similarly, a zone that's got some more challenging economics, just because no one else has renovated there doesn't mean you should? Is that a right way to think about it?

Amy Miles – Chief Executive Officer
That's how we think about it.

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

Q: Thank you very much. Just digging in a bit further on the good outperformance you saw versus the industry in the quarter, can you give us some sense of where you think it's coming from? I know you mentioned some market share gains, particularly in the recliner chair locations. Do you think that's the main driver for the outperformance, or do you think there's something else also influencing it?

David Ownby – Chief Financial Officer
Hi, Alexia, the quarter from a film slate perspective and those kind of things was very consistent with last year. I think you had two kid pictures in the top five this year and last year, two or three action movies in the top five this year and last year, so no real change of market share wise from a film slate perspective. When you see that being very consistent, it just comes back to the asset base and really I'll call out two things here.

The biggest driver there is certainly the recliner sites. Those 847 screens that Amy mentioned outperformed the industry box office by about 3,000 basis points. They were up 42%, versus the industry up 12% or so. Then, to a much smaller extent, our large format screens were up about 14% per screen. They were up 18% in the aggregate, and that just was a little extra on top of the recliner screens, I guess.

Q: Then, given the investments you continue to make in these recliners and re-seatings and obviously the success that you just highlighted, and also looking at this incredible projected slate for 2017 industry wide, is there more consideration this year of an above average price increase going into next year, or is that really not how you think about it?

David Ownby – Chief Financial Officer
We review profits routinely throughout the year, Alexia, so not always looking ahead at the film slate necessarily and just trying to capitalize on that. We're going to review our prices on a very regular basis, on a market-by-market basis and make adjustments where we believe we have the opportunity and the ability to do that.

[Overlapping voices]

Amy Miles – Chief Executive Officer
I'm sorry, I'll just add in the good news there is we continue to add a higher percentage of premium screens. I'm including the recliners in the definition of premium screens. That does give you incremental pricing opportunities with respect to those conversions.

Q: Of course, thank you.

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

Q: Hi, good afternoon. I have a two-parter for Amy, if I can, and then, one for David. Amy, just following up on the pricing question, with only two months left, and the possibility of another record year in sight, do you think pricing will continue to be an industry driver of growth, or do you think attendance can be a positive contributor in the years to come? Then, just on a related note on the pricing, I'm just curious, do you believe that movie admission costs could start to even see potentially pressure in the context of cheaper forms of in-home entertainment options like new over-the-top type of offerings for TV that are being priced below the traditional TV bundle?

Amy Miles – Chief Executive Officer
Okay, let me take the first part of your question first. I think, yes, pricing will continue to be an integral piece of the industry's growth, not just for 2016, but as we look forward. I think the good news from an attendance perspective is we are investing a lot of capital today in premium assets, and as we continue to increase the number of theaters that we have that are featuring the luxury amenities, those theaters are demonstrating growth not only through ticket price increases but also through attendance. So, I think that bodes well for industry attendance trends as well.

As far as—I think the way that we are going to think about pricing and obviously we have competed with forms of in home entertainment for a long time. However, from an out of home entertainment perspective, movies still remain one of the most affordable choices for those seeking entertainment outside the home. So for the foreseeable future, I don't believe at all that any changes with respect to in-home pricing are going to affect how we think about pricing for movie theaters.

Q: Then for David. Now that you're back to industry level admission growth levels, do you expect the ramp in your luxury rec-seating initiatives to continue to push the admission revenues higher than the industry in the coming quarters or to stay kind of more in line depending on the make-up of the quarter basically to help offset some of the slower non-converted screens that you guys still have?

David Ownby – Chief Financial Officer
Sure. I do believe that the recliner screens will continue to be a positive factor in our market share. Obviously, there are other factors that impact it as well. You heard me talk a minute ago about the film slate and also about the large format screens, which based on the film slate can be a little more volatile from a market share perspective than the rest of our screens. So when you put all that together, that's ultimately what's going to determine our market share. But as far as that one piece that relates to the recliners, yes, I think that will continue to be a positive for us.

Operator
Our next question is from Barton Crockett from FBR Capital Markets. Please go ahead.

Q: I was curious about your reaction to this IMAX talk of trying to build virtual reality centers in movie theaters and shopping malls. They seem to have a lot of excitement; they're a big business partner of yours. Do you guys share their excitement?

Amy Miles – Chief Executive Officer
Barton, from that perspective, we're always willing to test. IMAX is a great partner for Regal Entertainment Group and as it relates to some of these new ideas that they are having inside the theater, we would obviously be a willing partner for any kind of test and initiative that they're thinking about.

Q: So you'd be a partner, but they seem to have a lot of optimism. Is it too early for you to really share that optimism or have any view on that at this point?

