

REGAL ENTERTAINMENT GROUP

Form 10-Q

August 01, 2016

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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 June 30, 2016

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 x No o

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 x No o

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 x Accelerated filer o

Non-accelerated filer o Smaller reporting company o

(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 o No x

Class A Common Stock—133,083,540 shares outstanding at July 29, 2016

Class B Common Stock—23,708,639 shares outstanding at July 29, 2016

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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)

	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$288.1	\$219.6
Trade and other receivables, net	55.5	149.6
Income tax receivable	0.6	3.5
Inventories	22.6	22.4
Prepaid expenses and other current assets	29.3	20.9
Assets held for sale	1.0	1.0
Deferred income tax asset	—	21.2
TOTAL CURRENT ASSETS	397.1	438.2
PROPERTY AND EQUIPMENT:		
Land	131.0	132.7
Buildings and leasehold improvements	2,240.4	2,196.4
Equipment	1,083.5	1,058.3
Construction in progress	6.9	18.2
Total property and equipment	3,461.8	3,405.6
Accumulated depreciation and amortization	(2,087.7)	(2,001.4)
TOTAL PROPERTY AND EQUIPMENT, NET	1,374.1	1,404.2
GOODWILL	328.7	328.7
INTANGIBLE ASSETS, NET	48.1	50.2
DEFERRED INCOME TAX ASSET	64.6	37.2
OTHER NON-CURRENT ASSETS	360.3	343.1
TOTAL ASSETS	\$2,572.9	\$2,601.6
LIABILITIES AND DEFICIT		
CURRENT LIABILITIES:		
Current portion of debt obligations	\$26.0	\$27.4
Accounts payable	184.2	229.7
Accrued expenses	58.3	70.8
Deferred revenue	194.7	203.4
Interest payable	20.0	20.0
TOTAL CURRENT LIABILITIES	483.2	551.3
LONG-TERM DEBT, LESS CURRENT PORTION	2,197.9	2,197.6
LEASE FINANCING ARRANGEMENTS, LESS CURRENT PORTION	84.8	77.8
CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	7.8	8.9
NON-CURRENT DEFERRED REVENUE	418.6	415.2
OTHER NON-CURRENT LIABILITIES	252.9	228.4
TOTAL LIABILITIES	3,445.2	3,479.2
COMMITMENTS AND CONTINGENCIES		
DEFICIT:		
Class A common stock, \$0.001 par value; 500,000,000 shares authorized, 133,083,540 and 132,745,481 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	0.1	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 June 30, 2016 and December 31, 2015	—	—
Preferred stock, \$0.001 par value; 50,000,000 shares authorized; none issued and outstanding	—	—
Additional paid-in capital (deficit)	(938.6)	(940.0)
Retained earnings	69.5	64.2
Accumulated other comprehensive loss, net	(3.4)	(2.1)
TOTAL STOCKHOLDERS' DEFICIT OF REGAL ENTERTAINMENT GROUP	(872.4)	(877.8)
Noncontrolling interest	0.1	0.2
TOTAL DEFICIT	(872.3)	(877.6)
TOTAL LIABILITIES AND DEFICIT	\$2,572.9	\$2,601.6

