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# EDITED TRANSCRIPT

RGC - Q1 2014 Regal Entertainment Group Earnings Conference Call

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## OVERVIEW:

RGC reported 1Q14 total revenues of \$726.9m.



## CORPORATE PARTICIPANTS

**Amy Miles** *Regal Entertainment Group - CEO*

**David Ownby** *Regal Entertainment Group - EVP, CFO and Treasurer*

## CONFERENCE CALL PARTICIPANTS

**Ben Mogil** *Stifel Nicolaus - Analyst*

**James Marsh** *Piper Jaffray & Co. - Analyst*

**Eric Handler** *MKM Partners - Analyst*

**Ryan Fiftal** *Morgan Stanley - Analyst*

**Townsend Buckles** *JPMorgan Chase & Co. - Analyst*

**Robert Fishman** *MoffettNathanson LLC - Analyst*

**Jim Goss** *Barrington Research Associates, Inc. - Analyst*

**Tuna Amobi** *S&P Capital IQ - Analyst*

**Matthew Harrigan** *Wunderlich Securities - Analyst*

**Tony Wible** *Janney Montgomery Scott - Analyst*

## PRESENTATION

### Operator

Good afternoon. My name is Doug, 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 2014 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. (Operator Instructions).

I would 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 Annual Report on Form 10-K dated February 24, 2014. All forward-looking statements are expressly qualified, in their entirety, by such factors.

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

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### **Amy Miles** - *Regal Entertainment Group - CEO*

Hello, everyone, and thank you for joining us this afternoon. First and foremost, we're happy to start 2014 with significant growth in revenue, adjusted EBITDA, and free cash flow. The factors that made 2013 a record year for us were also present in the first quarter.

The combination of a healthy first-quarter box office, the continued impact of our acquisition of Hollywood Theaters, and our focus on managing the variable portion of our cost structure, enabled us to expand our adjusted EBITDA margin by over 100 basis points, and generate almost \$137 million of adjusted EBITDA, the second-highest first-quarter total in our history. We will provide further details regarding these results throughout the call, but I want to emphasize how happy we are that our strategic and operational execution resulted in a strong start to fiscal 2014.



Industry box office receipts for our first quarter increased approximately 7.5% versus the same period last year, and totaled over \$2.5 billion, just shy of the record, Avatar-driven, first quarter the industry experienced in 2010. While a few key films accounted for a sizable portion of the box office -- most notably, The Lego Movie, Frozen, and Ride Along--- we believe a film slate that included diverse offerings for a wide variety of audiences was a key driver of the overall increase in ticket sales in the first quarter.

Included in the top 10 films of the quarter were three animated family films, two action movies, two science fiction/fantasy films, two Oscar-nominated adult dramas, and one comedy. While we recognize that big-budget blockbuster films play a key role in our success, and that of our studio partners, we are encouraged by the wide variety of content being delivered throughout the release calendar, and believe that a diverse film slate increases the potential for box office success.

Equally important to us as a healthy box office environment is our ability to take advantage of increased attendance to leverage our cost structure and maximize our operating results. Focus on cost control, an important element of our success in recent years, was also a key driver of the gross in our adjusted EBITDA and in our adjusted EBITDA margin for the first quarter.

David will provide more financial detail behind our operating results later in the call, but I want to personally commend our management team, and, of course, our field personnel for their consistent efforts to deliver a great customer experience in a cost-efficient manner.

As we look ahead into 2014 and beyond, we are excited and encouraged by the industry's recent focus on improved customer amenities. For the last several years, technology was priority one for the industry as we allocated time and resources to the installation of digital projection systems and the development of the associated premium revenue opportunities.

Now that the digital conversion here in the US is largely complete, many exhibitors have shifted their efforts to improving the customer experience by experimenting with a wide variety of new amenities. At a high level, we believe that the focus on improved customer amenities will help further differentiate the theater experience from in-home content viewing platforms, and ultimately have a positive impact on the industry box office environment.

