

REGAL ENTERTAINMENT GROUP
Form 10-Q
May 06, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 27, 2014

Commission file number: 001-31315

Regal Entertainment Group
(Exact name of Registrant as Specified in Its Charter)
Delaware 02-0556934
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

7132 Regal Lane
Knoxville, TN 37918
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: 865-922-1123

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes No

Class A Common Stock—132,469,456 shares outstanding at May 1, 2014

Class B Common Stock—23,708,639 shares outstanding at May 1, 2014

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REGAL ENTERTAINMENT GROUP

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	March 27, 2014	December 26, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$476.3	\$280.9
Trade and other receivables	32.1	122.8
Income tax receivable	7.0	6.6
Inventories	17.7	19.0
Prepaid expenses and other current assets	21.7	19.3
Deferred income tax asset	16.6	16.5
TOTAL CURRENT ASSETS	571.4	465.1
PROPERTY AND EQUIPMENT:		
Land	138.7	139.0
Buildings and leasehold improvements	2,074.8	2,074.1
Equipment	965.3	948.5
Construction in progress	5.3	6.7
Total property and equipment	3,184.1	3,168.3
Accumulated depreciation and amortization	(1,706.7	) (1,658.7
TOTAL PROPERTY AND EQUIPMENT, NET	1,477.4	1,509.6
GOODWILL	320.4	320.4
INTANGIBLE ASSETS, NET	56.7	57.7
DEFERRED INCOME TAX ASSET	32.4	32.6
OTHER NON-CURRENT ASSETS	329.0	319.3
TOTAL ASSETS	\$2,787.3	\$2,704.7
LIABILITIES AND DEFICIT		
CURRENT LIABILITIES:		
Current portion of debt obligations	\$29.7	\$29.8
Accounts payable	135.6	170.2
Accrued expenses	57.6	86.6
Deferred revenue	190.7	181.8
Interest payable	15.2	38.0
TOTAL CURRENT LIABILITIES	428.8	506.4
LONG-TERM DEBT, LESS CURRENT PORTION	2,382.8	2,187.7
LEASE FINANCING ARRANGEMENTS, LESS CURRENT PORTION	77.3	80.2
CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	12.5	13.0
NON-CURRENT DEFERRED REVENUE	427.4	424.8
OTHER NON-CURRENT LIABILITIES	209.7	207.9
TOTAL LIABILITIES	3,538.5	3,420.0
COMMITMENTS AND CONTINGENCIES		
DEFICIT:		
Class A common stock, \$0.001 par value; 500,000,000 shares authorized, 132,465,968 and 132,120,854 shares issued and outstanding at March 27, 2014 and 0.1 December 26, 2013, respectively	—	0.1
	—	—

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Class B common stock, \$0.001 par value; 200,000,000 shares authorized,
23,708,639 shares issued and outstanding at March 27, 2014 and December 26,
2013

Preferred stock, \$0.001 par value; 50,000,000 shares authorized; none issued and outstanding	—	—	
Additional paid-in capital (deficit)	(784.0	) (782.9)
Retained earnings	36.3	71.8	
Accumulated other comprehensive loss, net	(1.5	) (2.4)
TOTAL STOCKHOLDERS' DEFICIT OF REGAL ENTERTAINMENT GROUP	(749.1	) (713.4)
Noncontrolling interest	(2.1	) (1.9)
TOTAL DEFICIT	(751.2	) (715.3)
TOTAL LIABILITIES AND DEFICIT	\$2,787.3	\$2,704.7	

See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
 (in millions, except share and per share data)

	Quarter Ended March 27, 2014	Quarter Ended March 28, 2013
REVENUES:		
Admissions	\$489.6	\$436.6
Concessions	200.7	171.8
Other operating revenues	36.6	34.4
TOTAL REVENUES	726.9	642.8
OPERATING EXPENSES:		
Film rental and advertising costs	255.0	215.9
Cost of concessions	26.3	23.9
Rent expense	104.6	99.6
Other operating expenses	201.1	183.6
General and administrative expenses (including share-based compensation of \$1.9 and \$2.3 for the quarters ended March 27, 2014 and March 28, 2013, respectively)	18.6	18.0
Depreciation and amortization	51.4	47.2
Net gain on disposal and impairment of operating assets	(0.4	) (2.6
TOTAL OPERATING EXPENSES	656.6	585.6
INCOME FROM OPERATIONS	70.3	57.2
OTHER EXPENSE (INCOME):		
Interest expense, net	34.3	34.9
Loss on extinguishment of debt	51.9	—
Earnings recognized from NCM	(13.3	) (9.8
Other, net	(3.2	) (5.5
TOTAL OTHER EXPENSE, NET	69.7	19.6
INCOME BEFORE INCOME TAXES	0.6	37.6
PROVISION FOR INCOME TAXES	1.9	15.2
NET INCOME (LOSS)	(1.3	) 22.4
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST, NET OF TAX	0.1	0.1
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$(1.2	) \$22.5
AVERAGE SHARES OUTSTANDING (in thousands):		
Basic	155,283	154,723
Diluted	155,283	155,533
EARNINGS (LOSS) PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 9):		
Basic	\$(0.01	) \$0.15
Diluted	\$(0.01	) \$0.14
DIVIDENDS DECLARED PER COMMON SHARE	\$0.22	\$0.21

See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in millions)

