Transcript of
Regal Entertainment
First Quarter 2017 Earnings Release Conference Call
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David Ownby - Executive Vice President, Chief Financial Officer and Treasurer

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Ben Swinburne - Morgan Stanley
David Miller - Loop Capital Markets
Barton Crockett - FBR Capital Markets
Leo Kulp - RBC Capital Markets
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Presentation

Operator
Good afternoon. My name is Manny, and I will be your conference facilitator today. At this time, I would like to welcome everyone to the Regal Entertainment Group First Quarter 2017 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. [Operator instructions].

I'd like to remind our listeners that this conference call contains forward-looking statements within the meaning of 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 can cause actual results to differ materially from the company's expectations are disclosed in the risk factors contained in the company's 2016 Annual Report on Form 10-K dated February 27, 2017. 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'll turn the call over to Amy Miles.

Amy Miles - Chief Executive Officer
Hello, everyone, and thank you for joining us this afternoon. Almost 15 years ago, Regal Entertainment Group began its life as a public company, and every quarter since then we've gathered to report our earnings and discuss them with the investment community.

On seven of those occasions, we reported a new record annual adjusted EBITDA total, most recently in both 2015 and 2016, and on five other occasions, three in the early years, once in 2017, and again in 2013 we reported new all-time highs in quarterly adjusted EBITDA. I'm happy to report today, we will mark the sixth such occasion with almost $188 million of adjusted EBITDA. The first quarter of 2017 was the single most productive quarter in the company's history. We believe these results speak volumes about the current box office environment, the impact of our high-return investments and improving the customer experience, our continued focus on efficient uses of capital, and most importantly our ability to deliver more record results for our shareholders in the future.

Let's look at each one in more detail. First, the box office environment, after a record first quarter last year, it would have come as no surprise if industry box office had taken a step back, or at least, sideways in the first quarter of this year. Instead, strong carryover from last year's holiday product and a diverse slate of new releases in multiple genres that appeal to a wide range of audiences carried the box office to its fourth consecutive year of first quarter growth and a record total of over $2.9 billion.

As we look at those results, we believe there are two primary factors: one obvious, and one just coming into focus, and both contributed to a record industry box office result in 2015, 2016 and the first part of 2017.

First, the obvious one, with each passing year, our studio partners have become more and more diligent in scheduling high-profile releases throughout the calendar year. Titles once reserved solely for the summer and holiday seasons are now finding their way to our screens on the Martin Luther King Jr. Day, President's Day, Valentine's Day, Spring Break and Easter weekends and the once-avoided shoulder season dates in mid-April and October are now home to blockbuster titles like *The Fate of the Furious* and *The Martian*.

We firmly believe that the expansion of the released calendar in recent years has given more films room to find their audiences and contributed to the record industry box office results in recent periods. And while content will always be the number one driver of our business, it is becoming clear to us that the industry's efforts to improve the customer experience in recent years is reaching a critical mass and beginning to have a positive impact on overall box office results.

In the first quarter, over one-fourth of total industry box office revenue was generated at theaters with reclining seats and other luxury amenities. Five of the top 10 US box office markets, New York, Chicago, Dallas, Philadelphia and Atlanta garnered more than 35% of their growth at recliner theaters. Collectively, total first quarter box office revenue in these markets grew by over 9.5%, that's more than double the overall industry growth rate.

While it can often be difficult to isolate the impact of one factor or initiatives on overall box office performance, these broad-based results indicate to us that the industry's commitment to delivering a great customer experience is growing the overall box office, and the same is definitely true for our circuit. With over 1,500 screens now outfitted with luxury recliners and reserved seating, our food and alcohol menus available to more and more customers every day, and that industry-leading Regal Crown Club providing a communication link to our very best customers, our strategy is having a bigger impact on our overall financial results.