Furthermore, at a tactical level, we believe that our sizable, geographically diverse asset base provides numerous opportunities for experimentation with a variety of customer amenities. As always, we will approach and prioritize these opportunities based solely on our assessment of their returns on investment potential. To that end, we plan to deploy capital in several key areas, some existing and some new, for 2014 and beyond.

Our premium IMAX and RPX screens continue to generate (technical difficulty) low-risk returns, and we expect the rollout of both platforms to continue for the next couple of years. By the end of 2015, we expect to operate almost 200 large-format screens, allowing us to offer a premium experience to customers in practically all of our key markets.

At the concession stand, and our expanded food menu continues to generate steady returns at over 100 locations. And our alcoholic beverage offerings, currently available at only 31 locations, has started gaining traction with customers. These initiatives require very little upfront capital investment, and we expect to expand both offerings to additional sites throughout the balance of 2014.

As for the auditorium, our initial experiments with luxury reclining seats have yielded promising results. This concept is not right for every location. Many of our theaters are simply too busy to sustain the seat loss that results from the installation of the larger recliners. But in certain situations where a theater has been impacted by competition, or is simply nearing the end of its useful life, our return-minded investment in reclining seats can rejuvenate and potentially even extend the life of an existing theater. To that end, we expect to install the new seats in approximately 25 locations with 275 screens, between now and the end of the year.

And to the extent the early results can be replicated, we believe we will have further opportunities to invest in our existing asset base in both 2015 and 2016. We are excited about the potential for growth and financial return associated with these initiatives, and look forward to updating you regarding our progress throughout 2014.



And, finally, looking ahead to the upcoming film slate. The summer box office season started earlier than ever this year, with Disney's release of Captain America in early April. Industry box office receipts for the first four weeks of our fiscal second-quarter increased approximately 15% versus the same period last year, and resulted in a year-to-date head-start of over \$280 million, as compared to the first four months of 2013.

That head-start will be important as the industry faces difficult comparisons with the record summer box office over the next several months. With that in mind, we are still encouraged by what appears to be a promising lineup of high-profile films that are well spaced throughout our summer release calendar.

Superhero fans will continue to have plenty of choices, with *The Amazing Spider-Man 2*, and the next chapter of the X-Men franchise, in May; Marvel's *Guardians of the Galaxy*, in late summer. Science fiction fans won't be disappointed either, with *Godzilla*, *Transformers 4*, *Dawn of the Planet of the Apes*, and *Teenage Mutant Ninja Turtles* all scheduled for release in the upcoming months.

A number of key films from other genres, including *22 Jump Street*; the sequel to *How to Train Your Dragon*; a *Million [Bad] Ways to Die in the West*, from *Ted* creator Seth McFarlane; teen romance *The Fault in Our Stars*; and Disney's *Maleficent*, round out what appears to be a promising summer schedule.

Prior-year comparisons should be more manageable in late 2014, and it appears that the fourth-quarter film slate will be headlined by *The Hunger Games* and *Hobbit* franchises; and by *Interstellar*, an original title from acclaimed director Christopher Nolan. With these factors in mind, we remain optimistic regarding the potential for box office success in 2014.

In summary, we are extremely pleased that our strategic and operational execution, combined with a healthy box office environment, yielded operating results ahead of last year's totals, and ahead of Wall Street consensus estimates. And we are excited about the ongoing opportunity to further enhance the customer experience in 2014 and beyond.

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

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

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

For our first fiscal quarter, we generated total revenues of \$726.9 million, including \$489.6 million of box office revenue, \$200.7 million of concession sales, and \$36.6 million of other operating revenue. As was the case last year, our recent acquisitions had a positive impact on our market share in the first quarter, as our box office revenue grew by over 12% in the aggregate, as compared to a 7.5% increase for the industry as a whole.