	Quarter Ended March 27, 2014	Quarter Ended March 28, 2013
NET INCOME (LOSS)	\$(1.3	) \$22.4
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Change in fair value of interest rate swap transactions	0.3	0.9
Change in fair value of available for sale securities	0.9	1.6
Reclassification adjustment for gain on sale of available for sale securities recognized in net loss	(0.1) —
Change in fair value of equity method investee interest rate swap transactions	(0.2) —
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	0.9	2.5
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	(0.4	) 24.9
Comprehensive loss attributable to noncontrolling interest, net of tax	0.1	0.1
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$(0.3	) \$25.0

See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in millions)

	Quarter Ended March 27, 2014	Quarter Ended March 28, 2013	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$(1.3	) \$22.4	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	51.4	47.2	
Amortization of debt discount and premium, net	—	(0.1)
Amortization of debt acquisition costs	1.2	0.9	
Share-based compensation expense	1.9	2.3	
Deferred income tax provision (benefit)	0.1	(1.5)
Net gain on disposal and impairment of operating assets	(0.4	) (2.6)
Equity in income of non-consolidated entities	(2.2	) (5.1)
Excess cash distribution on NCM shares	7.2	2.5	
Loss on extinguishment of debt	51.9	—	
Gain on sale of available for sale securities	(0.6) —	
Non-cash rent expense	1.1	1.4	
Changes in operating assets and liabilities:			
Trade and other receivables	90.4	71.8	
Inventories	1.3	1.7	
Prepaid expenses and other assets	(2.1	) (7.5)
Accounts payable	(25.9	) (19.9)
Income taxes payable	(0.4	) 15.0	
Deferred revenue	5.4	14.4	
Accrued expenses and other liabilities	(51.0	) (32.0)
NET CASH PROVIDED BY OPERATING ACTIVITIES	128.0	110.9	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(29.1	) (23.9)
Proceeds from disposition of assets	1.7	3.5	
Investment in non-consolidated entities	—	(3.2)
Distributions to partnership	(0.1	) (0.1)
Proceeds from sale of available for sale securities	2.3	—	
NET CASH USED IN INVESTING ACTIVITIES	(25.2	) (23.7)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash used to pay dividends	(35.5	) (34.0)
Payments on long-term obligations	(7.2	) (9.1)
Proceeds from stock option exercises	—	0.6	
Cash paid for tax withholdings and other	(3.8	) (3.3)
Proceeds from issuance of Regal 5 ³ / ₄ % Senior Notes Due 2022	775.0	—	
Cash used to repurchase Regal 9 ¹ / ₈ % Senior Notes	(240.5) —	
Cash used to repurchase Regal 8 ⁵ / ₈ % Senior Notes	(381.0) —	
Proceeds from issuance of Regal 5 ³ / ₄ % Senior Notes Due 2025	—	250.0	
Payment of debt acquisition costs	(14.4	) (5.5)
NET CASH PROVIDED BY FINANCING ACTIVITIES	92.6	198.7	
NET INCREASE IN CASH AND CASH EQUIVALENTS	195.4	285.9	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	280.9	109.5	

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$476.3	\$395.4
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	\$2.6	\$0.3
Cash paid for interest	\$56.2	\$57.2
SUPPLEMENTAL NON-CASH INVESTING ACTIVITIES:		
Investment in NCM	\$5.9	\$33.8
See accompanying notes to unaudited condensed consolidated financial statements.		

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REGAL ENTERTAINMENT GROUP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 27, 2014 AND MARCH 28, 2013

1. THE COMPANY AND BASIS OF PRESENTATION

Regal Entertainment Group (the "Company," "Regal," "we" or "us") is the parent company of Regal Entertainment Holdings, Inc. ("REH"), which is the parent company of Regal Cinemas Corporation ("Regal Cinemas") and its subsidiaries. Regal Cinemas' subsidiaries include Regal Cinemas, Inc. ("RCI") and its subsidiaries, which include Edwards Theatres, Inc. ("Edwards") and United Artists Theatre Company ("United Artists"). The terms Regal or the Company, REH, Regal Cinemas, RCI, Edwards and United Artists shall be deemed to include the respective subsidiaries of such entities when used in discussions included herein regarding the current operations or assets of such entities. Majority-owned subsidiaries that the Company controls are consolidated while those affiliates of which the Company owns between 20% and 50% and does not control are accounted for under the equity method. Those affiliates of which the Company owns less than 20% are generally accounted for under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the unaudited condensed consolidated financial statements effective with their formation or from their dates of acquisition. Intercompany balances and transactions are eliminated in consolidation.

Regal operates the largest theatre circuit in the United States, consisting of 7,381 screens in 578 theatres in 42 states along with Guam, Saipan, American Samoa and the District of Columbia as of March 27, 2014. The Company formally operates on a 52-week fiscal year with each quarter generally consisting of 13 weeks, unless otherwise noted. The Company's fiscal year ends on the first Thursday after December 25, which in certain years (such as fiscal 2014) results in a 53-week fiscal year. The quarters ended March 27, 2014 and March 28, 2013 were both 13-week periods.

For a discussion of significant transactions that have occurred through December 26, 2013, please refer to the notes to the consolidated financial statements included in Part II, Item 8 of our annual report on Form 10-K filed on February 24, 2014 with the Securities and Exchange Commission (the "Commission") (File No. 1-31315) for the fiscal year ended December 26, 2013 (the "2013 Audited Consolidated Financial Statements"). For a summary of our significant accounting policies, please refer to Note 2 to the 2013 Audited Consolidated Financial Statements.

The Company has prepared the unaudited condensed consolidated balance sheet as of March 27, 2014 and the unaudited condensed consolidated statements of income (loss), comprehensive income (loss), and cash flows for the quarters ended March 27, 2014 and March 28, 2013 in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the Commission. Accordingly, certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have