For the third consecutive quarter, we outperformed the relevant industry box office per-screen metric. Strategic price increases produced an average ticket price growth of 5.5% at our recliner locations in the first quarter, despite significant headwinds related to the mix of 3-D and large format screen revenue.

The continued roll-out of our food and alcoholic beverage menu now available to 55% and 31% of our attendance space, respectively, added roughly $0.08 to the circuit-wide concession per cap in the first quarter. And advanced tickets sold online and mobile ticketing platforms, including our own Regal Entertainment Group app, represented over 23% of our first quarter box office revenue and contributed to double-digit growth in our other revenue streams.

Those results don't come without investments but keep in mind that by utilizing landlord dollars when available and focusing on efficient capital spending, we've been able to generate meaningful growth and high returns, while maintaining our industry leading free cash flow. While many in our industry will experience similar top line results from initiatives just like those we've discussed today, we believe our ability to deliver bottom line growth without overspending will ultimately set us apart from our competitors, efficiently allocating capital in ways that best benefit our long-term shareholders has long been a hallmark of our strategy. And you should expect more of the same in years to come.

On a final note, before I turn the call over to David, in mid-April, we acquired the Houston assets of Santikos theaters. These two locations, both of which ranked in the top 200 box office theaters in the country last year, are full-service entertainment complexes, with a myriad of customer amenities, including large format screens, laser projection, multiple dining options and even a bowling alley. These assets are welcome additions to the Regal portfolio and will be reported in our results beginning in our second quarter.

As you can see, we are extremely proud of our results and the ongoing financial and operational benefits of our key initiatives. We are equally optimistic about the potential for growth and more record results in the quarters and years ahead.

With that, I'll turn the presentation over to David for a discussion of our first quarter financial performance.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
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, asset base and capital structure.

We generated total first quarter revenues of $821.2 million, including $533.2 million of box office revenue, $239.5 million of concession sales and $48.5 million of other operating revenue. Our admissions revenue for the quarter grew by approximately 3.4% in the aggregate, benefiting from a 3.2% increase in our average ticket price, and a slight increase in total attendance. Our average ticket price benefited from opportunistic price increases, particularly at our recliner locations, and from a slight uptick in the percentage of attendees that paid our adult evening ticket price.

On a per-screen basis, our box office revenue grew by 4.5% and surpassed the relevant per-screen industry benchmark by roughly 100 basis points, thanks largely to market share gains at our recliner locations. Our concession revenue increased by approximately 4%, both in the aggregate and on a per-attendee basis. Strategic price increases and the continued success of our enhanced food menu and alcoholic beverage offerings continued to have a positive impact on our concession revenue and helped us achieve the second highest concession per cap in our history.

Other operating revenues grew by over $7 million as compared to the same period last year, driven primarily by the increase in revenues associated with our vendor marketing programs and the continued success of our online and mobile ticketing platforms. In the first quarter, over 23% of our admissions revenue was generated via an online or mobile transaction.

Our film and advertising expense of $283.1 million represented 53.1% of admissions revenue, a 70 basis point improvement versus the same period last year due primarily to a film slate that was somewhat less reliant on a few high-grossing films. Our 87.1% concession margin declined by 40 basis points as compared to the same period last year, but remained in line with the recent historical average.

Raw material and packaged goods costs remained stable during the quarter, but overall margin was impacted by decreasing the amount of vendor marketing revenue recorded as a reduction of cost of concession. Total rent expense of $106.2 million declined slightly versus the same period last year, due primarily to net screen closures and the impact of landlord construction allowances. And other operating expenses increased by $4.2 million, or approximately 3% on a per-screen basis due to labor cost increases in certain markets and elevated expenses associated with an increase in our first quarter alternative content revenues.

We are extremely pleased that despite the difficult comparison with last year's record first quarter, our strategic and operational execution produced 200 basis points of adjusted EBITDA margin growth and first quarter total revenue and adjusted EBITDA that are well ahead of consensus Wall Street estimates.