The increase was largely driven by attendance growth of approximately 11%, as a decline in the percentage of our revenue generated by premium films, an increase in the percentage of our attendees who purchased child or matinee tickets, and slightly lower ticket prices at the acquired Hollywood screens, all put downward pressure on our average ticket price, which increased by only 1%, to \$8.88.

On a same-store basis, and excluding our 83 IMAX screens, the increase in our per-screen box office revenue was in line with the industry increase. Our concession revenue increased by almost 17% in the aggregate, and by \$0.18 or 5.2% on a per-attendee basis. Strategic price increases, improvements in popcorn and beverage volume, and the continued success of our expanded food menu, all contributed to the increase, and helped drive per cap growth of over 2.5% for the 11th consecutive quarter.

Other operating revenues increased by \$2.2 million as compared to the same period last year, as contractual revenues from National CineMedia, revenues from our vendor marketing programs, and our advanced ticket programs, all benefited from increased attendance during the quarter.

Our film and advertising expense of \$255 million represented 52.1% of admissions revenue, an increase of 260 basis points as compared to the first quarter last year. The overall increase in industry box office, a film slate that relied more heavily on a few high-grossing films than those of recent first quarters, and incremental promotional and advertising costs, all contributed to the increase.

Our 86.9% concession margin improved by 80 basis points as compared to the same period last year, as minor increases in raw material costs were more than offset by strategic price increases, and an increase in the amount of vendor marketing revenue recorded as a reduction of cost of concession.

Total rent expense of \$104.6 million increased 5% in the aggregate, due primarily to the additional rent associated with the quarter-over-quarter growth in our screen count. On a per-screen basis, our rent expense declined by over 2% as compared to the same period last year, due to slightly lower rent amounts associated with the acquired theaters. And as Amy mentioned earlier, our operational execution continued to have a positive impact on our operating results.

The total other operating expenses of \$201.1 million increased 9.5% in the aggregate, again due to the growth in our screen count; and by approximately 1.8% on a per-screen basis. Once again, our field personnel's ability to control variable costs while still delivering a great customer experience, and a meaningful increase in our concession per cap, was a key driver of our success in the first quarter.

We are extremely pleased that a healthy box office environment and our operational execution had a positive impact on our first-quarter results, and enabled us to generate total revenue, adjusted EBITDA, and adjusted earnings per share that were ahead of consensus Wall Street estimates.

As for our asset base and our balance sheet, capital expenditures, net of asset sales for the quarter, totaled \$27.4 million. And we continue to actively manage our asset base, opening one theater with 12 screens, and closing three theaters with 25 screens, to end the quarter with 578 theaters and 7381 screens.

Based on our development schedule and outlook for the remainder of the year, we expect full-year capital expenditures to be between \$115 million and \$125 million. We expect to open 7 to 9 new-build theaters with 80 to 100 screens, and close 8 to 10 theaters with 60 to 80 screens, which would result in ending counts of approximately 579 theaters and 7414 screens for 2014.

With respect to the balance sheet, in mid-March we took advantage of a favorable high-yield market to refinance all of our remaining 9 1/8% REG Senior Notes, and 8 5/8% RCC Senior Notes, with a \$775 million issuance of new 5 3/4% REG Senior Notes due in 2022. Needless to say, we were extremely pleased with the outcome of the transaction, which locks in a historically low fixed rate on a significant portion of our capital structure, and will reduce our annual cash interest expense by approximately \$18 million. With our current capital structure and interest rate swap portfolio, we now expect our interest expense to be approximately \$31 million per quarter for the remainder of 2014.

Also, please note that while the new issuance closed in the first quarter, a portion of the old notes were not redeemed until early in the second quarter. And as a result, our quarter-end cash and debt balances do not reflect the full impact of the transaction. Pro forma for the note redemption that occurred after the end of the quarter, our cash and debt balances at the end of the first quarter would have been \$331 million and \$2.369 billion, respectively.

As was the case in 2013, our recent acquisitions and the corresponding growth in our annual adjusted EBITDA have had a positive impact on our leverage calculation. And as of the end of the quarter, our overall leverage ratio was 3.3 times net debt to adjusted EBITDA.

