

REGAL ENTERTAINMENT GROUP

Form 10-Q

November 08, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-Q**

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

For the quarterly period ended September 29, 2011

Commission file number: 001-31315

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**Regal Entertainment Group**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**02-0556934**  
(I.R.S. Employer  
Identification No.)

**7132 Regal Lane**  
**Knoxville, TN**  
(Address of Principal Executive Offices)

**37918**  
(Zip Code)

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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   
(Do not check if a smaller reporting company)

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 130,877,612 shares outstanding at November 3, 2011

Class B Common Stock 23,708,639 shares outstanding at November 3, 2011

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(in millions, except share data)

	September 29, 2011	December 30, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 179.1	\$ 205.3
Trade and other receivables	16.3	77.3
Income tax receivable	20.9	18.0
Inventories	13.4	14.7
Prepaid expenses and other current assets	23.3	15.9
Assets held for sale	1.2	1.2
Deferred income tax asset	9.1	14.1
<b>TOTAL CURRENT ASSETS</b>	<b>263.3</b>	<b>346.5</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Land	125.4	129.7
Buildings and leasehold improvements	1,946.7	1,973.6
Equipment	967.1	984.1
Construction in progress	11.7	5.9
Total property and equipment	3,050.9	3,093.3
Accumulated depreciation and amortization	(1,477.6)	(1,402.8)
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<b>1,573.3</b>	<b>1,690.5</b>
<b>GOODWILL</b>	<b>178.8</b>	<b>178.8</b>
<b>INTANGIBLE ASSETS, NET</b>	<b>21.1</b>	<b>22.2</b>
<b>DEFERRED INCOME TAX ASSET</b>	<b>50.1</b>	<b>81.2</b>
<b>OTHER NON-CURRENT ASSETS</b>	<b>175.4</b>	<b>173.4</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,262.0</b>	<b>\$ 2,492.6</b>
<b>LIABILITIES AND DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of debt obligations	\$ 20.4	\$ 95.8
Accounts payable	112.3	162.4
Accrued expenses	75.0	67.5
Deferred revenue	53.9	98.5
Interest payable	27.5	44.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>289.1</b>	<b>469.0</b>
<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>1,927.7</b>	<b>1,897.7</b>
<b>LEASE FINANCING ARRANGEMENTS, LESS CURRENT PORTION</b>	<b>61.3</b>	<b>66.2</b>
<b>CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION</b>	<b>11.4</b>	<b>13.3</b>
<b>NON-CURRENT DEFERRED REVENUE</b>	<b>349.0</b>	<b>342.4</b>
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>179.2</b>	<b>195.7</b>
<b>TOTAL LIABILITIES</b>	<b>2,817.7</b>	<b>2,984.3</b>
<b>DEFICIT:</b>		

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Class A common stock, \$0.001 par value; 500,000,000 shares authorized, 130,858,826 and 130,594,743 shares issued and outstanding at September 29, 2011 and December 30, 2010, respectively	0.1	0.1
Class B common stock, \$0.001 par value; 200,000,000 shares authorized, 23,708,639 shares issued and outstanding at September 29, 2011 and December 30, 2010		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized; none issued and outstanding		
Additional paid-in capital (deficit)	(547.1)	(487.6)
Retained earnings	11.9	9.4
Accumulated other comprehensive loss, net	(19.1)	(12.2)
<b>TOTAL STOCKHOLDERS DEFICIT OF REGAL ENTERTAINMENT GROUP</b>	<b>(554.2)</b>	<b>(490.3)</b>
Noncontrolling interest	(1.5)	(1.4)
<b>TOTAL DEFICIT</b>	<b>(555.7)</b>	<b>(491.7)</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 2,262.0</b>	<b>\$ 2,492.6</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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## REGAL ENTERTAINMENT GROUP

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except share and per share data)