As for our asset base, capital expenditures, net of asset sales and landlord contributions for the quarter totaled $16.9 million. We continue to actively manage our asset base opening 2 new buildings with 26 screens and closing 4 theaters and 31 screens to end the quarter with 559 theaters and 7,262 screens.

In light of our ongoing focus on premium customer amenities, we expect our 2017 capital expenditures, net of asset sales and landlord contributions to be between $130 million and $145 million. We still expect to open 3 to 5 theaters with 40 to 65 screens and close 6 to 10 theaters with 70 to 100 screens during the year, and including the acquisition that Amy mentioned earlier, we expect to end 2017 with approximately 559 theaters and 7,275 screens.

As a result of the acquisition, we are also slightly increasing our full-year depreciation guidance to between $240 million and $245 million. With respect to our capital structure, we ended the quarter with over $400 million in cash and approximately $2.3 billion in total debt. Absent any significant changes in our debt profile, we still expect interest expense of approximately $124 million in 2017.

In closing, we are pleased that our strategic and operational execution, our investment in premium amenities, and a healthy box office environment led to the highest quarterly adjusted EBITDA total in our history and we remain excited about the opportunity for further success as we enter the summer box office season.

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

<u>Operator</u>
Thank you. We will now be conducting a question-and-answer session. [Operator instructions]. Our first question is from Eric Handler of MKM Partners. Please go ahead.

Q: Yes, thank you very much for the question, a couple of things. First, I'm wondering if you can talk about how your reseated screens or theaters performed on a year-over-year basis.

Secondly, in the other revenue, it seems like, we're getting some good increases from the online ticket fees. I wondered if you could give us just the magnitude of those fees and how they have been growing at least maybe sequentially, or how we should think about the year-over-year growth in those fees on the revenue line.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
So, Eric, let's talk about the recliner screens first. And I'm going to give you a couple of statistics here that—and just to be clear these cover all of the recliner screens. Remember, that some of those are in their second or third-year of operation, s this is not necessarily an indication of growth in year one, this is the entire portfolio of recliner screens. Some of those are in year one, some of those are in year three.

But the give or take, I think these are the screens that were completed as of the end of the year, so they were in operation for the full quarter, which is about 1,350 screens I think. Attendance at those theaters was up 13.5%. Our ticket price was up about 5.5%, I think, Amy mentioned that already.

Q: Right.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Our concession per cap was up almost 6% at those theaters, and our kind of our theater level cash flow for those theaters was up about 52%.

Amy Miles - Chief Executive Officer
Which I think in summary it means they performed well.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
And then, Eric, on the other revenue stream, we haven't called out those numbers, specifically. I would tell you that that the online ticketing fees is a relatively small part of our overall other revenue line. In terms of the percentage increase versus the first quarter last year, that number is a little less than 50% increase versus the first quarter last year.

Q: Okay. And out of curiosity, would it be up on a sequential basis from the fourth quarter?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Eric, I don't have that number in front of me, but I believe it's pretty even with the fourth quarter of 2016.

Q: Okay. And then one last question, we're seeing a lot of markets that you're in, particularly the larger metro markets showing very good results from the reseated initiatives. I'm just curious, are you seeing any markets, or dynamics, where reseats maybe are peaking and certain markets don't make sense now?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
I don't think we've seen that, Eric. I mean, you have some markets that got into the recliner game earlier than others so they may be now a couple of years into their transformation. And so, the gains, as you would expect, are not as good in year three as they are in year one, but they're still performing at that high level they got to early on.

Q: Great. Thank you very much.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer

Thank you.

Operator
Thank you. The next question is from Julia Yue of J.P. Morgan. Please go ahead.

Q: Hi, thank you. It's nice to see that you guys did a small acquisition this quarter. I was wondering in general, if you're seeing some of the smaller independent circuits upgrading to recliners and premium initiatives as well, or not necessarily upgrading their amenities, but still benefiting from the overall healthy film slate in the box office strength. And then broadly speaking in markets where you do overlap with some of these smaller circuits, are you getting the sense that you're gaining share at all?