In closing, we are again extremely pleased that a healthy box office environment, combined with our strategic and operational execution, resulted in significant first-quarter growth. And we remain optimistic regarding the potential for continued success for the remainder of 2014.

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

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Ben Mogil, Stifel.

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### Ben Mogil - Stifel Nicolaus - Analyst

Thank you very much for taking my questions. So, David, a couple of things. I just wanted to make sure I heard you correctly. On getting to around a 4.2 box office per screen number -- and that's kind of what you guys saw with the industry benchmark, given your screen adjustments back and forth?

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### David Ownby - Regal Entertainment Group - EVP, CFO and Treasurer

Yes, Ben, if you -- again, we've talked in previous quarters about how the acquired theaters, both for Great Escape and Hollywood for this quarter -- those are smaller-market screens, so when you average those screens in, that causes us to lag that industry number a little bit. That was the case again this quarter. This will be the last quarter for that, because we have now lapped that acquisition.

And then also just from a premium perspective, the IMAX product for the first quarter wasn't quite up to what it was in the first quarter last year, really primarily because of the success of *Oz the Great and Powerful*, in the first quarter of last year. There just wasn't an IMAX movie this year that could match that one. So as a result, our IMAX screens were down on a per-screen basis.

So if you strip those two elements out, the remaining screens were up, in line with that 7.5% that the industry was up for the first quarter.

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### Ben Mogil - Stifel Nicolaus - Analyst

Okay, that's great. Thank you. And then, Amy, maybe one for you. I get competitiveness, et cetera. When you look at the 25 theaters and the 275 screens that you plan to do re-seatings around, are you largely focused on markets that AMC has touched? Are you focused on some that they've touched, and some they haven't? I'm curious how you are thinking about which markets to do it in, and which markets not to.

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### Amy Miles - Regal Entertainment Group - CEO

Yes. From our perspective, it's much more -- what theaters does it make sense to add that amenity? And if I look at that portfolio of 25 theaters, they are pretty geographically diverse; and as one would expect, based on just our asset base. But the way that we are prioritizing is, the first 25 for us will be the 25 where we believe we get the highest return. So we do a lot of analysis and a lot of time behind, strategically, how do you best tackle priorities? But it always comes down to, where do we get the highest return?

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### Ben Mogil - Stifel Nicolaus - Analyst

Okay. That's great. Thank you very much.

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### Operator

James Marsh, Piper Jaffray.

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**James Marsh** - *Piper Jaffray & Co. - Analyst*

Just wanted to follow up on the luxury seating commentary. I think, Amy, you mentioned that you thought it was promising. I was just hoping maybe you could quantify that a little bit. Maybe just talk a little bit about what the kind of cost to do a re-seating per theater, like in CapEx; and what happens in the number of seats, and what you expect to happen to attendance, just broadly.

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**Amy Miles** - *Regal Entertainment Group - CEO*

Let me broadly answer the first question, and then David can answer with respect to how it impacts our overall CapEx. If you just look at it from an industry and say, what have you seen from an early results perspective on the number of theaters -- and this is an industry answer, not just a Regal answer. Revenue at these sites has increased anywhere from 30% to north of 100%, so very site-specific. But you can tell from all of those numbers that the early returns are very encouraging.

And from that perspective, I guess the typical seat [blocks], which I think was also a component of your question, can be anywhere from, call it, 50% to probably 65%, is what we're seeing.

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

And, James, just in general, from a -- and it will be a little bit different for every theater, just based on the characteristic of that individual theater. But if you think about a sloped floor theater, an older sloped floor theater, you're probably talking about plus or minus \$100,000 a screen or so to convert those to the reclining seats. And for a stadium theater, it'll be a little bit more than that, just given the dynamic with the risers. So, again, relatively low investment, when you think about the kind of returns that you can generate when you combine that with the numbers that Amy's talking about.