	Quarter Ended September 29, 2011	Quarter Ended September 30, 2010	Three Quarters Ended September 29, 2011	Three Quarters Ended September 30, 2010
<b>REVENUES:</b>				
Admissions	\$ 514.9	\$ 486.1	\$ 1,428.6	\$ 1,498.1
Concessions	197.2	183.0	548.7	560.6
Other operating revenues	31.5	27.3	90.5	88.2
<b>TOTAL REVENUES</b>	<b>743.6</b>	<b>696.4</b>	<b>2,067.8</b>	<b>2,146.9</b>
<b>OPERATING EXPENSES:</b>				
Film rental and advertising costs	273.5	254.7	742.8	791.2
Cost of concessions	26.9	25.9	74.7	79.4
Rent expense	95.5	96.7	286.0	285.7
Other operating expenses	195.7	196.7	561.0	595.2
General and administrative expenses (including share-based compensation of \$2.2 and \$1.9 for the quarters ended September 29, 2011 and September 30, 2010, and \$6.3 and \$5.5 for the three quarters ended September 29, 2011 and September 30, 2010, respectively)	16.9	16.5	49.7	49.6
Depreciation and amortization	48.0	51.9	149.8	162.5
Net loss (gain) on disposal and impairment of operating assets and other	6.0	(4.1)	16.1	11.6
<b>TOTAL OPERATING EXPENSES</b>	<b>662.5</b>	<b>638.3</b>	<b>1,880.1</b>	<b>1,975.2</b>
<b>INCOME FROM OPERATIONS</b>	<b>81.1</b>	<b>58.1</b>	<b>187.7</b>	<b>171.7</b>
<b>OTHER EXPENSE (INCOME):</b>				
Interest expense, net	37.2	38.3	113.8	110.0
Loss on extinguishment of debt		4.0	21.9	22.4
Earnings recognized from NCM	(9.0)	(8.7)	(26.2)	(28.7)
Gain on sale of NCM, Inc. common stock		(52.0)		(52.0)
Other, net	13.3	8.5	17.5	15.5
<b>TOTAL OTHER EXPENSE (INCOME), NET</b>	<b>41.5</b>	<b>(9.9)</b>	<b>127.0</b>	<b>67.2</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>39.6</b>	<b>68.0</b>	<b>60.7</b>	<b>104.5</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>14.6</b>	<b>25.4</b>	<b>24.6</b>	<b>40.8</b>
<b>NET INCOME</b>	<b>25.0</b>	<b>42.6</b>	<b>36.1</b>	<b>63.7</b>
<b>NONCONTROLLING INTEREST, NET OF TAX</b>			<b>0.1</b>	<b>0.2</b>
<b>NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST</b>	<b>\$ 25.0</b>	<b>\$ 42.6</b>	<b>\$ 36.2</b>	<b>\$ 63.9</b>
<b>EARNINGS PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 9):</b>				
Basic	\$ 0.16	\$ 0.28	\$ 0.24	\$ 0.42
Diluted	\$ 0.16	\$ 0.28	\$ 0.23	\$ 0.41
<b>AVERAGE SHARES OUTSTANDING (in thousands):</b>				
Basic	153,569	153,408	153,558	153,393
Diluted	154,486	154,322	154,513	154,513

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Dividends declared per common share	\$	0.21	\$	0.18	\$	0.63	\$	0.54
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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)

	Three Quarters Ended September 29, 2011	Three Quarters Ended September 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 36.1	\$ 63.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	149.8	162.5
Amortization of debt discount and premium, net	0.3	4.7
Amortization of debt acquisition costs	3.0	5.5
Share-based compensation expense	6.3	5.5
Deferred income tax provision (benefit)	26.7	(31.3)
Net loss on disposal and impairment of operating assets and other	16.1	11.6
Equity in earnings of non-consolidated entities and other	14.0	12.1
Excess cash distribution on NCM shares	5.1	5.1
Gain on sale of NCM, Inc common stock		(52.0)
Loss on extinguishment of debt	21.9	22.4
Proceeds from business interruption insurance claim	1.3	
Non-cash rent expense	3.7	2.6
Changes in operating assets and liabilities (excluding effects of acquisition):		
Trade and other receivables	56.4	52.0
Inventories	1.3	(0.1)
Prepaid expenses and other assets	(7.2)	(8.0)
Accounts payable	(50.1)	(94.2)
Income taxes payable	13.1	13.4
Deferred revenue	(48.5)	(34.4)
Accrued expenses and other liabilities	(29.1)	(26.6)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>220.2</b>	<b>114.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(57.4)	(69.8)
Proceeds from disposition of assets	13.0	32.3
Proceeds from property insurance claim	0.2	
Investment in non-consolidated entities	(34.3)	(29.8)
Distributions to partnership	(0.1)	(0.1)
Net proceeds from sale of NCM, Inc. common stock		