Amy Miles - Chief Executive Officer
I think to answer the question with respect to what's happening in the industry, we gave kind of a big picture number kind of in our earlier comments just indicating that over one-fourth of the total industry box office revenue for the quarter was generated by theaters featuring luxury amenities. Now keep in mind, the majority of that is going to be the larger circuits.

So to specifically answer your questions on the smaller circuits, I think it's a case by case basis. I don't think there's a global answer that you can say for every one of the smaller circuits. But I still think there's a lot of opportunities with respect to us to further roll out the initiatives in our own circuit. But in the future as we continue to increase our circuit size through accretive acquisitions, we'll have additional opportunities as we will require new circuits as well.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
And I think it's safe to say, Julia, that with the bigger players in the industry kind of all embarking on a recliner strategy, I think it is safe to say that in many of those markets that we are taking share from some of the smaller exhibitors.

Q: Got it. That makes sense. And then on ticket pricing, you had a really impressive quarter, particularly giving the slate was a bit less tent pole heavy. As we move through the rest of the year, it seems like you guys still have a healthy opportunity from price increases of the recliners. Do you think there is potential to benefit, I guess, even on top of that with more favorable film slate?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Well, Julia, as you know, quarter-to-quarter the mix of premium product has a lot to do with that. And you are correct that in this particular quarter the 3-D and the large format product wasn't quite up to the same level as it was in Q1 of last year. So we were happy to get the increase that we got and that again was thanks to that 5.5% increase at the recliner locations. That piece I think will—the recliner piece will be consistent as we move through the year. I think we'll continue to get that benefit. The bit of the wildcard there is how does the premium product perform in each quarter, and for that one, we'll just have to wait and see.

Q: Okay, got it. Thank you so much.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Thank you.

Operator
Thank you. The next question is from Eric Wold of B. Riley. Please go ahead.

Q: Thank you. Good afternoon. A couple of questions, one, I know this has been brought up in the past and maybe hard for you to track, but anecdotally the past few times I've been in the theater recent weeks, it's been relatively empty until right before the show starts in the reserve ticketing theater. So I guess as a major shareholder still in NCM, how do you think about the impact of reserved seating in terms of what you've directly seen in those theaters in traffic? And I know you mentioned the reserved seating fees were not a major driver of other income. So can the reserved seating fees you get from those theaters offset any risk to the pre-show?

Amy Miles - Chief Executive Officer
Yes. I think what we're saying there, and different markets are going to vary, so I don't know where you're visiting our theaters. But what we're trying to do, as you think about improving the overall theater experience, in a lot of the theaters where we have recliners and we're featuring the reserved seating, we're also expanding the menu from an alcohol perspective and a food perspective.

So what we're also seeing is that patrons are still coming to the movie early so to not interrupt the flow of the movie by taking advantage of the concession and the alcohol service prior to the movie start time. So I think as long as we continue to think about how we can have that enhanced offering at the concession stand, which draws that customer in, that offsets some of the late arrivals that you are referring to.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
And, Eric, just to be clear there, I want to make sure I said this correctly on the previous answer. But the growth in online ticketing fees was a big driver of the growth in other revenue. It's just that piece, the online ticketing fee is not a big part of the overall amount of other revenue.

Q: Okay, got it. And then the final question, if you think about where Open Road is right now compared to where it was a few years ago in its infancy, how do you think about your level of enthusiasm now for its outlook and content focus, given what we're seeing from some of the major blockbuster films in terms of box office domination, especially if they move more into the shoulder periods that Open Road was somewhat looking to fill?

Amy Miles - Chief Executive Officer
Yes. Well, David will tell you to-date, Open Road has grossed, I think, we're getting close to the $700 million mark. Is that correct?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Yes.