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**James Marsh** - *Piper Jaffray & Co. - Analyst*

Okay, great. Thanks very much.

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**Operator**

Eric Handler, MKM Partners.

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**Eric Handler** - *MKM Partners - Analyst*

A couple things -- first on the re-seating, where some of the additional premium amenities that you're looking at doing. When you look at -- AMC has talked about the reclining seats. I think you are, too. But when you also look at some of the initiatives that are going on in Asia, and I think you guys have looked at a couple 4D type of screen type experiences you've got in Korea, like the Sweetbox that has sort of like loveseat type of seat; and the Veatbox which has like the speaker actually embedded within the seat.

How do you view some of these various initiatives? And are you trying some of these types of differentiated features?

And then secondly, and you talked a little bit about what drove the procession per cap increase of 5.2%. That's the highest you've had since the second quarter of 2012. And I'm just curious, was there anything, aside from the fact that this was a really good popcorn quarter, given the Tangled and The Lego Movie, but was there anything other indicative that allowed the per cap spending to be so high on a percentage basis?

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

I think you hit some of it on the head there, Eric. I'll answer that per cap question first. We were up \$0.18 in the per capita, and if you really break that down to where it came from, about \$0.08 of that was pricing. About \$0.08 of that was volume. And then aside from that, about \$0.02 came from the expanded food menus. So I think you're exactly right that we did have some good film dynamics.

Three of the top 10 pictures, and the top two pictures of the quarter, were family animated movies. Those were The Lego Movie, Frozen; and then Peabody & Sherman was also in the top 10. So, from that perspective, I think we got a good nice bump on the per cap. But it was really a result of several factors, some being volume and some being price.

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**Amy Miles** - *Regal Entertainment Group - CEO*

And then, Eric, with respect to the experimentation that we were talking about, if you think about our premium experience, we're going to focus primarily on the RPX, the finalization of our IMAX rollout, the re-seating opportunities, as well as the enhanced concessions that we're talking about. So it's going to be our primary focus. Now, we do have one site now in L.A. where we are testing the 4D concept.

So the great thing about having the number of theaters that we do throughout the United States is we have opportunities to test a lot of these concepts. So if you think about where we're prioritizing and focusing, it'll be on those first four areas.

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**Eric Handler** - *MKM Partners - Analyst*

Great, thank you.

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**Operator**

Ryan Fiftal, Morgan Stanley.

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**Ryan Fiftal** - *Morgan Stanley - Analyst*

Two, if I may. David, you mentioned higher matinee sales as one of the headwinds to pricing this quarter. I don't know, do you have any sense if that was just purely a function of the mix of films, or do you have any sense that there was some price sensitivity that drove that?

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

No, any time -- again, same as on Eric's question -- any time we have the top two films being a family animated type pictures, we would expect an increase in our children's tickets and our matinee tickets.

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**Ryan Fiftal** - *Morgan Stanley - Analyst*

Okay, make sense. And then, second, can you guys talk about any sense you have on how the major studios are thinking about investing in content over the next -- like medium-term, say 3 to 5 years? It seems like we're through the period where major studios have been scaling back their slates. And I'm curious if you get the sense that maybe the pendulum is starting to swing back. We're seeing more competition for release dates, and that sort of thing.



**Amy Miles** - *Regal Entertainment Group - CEO*

Yes, I think one thing that we can say today is as we look at the film slate for 2015, and we've already talked about, at various points, how exciting that film slate looks as we're looking out to 2015. I think one thing that we are seeing is further clarity with respect to some of the films that are being released in 2016 and beyond. So I do think we have more insight today with respect to those films. And I would just characterize the film slate for the next several years from both the production side, as well as what we expect to be in the theaters, as very healthy.

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**Ryan Fital** - *Morgan Stanley - Analyst*

Okay, thank you.

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**Operator**

Townsend Buckles, JPMorgan.