Amy Miles – Chief Executive Officer
I think we always tend to get more optimistic after we see the results of the test. I think it's an interesting idea, but for that perspective, we must be interested or we wouldn't be willing to test. But I think our optimism will be reserved for the results of the test.

Q: What's interesting is this industry has been subjected to more innovation, I think, for an industry that a lot of people have seen as not—it's more mature between the recliners and the big formats and 3-D and now maybe this. Another innovation that you guys are involved in is Atom Tickets. Can you talk about, as this is starting to ramp up more what you're seeing and how impactful you think that could be over time?

Amy Miles – Chief Executive Officer
Yes, I think at this point in time it's premature to forecast how impactful it will be. The great news is we have now as of just a couple of months completed the roll-out of Atom Tickets at 100% of our theaters. So, 100% of our theaters you can now purchase a ticket through Atom, and the great news is at a high percentage of those theaters I think the number is over 200 theaters today where you can actually purchase your concessions in advance as well.

So, we just have had that offering for a couple of months. So to be fair, the early results are promising but at this point we're just talking about a couple of months of data.

I think, Barton, and I'll just follow-up on one thing, I think you have made a great point. The industry has had a lot of interesting innovations over time and the theater experience is really improving and I think it will be interesting to see how that changes the dynamics going forward.

Q: It's just this great confluence of studios investing in big movies that are resonating and theaters investing in new experiences that are resonating as well. That's great. Thank you very much.

Operator
Our next question is from David Miller from Loop Capital. Please go ahead.

Q: David, just a couple housekeeping items, the depreciation expense was a couple million higher than it was, at least sequentially and definitely versus last year. Is that just a more aggressive depreciation schedule vis-à-vis the new re-seating assets? And then also on your impairments line of $4.8 million above EBITDA, it looks like it cost you guys $0.03. What exactly did you impair in the quarter? Thanks very much.

David Ownby – Chief Financial Officer
So, on the depreciation that's just the ramp-up of our cap ex over the last year rolling into the depreciation line as you would expect it would. And then the impairment, we don't typically give out specific theater details there. That's just an ongoing review of assets either that have aged to the point that they're not as productive or maybe they've been impacted by some other theater in the market or competition in the market. That's just a write-off of those remaining assets that are on the books for those theaters. I think in this case it relates to two theaters.

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

Q: Yes, I was wondering if there was anything in the other expense line that you could call out, aside from the staffing, for that expense. And then also, what's your long-term thought on theater builds? It's seems like you guys have been optimizing the footprint. Do you anticipate getting back to a point where you're organically adding screens?

David Ownby – Chief Financial Officer
Tony, on other op ex most of that increase is related to our staffing level and some of the wage pressures that we've seen around the country. I wouldn't call those wage pressures out as terribly unusual but probably just at the high end of the range maybe of what we've experienced historically. And then anytime we have that kind of increase in attendance that you see for the quarter, there are other attendance driven costs in that line as well, whether that's paper and janitorial supplies at the theater or even something like credit card processing fees for example that will be driven by attendance as well. So, those are the key factors there.

And I'm sorry. What was the second part of the question?

Q: It's really kind of the strategy—

David Ownby – Chief Financial Officer
Yes, new builds. I'm sorry, Tony, I just forgot there for a second. Over the longer term, Tony, yes, we think there's still an important place in our growth strategy for new build theaters. Obviously here recently you've seen us focus much more on the recliner conversions because we believe that's where the highest return was. But as we look out over that period over the next two or three years, you will see us—this has probably been a little bit of abnormally low year for us in terms of new builds. I think you'll see that number come back toward the norm over the next two or three years.

Q: And then last question is, I think you guys have a fairly large footprint in Florida. I'm not quite how much is on the East Coast. But was there any effect from just the hurricane concerns in that particular weekend on attendance?

Amy Miles – Chief Executive Officer
We had a few closures but it was not material.

Operator
Our next question comes from Chad Beynon from Macquerie. Please go ahead.

Q: Great. Thanks for taking my question. On the capital allocation, you stated at the outset, your options, dividends, acquisition and re-seats. And we've talked a lot about the re-seats and the returns that you're getting there. So, can we focus on the M&A side? Given your discipline and maybe lower returns than internally spent cap ex on re-seats, what's your updated view on M&A given some elevated multiples that we've seen? And then the second part of that, given the strength in the US dollar, how are you thinking about potentially some acquisitions outside of the US? Thanks.

Amy Miles – Chief Executive Officer
Chad, we're still optimistic about the M&A environment. Again, it's always harder to predict the timing of deals over the long term. We still believe that acquisitions will be a key part of our growth strategy. And again, the good news, as you pointed out, is we sit here today with so many opportunities to reinvest in our asset base for growth, we don't have to be as worried about the timing of those M&A growth opportunities.