Amy Miles - Chief Executive Officer
That would just give you some perspective of what the results have been to-date. From our perspective on the exhibition side, even as the movies are shifting, we're seeing bigger percentage of the overall films from the big blockbusters that number of films that's generating 95%, 98% of our revenues each year is still dependent upon these big budget pictures filling in not just the shoulder seasons, but the key seasons as well, and those are really important to us. So from that perspective, I still think Open Road plays a vital role in that mid-picture budget area.

Q: That's helpful. Thank you, guys.

Operator
Thank you. The next question is from Robert Fishman of MoffettNathanson. Please go ahead.

Q: Hi, good afternoon. I have one for Amy and one for David, if I can. Amy, following up on the small Houston acquisition and given the higher trading multiples for the publicly-traded exhibitors, have you seen any pickup in activity from family-owned circuits looking to sell to possibly take advantage of the better pricing combined with the record trailing 12-month theater cash flow? Or, do you think many of the smaller circuits are maybe waiting to digest any upcoming changes to corporate taxes before looking to sell?

Amy Miles - Chief Executive Officer
No, I mean we've said this before and so I won't comment on any specific transaction, but as we move forward and we think about another capital cycle as it relates to the reclining theaters—and you are seeing some increase in multiples from the public companies. So over time, we still think that accretive acquisitions will be a great way for Regal to grow. I can't speak to any specific transactions, and it's hard to guess what that timeline will be, but as you look at over the next couple of years that we're going to be pleased with the amount of acquisition activity.

Q: Are there any details you can share on the Houston acquisition?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Robert, we'll give you some more specific details as we start to report those in our results in Q2, like Amy said. It's 2 theaters, 41 screens. They really are full-service complexes, where they've got multiple food concepts; they've got alcoholic beverage service. And if you kind of think about how does that relate to deals we've done historically, this again is a very accretive deal for our shareholders and that kind of post synergy multiple looks similar to the range you would expect from us historically.

Q: Okay, thanks. And David, I clearly understand this is a little early without a lot of details from today's tax announcement, but could you just remind us or help us think about how Regal would balance any incremental cash flows from lower taxes, balance between the internal investments, or accelerating ramp in recliners versus just higher shareholder returns?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Yes, obviously, not a lot of time to evaluate exactly what they are at this point, Robert. But any tax plan that leaves us with more dollars, with more capital to allocate, as Amy mentioned in her prepared remarks the ability to efficiently and effectively allocate capital has been a hallmark of our strategy for a long time. And we believe that to the extent we have more capital to allocate, that just gives us more chances to do that extremely well. If you think about how we've done that historically, that's been a good balance between shareholder return and investing in our asset base. I suspect that would be a similar approach going forward.

Q: Okay. Thank you, both.

Amy Miles - Chief Executive Officer
Thank you.

Operator
Thank you. The next question is from Ben Swinburne of Morgan Stanley. Please go ahead.

Q: Thank you. Good afternoon. I have a couple of questions. David, can you talk about the returns you're seeing on the recliner investments now as you are in, I guess, year three and looking forward? I noticed the landlord contributions were pretty healthy in the quarter; it looks like you're run rating at like $100 million this year. I'm just curious, as that capital gets larger in terms of what you're getting help with on the financing, what does it to do the return profile? Is there some additional costs showing up in rent expense, or any rev share, which we think about, or how you're thinking about the economics of the upgrades as you move forward?

And then just for either of you, I'm just curious on that 23% of the first quarter box buying through the app and driving some other revenue, what's sort of a realistic expectation on your end for how high that number can go? What's sort of your one or two-year objective on that strategy? Thanks.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Yes. So, Ben, the returns on the recliner projects, and just to be clear here, I'm talking about a pre-tax internal rate of return here. And when you take into account the cost and anything that's offset by the landlord contribution, any additional rent we have to pay to get that landlord contribution, and then just the uptick in business in attendance and revenue that we see kind of mash all that together. The sweet spot for that return has kind of been in that 35% to 40% range over time. It stayed pretty consistent. Now to be fair, it's actually a big range, some are little lower than that, some are much higher than that. Oftentimes that does depend on exactly what the landlord dynamics look like.