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**Townsend Buckles** - *JPMorgan Chase & Co. - Analyst*

Just another on the 25 re-seatings. Can you give a sense of the timing of those? Should they be weighted to any particular quarter, or time of year? And can you also just generally give a sense of how many sloped floor theaters you have overall?

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**Amy Miles** - *Regal Entertainment Group - CEO*

The timing I would say, Townsend, will take place primarily in the second through the fourth quarters. And I would guess that they're spread pretty evenly throughout that time period, maybe a little bit back-weighted to the third and the fourth. And we have in excess of 130 sloped floor theaters.

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**Townsend Buckles** - *JPMorgan Chase & Co. - Analyst*

Got it. And then even with these luxury initiatives, it looks like your cash balance should continue to build, and M&A activity sounds a bit slow, at least lately. Do you feel there's opportunity to do something with the dividend this year? And can we read into the last two specials, coming two years apart in December?

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Townsend, we'll go through the same process we always do on a regular basis with our Board when we think about capital allocation. We always want to make sure we use that cash in a way that best benefits our shareholders. You mentioned the M&A market, and we'll continue to look for good opportunities there. We believe those are good uses of cash for our shareholders.

And without giving you a narrow timeframe, we still think over the next 24 to 36 months, there will be some opportunities there. Historically, we've been able to combine that with a healthy approach to shareholder return. And I would certainly expect, again, over that longer-term timeframe, we would do that as well.

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**Townsend Buckles** - *JPMorgan Chase & Co. - Analyst*

Got it. So there's still potential for something to be done this year. You don't rule it out.



**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Yes, well, like I said, we evaluate that continuously, so it's not a decision that we put off to any particular timeframe.

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**Townsend Buckles** - *JPMorgan Chase & Co. - Analyst*

Great, thank you.

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**Operator**

Robert Fishman, MoffettNathanson.

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**Robert Fishman** - *MoffettNathanson LLC - Analyst*

I have one for Amy and then one for David, if that's okay. Amy, I know this is early, but any data that you can share with us from this past week about your Haunted House digital download, with the ticket to the sequel, and how that might have maybe impacted attendance? And then maybe, more broadly, how do you expect these types of offerings, and the return of Super Ticket with Spider-Man 2, to grow your revenues and profits going forward there?

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**Amy Miles** - *Regal Entertainment Group - CEO*

Yes, no, I'm sorry, but I think it's probably just too premature at this point to comment with respect to the impact, but obviously we are continuing to test in this area. And as you just highlighted, the next test is going to be -- and we're excited about this -- when The Amazing Spider-Man 2 will be our next Super Ticket platform which has been announced.

And so I think as we get, call it, three or four of these behind us, we're going to have more data that we can talk about, or results that we feel better about from a disclosure perspective. But I think, at this point, it's just premature. But I think the key here is that we continue to try and test these new initiatives.

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**Robert Fishman** - *MoffettNathanson LLC - Analyst*

Got it. And then I guess for either you or David, can you address your thoughts on offering discount ticket pricing during the weeknights to help improve that underutilized capacity during the week, and how that might impact the strong operating leverage that you're already experiencing?

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Yes, Robert, we have locations around the country where we have experimented, and even today offer some mid-week discount price. But as a widespread strategy, it's not something we're really pursuing. We'll look at it on a case-by-case basis and in a market where it makes sense, then -- certainly, we've done some of that with some success in different places. But by and large, we believe that our tickets are a good value for a customer when they can come into a high-tech auditorium and see a piece of content that costs, oftentimes, hundreds of millions of dollars to make. We think that our prices are, in terms of value, a good value for the customer.

And remember that we already offer a lot of price points without discounting. We offer Friday night prices; we offer matinee prices; we offer discounts for seniors and students and military. So we have a lot of different price points today. So we don't feel like big, deep discounting is really necessary to continue to drive customers to the theater.

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**Robert Fishman** - *MoffettNathanson LLC - Analyst*

Okay. Thank you very much, guys.