We still think there's a lot to do here domestically. We think there's a lot of attractive assets that we believe will become available for sale overtime. That being said, that doesn't mean we wouldn't look internationally. It would just have to be a deal that fits our accretion and prudent investment criteria.

Q: You talked a little bit about VR kind of a wait and see. But what about eSports, given that you wouldn't have to spend much on the cap ex side, we've seen some theaters bring in some eSports players to get some revenues in the week. Is that something that you're open to and could this grow the alternative content revenues in the future?

Amy Miles – Chief Executive Officer
A lot of those events happen today through Fathom. And we're participating in those events. We'll see over time how eSports actually performs in the theater, but we've had examples of both participatory and observatory games that have taken place in the theater as it relates to eSports. So, Fathom is doing some experiments in that area, and we'll just see how that pans out over time.

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

Q: First, I was wondering with reserve seating and sell-outs occurring more often, is there any more sentiment in favor of thinking of variable pricing schedules between you and the studios?

Amy Miles – Chief Executive Officer
At this point we believe we have in place a lot of variable pricing options for our customers. We have a myriad of premium prices, we have ways that consumers can participate in lower prices if they want to. But at this point, we're pretty much concentrated on making sure that we are charging an accurate price for the premium service.

Q: I did notice that food and beverage margins dipped slightly in the quarter, though, the profitability continued on. I'm just wondering if you might lay out what trends you might see, unless this was an aberration for the quarter, but it did seem that there had been some consistency in the margin level until at this point.

David Ownby – Chief Financial Officer
Jim, it was actually an anomaly in Q3 of last year, when we had an abnormal amount of vendor marketing revenue recorded as a reduction of cost of concession. If you exclude that vendor marketing revenue piece for both quarters our cost percentage was flat with last year.

Q: Maybe the last one, I wonder if, what the nature of your Crown Club revamp might be. And that's been a popular thing for a lot of the chains lately to do some new things. What would be special about yours?

David Ownby – Chief Financial Officer
Jim, we spent a lot of years building the program to what it is today, which is by far the largest program in the industry. As we built the program to that level, we felt like it was time to maybe focus a little less on continuing to grow the program and try to make it more productive for both us and for our most loyal customers.

So we really transitioned the program from, what I'll call, a passive program where you didn't really have a lot of engagement with the customer. You just earned points when you showed up and the rewards were very formulaic. We changed that to a program that is much more actively engages the customer. We changed the point structure. We gave the customer a lot more optionality with the kinds of rewards they could redeem and when they could redeem those. And it allows us to communicate with our customers more frequently.

I think you heard Amy talk about the spend per customer in Q3, and those are early results but ones that we feel like are very promising.

Q: Data analytics seems to be an important thrust in a lot of these in terms of making various judgments about how to promote some of the programming or whatever else. Are you doing some of that as well?

David Ownby – Chief Financial Officer
Absolutely. It helps to know your customer and know their likes and their dislikes and that helps you craft the right offers for them.

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

Q: First of all I apologize for the jazz music accompaniment here. [Audio disruption] box office more than 50% of studio receipts now, you're in a really great position. This may be the faux pas silly question of the day. But, you had James Murdoch commenting a few weeks ago that the box office revenues would actually go up if you had simultaneous release in the home and in the theater. And in an odd sort of way it's [indiscernible] to how good the theater experience is these days.

I'm sure you disagree with it; I disagree with it in terms of maximizing the film profits and your profits. I would just be curious what, Amy and David, what your visceral reaction was in hearing that. Was it just complete lunacy or do you think that there's still opportunity to move the windows around somewhat or vary the pricing and have it benefit everybody? And again, I apologize for the background noise.

Amy Miles – Chief Executive Officer
I think, Matthew, one thing that we said on a consistent basis is our strong belief in the importance of a theatrical window. However, with being said, we also said if we could devise a win-win proposition for the studio partners and exhibition where we felt like we were compensated fairly for any risk that we would take, that that would be a discussion that we would be open to having.

Now that doesn't mean that we're, with respect to the theatrical window, that we're not putting a significant amount of importance on that, because we are. But, in keeping with some consistent statements that we've made, we have said that we would be open to discussions for a win-win proposition.

But to your point, too, I think more importantly what's going to drive the attendance on a going forward basis is the improvement that you're seeing in the theater experience and we're going to continue to invest in dollars to make that happen.

Operator
I'd like to turn the floor back over to management for any closing comments.

Amy Miles – Chief Executive Officer
Thank you. We appreciate you joining us and we look forward to speaking to you again with our year-end results. Thank you.