We've elected to take the landlord money really from the beginning because it really makes sense to us from a return perspective, because typically a landlord has got an asset they want to improve and they've been willing to work with us, and we believe that's a very efficient use of our capital and a very efficient use of their capital.

I think it's worked on both sides and it certainly worked to improve those returns and help maintain those returns as we've moved through the process.

As for the online ticket sales—I'm sorry, go ahead, Amy.

Amy Miles - Chief Executive Officer
Yes. Now, one thing we talked about here internally is, over the next couple of years, we'd like to see that number getting to 50% of our purchases. Now again, how to get that we're working on communicating with customers, driving offers, figuring out the best way to do that, but it's very advantageous to us for a lot of reasons if we can strive to get to that 50% number over the next couple of years.

Q: Great. Thank you, both.

Operator
Thank you. The next question is from David Miller of Loop Capital Markets. Please go ahead.

Q: Hi, guys, just an overall strategic question. As you look out within your footprint right now domestically, and you look at a map of the United States, where do you feel like you're oversaturated, if you are, and where do you feel like you're underutilized in terms of your asset base, where there might be some acquisition opportunities?

And then also if you're willing to comment on whether or not you feel any differently about acquiring any foreign markets, dipping your toes in the foreign markets. I think it was around a year ago, I asked you guys that question, you seemed to intimate at the time that you're focused entirely on the domestic circuit, but any comment about any foray into foreign markets would be helpful. Thanks a lot.

Amy Miles - Chief Executive Officer

Sure. I'll take the first part of your question first. I can't think of any markets in the US where we would say we were oversaturated. We obviously have certain markets where we have a higher percentage of market share, but still believe that we have a lot of opportunities from a geography perspective.

But, we don't necessarily think about future acquisitions just from a geography perspective. We're more interested in finding theaters like the Santikos theaters, what I would just call, theaters of the future. Making investments in theaters that are featuring luxury amenities or theaters where we believe we have a lot of opportunity to grow through luxury amenities. So I think it's more a focus on the movie-going experience and how we think about that in acquisitions more so than it is from a geography perspective.

As it relates to foreign investment, we said before, David, that as we see the opportunity here in domestic, it's probably about another 3,000 to 3,500 screens that would fit the criteria that I just provided. So there's still a lot of opportunity here domestically. Now, as it relates to investing internationally, we've just not seen an opportunity that fits our investment hurdles. So for that reason, we haven't pursued international acquisitions. It doesn't mean that we haven't looked, doesn't mean that we wouldn't look. But in order to do it, it would have to meet our objectives from an investment hurdle and we just haven't seen anything to-date that met that criteria.

Q: Very helpful. Thank you very much.

Operator
Thank you. The next question is from Barton Crockett of FBR Capital Markets. Please go ahead.

Q: Okay. Thanks for taking the question. I was wondering about maybe a little bit more information on the reseat percent of Regal's admissions revenues, you gave us kind of an industry number. Can you give us a sense of where Regal is on that?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
I think it's pretty similar, Barton, and maybe just a little behind that overall industry number, but not terribly different.

Q: Okay. And so, you gave us some detail on the performance of your reseated screens. On the flip side, can you tell us how your non-reseated screens have been performing?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
I mean, that's a much broader base of theaters, Barton, so they cover a bigger range probably. I mean, obviously, there's a lot of our highest-performing theaters, our busiest theaters are not the ones that we've chosen to reseat, because quite frankly, they're too busy to reseat, and there are obviously are some smaller theaters in that mix as well in smaller markets. But as a group, I think those theaters are performing up to our expectations.