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**Operator**

Barton Crockett, FBR Capital Markets.

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**Unidentified Participant**

Hello. This is Mickey in for Barton. Thanks for taking the question. Just quickly on film rental costs. Even given the strength of the top three, we thought the costs came in a little higher than expected. Wondering if you could just give a little more color around that; if you see anything in the film mix for Q2 and the rest of the year that would bring that up, going forward.

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Yes, it's always difficult to evaluate our film cost on one quarter. I think if you look at it historically, on an annual basis, it's been in a pretty stable band. So I don't think we -- looking ahead, we wouldn't expect anything different than that. You did probably have a bit of a -- just from a comparison purposes, you probably had a -- last couple of first quarters have been a little bit below the trend lines. So this quarter, with its concentration up, not surprising that you had that increase. And, again, a few of those basis points of increase also related to some advertising and promotional things we're doing, as well, so not all that is purely film cost.

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**Unidentified Participant**

Okay, great. And then also quickly on Open Road, and just some possibilities for the next few quarters, what you guys are seeing based on the current slate.

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Open Road has had a busy first part of the year, and they've got some good titles coming up for the back half of the year, as well. In May of this year we got a film, *Chef*, directed by Jon Favreau, and also starring Jon Favreau, that's been generally pretty well received at some of the festivals around the country. So that's a film we're excited about.

In the back half of the year, we've got comedian Gabriel Iglesias with a stand-up comedy film. I think the title is funny, but it's called *The Fluffy Movie*, and if you know him, you know who that character is. And then we've also got a horror movie this year from director Eli Roth, also in the back half of the year. So a busy year overall for Open Road.

Started off this year with a bang, with their highest-grossing film to date, *The Nut Job*, and with that film and the subsequent release of *Sabotage* and *Haunted House 2*, they have now crossed the \$400 million mark in terms of box office dollars generated to date.

So I think we're extremely pleased with their performance so far, and look for them to have more success in the back half of this year.

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**Unidentified Participant**

Great. Thank you, guys.

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**Operator**

Jim Goss, Barrington Research.

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**Jim Goss** - *Barrington Research Associates, Inc. - Analyst*

A couple of them. First, you referred earlier to the broadened calendar, starting with Captain America being an early start. And you've also discussed, in the past, the mixed blessing of having a logjam of blockbusters during the summer, where it's good to have choice, but it might be better to spread them out.

I'm just wondering how you view the potential to have an even broadened calendar during the year. Or do you think there will still be the inevitable holes because of the lack of high school and college kids to go to movies, and that sort of thing? Or will there be other types of content to fill in some of those gaps?

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**Amy Miles** - *Regal Entertainment Group - CEO*

I think you're always going to see that natural strength in the summer season when kids are out of school, and then again in the holiday season. But I think the good news there is, without cannibalizing the great success of the blockbusters in that summer season, we are expanding the box office potential by having more content available in what we historically refer to as the shoulder season.

So, yes, I think you're always going to have box office tentpole time periods. But that being said, we are seeing success in those traditional shoulder seasons that are helping the fiscal years.

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**Jim Goss** - *Barrington Research Associates, Inc. - Analyst*

Okay. And another subject, I'm wondering about your timeframe as an industry, actually, for taking advantage of the DCDC-driven event programming. What type of events could come first? Could you get into sports and concerts, et cetera? And do you have any teams assigned to license negotiations to -- and other such issues? Or is this way too premature to get into that?

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**Amy Miles** - *Regal Entertainment Group - CEO*

Yes, I think it's a little premature. I think the good news here is, as we've talked about before, the satellite delivery initiative is progressing. But then on the alternative content side, Fathom has just hired a new CEO, so we're excited about that. And I think there will be more news to come in the future from a programming perspective. But I think any specifics, it's probably a little bit premature at this point.

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**Jim Goss** - *Barrington Research Associates, Inc. - Analyst*

Okay. At the last issue I might raise is IMAX versus RPX. As you look at it, we know the advantages and disadvantages of both. Is there any blending of that? Or do you still have -- favor one versus another, in certain situations?

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

I think we like where we are in terms of an overall circuit and having both, Jim. In the right size market, I think we've said historically that we believe IMAX is a great choice. Obviously, in a bit smaller market, or maybe in a market where we don't have access to an IMAX, RPX has been a great alternative for us. And long-term, I think what we like best is having the flexibility of having both.

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**Jim Goss** - *Barrington Research Associates, Inc. - Analyst*

All right, thanks.

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**Operator**

Tuna Amobi, S&P Capital IQ.

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**Tuna Amobi** - *S&P Capital IQ - Analyst*

Amy, I was wondering if you had any update on some of the mobile initiatives -- if you see that starting to become more of a factor, as you look out over the next year?

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**Amy Miles** - *Regal Entertainment Group - CEO*

I think the next year, that may be a little bit premature. We're continuing to see, as customers shift more from online to a mobile purchase -- so from that perspective, you're seeing some traction there. But I wouldn't forecast over the next 12 months that you see any kind of meaningful change or shift. Obviously it's an area we're focused on. But from that perspective, I just wouldn't forecast the next 12 months as being meaningful, from a mobile perspective.

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**Tuna Amobi** - *S&P Capital IQ - Analyst*

Okay, thank you.

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**Operator**

Matthew Harrigan, Wunderlich Securities.

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**Matthew Harrigan** - *Wunderlich Securities - Analyst*

I'm probably getting a little lean on the questions, but when you look at the 4D experience for things like sports and all that -- I know NASCAR, NHL, have tried to get people the physical experience of slamming into the boards and all that. Have you seen anything encouraging with that, in terms of reinforcing the alternative entertainment concept? I guess the Holy Grail here would be to have your theater as a location-based entertainment alternative.

I know it's early, but I think a lot of things are happening. I think there was an earlier question relating to what some people were doing in Asia. I know, culturally, things are different there. But it feels like it is something that could certainly help you out, even if you got a little bit of increment, given the operating leverage that's inherent in your business.

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Yes, hey, Matt. We did announce that we were going to have that first location in Los Angeles. We don't even have it up and running yet. So I think it would probably be too early for us to really opine on what it could mean, either for the business or for the customer experience. Obviously we'll evaluate it as we get it in there, and see how customers like it, and what they respond to and what they don't. But at this point, we know about as much about it as you do, from a customers' perspective.



**Matthew Harrigan** - *Wunderlich Securities - Analyst*

Great. Thanks, David.

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**Operator**

Tony Wible, Janney Capital Markets.

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**Tony Wible** - *Janney Montgomery Scott - Analyst*

I was hoping what you guys think about concession sales this summer versus last, with the difference in just the animated slate. There was this overabundance of animation last year, and this year seems to be a little bit more paced out. There certainly is some good stuff there. But should we be expecting any kind of difference in the concession sales per cap with that?

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**David Ownby** - *Regal Entertainment Group - EVP, CFO and Treasurer*

Well, like I mentioned earlier, Tony, I think we've had an increase of at least 2.5% now for 11 consecutive quarters. And obviously some of those quarters were heavy family film quarters; some of them were not so heavy. So I think we've demonstrated our ability to drive concession per caps, regardless of the film slate. In a short period, obviously, it can always have a little bit of an impact. But when you think about the summer season, the kids' pictures may matter just a little bit less, because you've also got a lot of big-budget blockbuster films, which tend to be good popcorn movies, as well.

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**Tony Wible** - *Janney Montgomery Scott - Analyst*

Great, that's reassuring. Thank you.

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**Operator**

There are no further questions in the queue. I'd like to hand the call back over to management for closing comments.

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**Amy Miles** - *Regal Entertainment Group - CEO*

Thank you for joining us this afternoon, and we look forward to speaking with you again after our second quarter. Thank you. Bye-bye.

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**Operator**

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time, and have a wonderful day.

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