Q: Okay, all right. I was also curious, there's an increasing focus from IMAX and others on virtual reality experiences in theaters. What's you guys' stance about that? What do you think the opportunity is? Have you talked to IMAX about this? How meaningful do you think this could be?

Amy Miles - Chief Executive Officer
I think it's early from a VR perspective, but we are excited about the opportunity, Barton. We have spent some time talking to IMAX and we've spent some time touring domestically and internationally to see what others are doing with VR in a theater environment.

So I think first, what you're going to see first is VR probably being introduced, I'm just going to say in our lobbies. So, for example, and you've just brought this up like the IMAX Pod. And then, as we go through time, I think it's exciting to see how and VR will be used as a tool from a storytelling perspective and again, that will be exciting for cinemas as well. I just think it's probably going to be introduced early on as some type of extended entertainment in our lobbies.

Q: Okay. And any sense of does IMAX seem to have the pole position in terms of working with you guys on that, or are there others that you might be working with instead?

Amy Miles - Chief Executive Officer
We are going to participate in the IMAX path. We're just looking today to figure out with IMAX where we think the best locations would be.

Q: Okay. All right, that's great. Thank you.

Operator
Thank you. The next question is from Leo Kulp of RBC Capital Markets. Please go ahead.

Q: Hi. Thanks for taking the questions. I had a few. First, the press around premium VOD has quieted down a lot post [indiscernible]. Can you update us on where you're standing with regards to negotiation with studios?

Amy Miles - Chief Executive Officer
I don't really think there's anything to discuss today, and we kind of mentioned in our last call that we would continue to have conversations with our studio partners and a time where we believed that there was a tangible model or idea to discuss that we would do that. I would say, we're not at a stage yet or currently where there's any type of consensus around the top of tangible models that we can discuss today. Are discussions still happening? Yes. Is there anything new to report? No, there's not.

Q: Got it. Thank you. And then based on my calculations, you saw almost 70% theater operating cash flow leverage, which is the best you've seen in, at least, five years. Can you talk about what drove this? Are you seeing easing pressures on minimum wage? Should we expect operating leverage to remain more elevated over the next several quarters?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Well, as you know, Leo, the number one driver of that is the cost side of our business is relatively fixed. So anytime we can get more revenue to the top line, whether that's with attendance increases or pricing increases, then that's going to help that leverage. I think in this particular quarter, and in practically every quarter, our managers and our personnel in the field do a great job of controlling those costs and making sure that we get as many dollars as we can to the bottom line, and I think this first quarter was no exception to that.

Q: Okay. Thank you. And then last one for me, on the acquisition you did, you mentioned that—it sounds like they're more of an entertainment complex with multiple dining options, a bowling alley. Is that an area moving beyond just the movie theater into more of a broader entertainment complex, is that something that you're broadly interested in, or is this just more of a kind of a one-off?

Amy Miles - Chief Executive Officer
Yes. I wouldn't call it a one-off today. I think it's a great opportunity for us to get firsthand experience with different ways of expanding the customer experience. So I wouldn't say that we have changed the strategy there

but this is just a great example of very successful theaters. And these were theaters that were very successful before we started operating them, which will give us a lot of insight on new and different amenities and how those may work with respect to our customer base.

Q: Got it. Thank you very much.

Operator
Thank you. The next question is from Tony Wible of Drexel Hamilton. Please go ahead.

Q: Thank you. I was wondering if you could speak to reserved seating and any intention you may have to take that beyond just the recline auditoriums. And the housekeeping question is on the two seaters you're adding, can you comment on whether or not the attendance per-screen on those is above or below the current circuit average?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
I'll take that second one first, Tony. I mean, just, I think maybe you mentioned there both theaters are in the top 200 in the US from a box office perspective. So I think it's safe to say, they're probably north of the overall circuit average.

Amy Miles - Chief Executive Officer
And with respect to the reserved seating, we have used reserved seating today primarily in what I'm going to call our premium auditoriums, IMAX, RPX, as well as our recliner locations, and it's working very well and in those specific auditoriums as kind of a differentiation.

With respect to rolling out in a greater percentage of the circuit, that's just going to be on a case by case and a market by market basis. We have some markets where we're watching, doing some testing to see how the customer is responding, and we'll see how those turn out. But right now, it's primarily for us a premium offering.

Q: Great. And with the gross in advanced ticket sales, are you seeing any traction in the pre-ordering of concession items? I know that concept is still pretty new but it seems that with the uptick of advanced tickets that you may also see an uptick in that.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Yes, Tony, it's still just a little early. If you remember, we turned that on late last year and that's an amenity that I think a customer has to come to the theater, actually see it's available and then remember that the next time they want to come they want to try it out. So I would still classify that as a little early to really evaluate where we are with that initiative.

Q: Do you have any intention to add that as part of the checkout process with your advanced ticketing to make people aware?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
I think that essentially already happens on the Atom platform and it's certainly something we'll consider on the others as well.

Q: Got it. Thank you.

Operator

Thank you. The next question is from Michael Ng of Goldman Sachs. Please go ahead.

Q: Hi, thanks for the question. The cash distributions from equity investments were a little bit better than I expected at $22 million. Can you tell us how much of that came from the regular NCMI distributions versus other cash distributions like the tax receivable?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Sure, Michael, just under $14 million, I think, came from NCM, and then the remainder was from our various other equity method investees that would include DCDC Fathom and DCFE, I guess.

Q: Okay. And did you guys get the tax receivable payment as well this quarter?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
No, we did not get it in the first quarter. I believe, this year that will be in the second quarter, Michael.

Q: Okay, thanks. And then of the 23% of box office from online reservations, how much of that was on Regal's own websites versus third-party websites? And then just as a follow-up to that, of the $7 million of growth in other revenue, how much of that came from online ticket fees versus vendor marketing and other things?

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
We haven't gotten that granular with our disclosure, Michael. All the platforms performed well in the first quarter. I mean, we were very pleased with how the roll out on our own app went, I will say that. And again, we haven't gotten that granular with the disclosures about other revenue either. The growth you saw in other revenue, I will say, it was less than half of that was from online tickets.

Q: Okay. Thank you. That's helpful. And then could you just talk about your willingness to install recliners in IMAX screens and whether or not that makes sense for you guys at all?

Amy Miles - Chief Executive Officer
We'll test a couple of locations with respect to recliners and you have a couple of options with respect to upgrading the IMAX seats, kind of the upper-end rockers that we may not have to take out as many of the seats. We're looking at that and testing, because that gives us the ability to not take out so many seats in an IMAX auditorium. And then we're also testing recliners to see how that goes. I think there's opportunity from a seating perspective inside of the IMAX auditoriums as well, and we'll just figure out based on customer response, which is the best way to go over time.

Q: Thanks so much.

Operator
Thank you. The next question is from Jim Goss of Barrington Research. Please go ahead.

Q: Thanks. Amy, you may have touched on this a little bit in response to Leo's final question but I was wondering if the logical extension to the value creation process with recliners, etc., is to create almost a sub-brand within Regal for the higher-end experience either through acquisition, or internal creation, such that it could be used on a perhaps less frequent basis, but at least create some identity that you can draw from.

Amy Miles - Chief Executive Officer

We haven't really thought about it that way. From our perspective having one of our primary goals is to make sure that we are providing the best customer experience that we can to the widest base of our audience, where it makes financial sense. That's the driver with respect to our recliner initiative, not necessarily creating some top of branding strategy associated with the recliners.

Q: All right. Thanks very much.

David Ownby - Executive Vice President, Chief Financial Officer and Treasurer
Thank you.

Operator
Thank you. We have no further questions at this time. And I would like to turn the conference back over to management for closing remarks.

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