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 June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
REVENUES:				
Admissions	\$505.8	\$568.6	\$1,021.5	\$1,022.7
Concessions	235.5	247.7	465.6	445.9
Other operating revenues	44.6	46.5	85.9	85.5
TOTAL REVENUES	785.9	862.8	1,573.0	1,554.1
OPERATING EXPENSES:				
Film rental and advertising costs	278.9	314.7	556.4	549.0
Cost of concessions	30.0	34.4	58.8	60.4
Rent expense	106.3	106.6	213.8	210.3
Other operating expenses	214.8	214.7	426.3	416.9
General and administrative expenses (including share-based compensation of \$2.3 and \$2.2 for the quarters ended June 30, 2016 and 2015 and \$4.1 and \$3.9 for the two quarters ended June 30, 2016 and 2015, respectively)	20.9	19.3	42.1	37.9
Depreciation and amortization	56.9	54.0	112.6	108.2
Net loss on disposal and impairment of operating assets and other	1.5	4.0	5.8	5.9
TOTAL OPERATING EXPENSES	709.3	747.7	1,415.8	1,388.6
INCOME FROM OPERATIONS	76.6	115.1	157.2	165.5
OTHER EXPENSE (INCOME):				
Interest expense, net	32.3	33.2	64.8	63.2
Loss on extinguishment of debt	1.5	5.7	1.5	5.7
Earnings recognized from NCM	(2.9)	(3.4)	(15.2)	(12.2)
Equity in income of non-consolidated entities and other, net	(10.4)	(7.9)	(20.4)	(17.0)
TOTAL OTHER EXPENSE, NET	20.5	27.6	30.7	39.7
INCOME BEFORE INCOME TAXES	56.1	87.5	126.5	125.8
PROVISION FOR INCOME TAXES	22.5	34.2	52.2	49.5
NET INCOME	33.6	53.3	74.3	76.3
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST, NET OF TAX	(0.1)	0.1	(0.1)	0.2
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$33.5	\$53.4	\$74.2	\$76.5
EARNINGS PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 9):				
Basic	\$0.21	\$0.34	\$0.48	\$0.49
Diluted	\$0.21	\$0.34	\$0.47	\$0.49
AVERAGE SHARES OUTSTANDING (in thousands):				
Basic	156,025	155,678	156,025	155,678
Diluted	156,722	156,436	156,751	156,510
DIVIDENDS DECLARED PER COMMON SHARE	\$0.22	\$0.22	\$0.44	\$0.44

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
NET INCOME	\$ 33.6	\$ 53.3	\$ 74.3	\$ 76.3
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Change in fair value of interest rate swap transactions	(0.8)	(0.7)	(2.1)	(2.4)
Amounts reclassified to net income from interest rate swaps	1.0	0.9	2.0	1.7
Change in fair value of available for sale securities	—	(0.1)	—	0.1
Reclassification adjustment for gain on sale of available for sale securities recognized in net income	—	—	(0.5)	—
Change in fair value of equity method investee interest rate swaps	(0.1)	0.1	(0.7)	(0.5)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	0.1	0.2	(1.3)	(1.1)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	33.7	53.5	73.0	75.2
Comprehensive (income) loss attributable to noncontrolling interest, net of tax	(0.1)	0.1	(0.1)	0.2
COMPREHENSIVE INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 33.6	\$ 53.6	\$ 72.9	\$ 75.4

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 74.3	\$ 76.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	112.6	108.2
Amortization of debt discount	0.2	0.1
Amortization of debt acquisition costs	2.3	2.4
Share-based compensation expense	4.1	3.9
Deferred income tax benefit	(4.6)	(12.8)
Net loss on disposal and impairment of operating assets and other	5.8	5.9
Equity in income of non-consolidated entities	(21.2)	(16.9)
Loss on extinguishment of debt	1.5	5.7
Proceeds from litigation settlement	0.5	—
Gain on sale of available for sale securities	(1.0)	—
Non-cash loss on interest rate swaps	0.1	0.2
Non-cash rent income	(3.2)	(2.8)
Cash distributions on DCIP investment	—	2.0
Excess cash distribution on NCM shares	8.7	7.5
Landlord contributions	43.8	14.1
Changes in operating assets and liabilities:		
Trade and other receivables	101.2	63.8
Inventories	(0.1)	(1.6)
Prepaid expenses and other assets	(8.4)	(1.4)
Accounts payable	(40.2)	39.3
Income taxes payable	0.1	9.2
Deferred revenue	(15.2)	(14.8)
Accrued expenses and other liabilities	(22.5)	1.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	238.8	289.6
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(89.4)	(71.1)
Proceeds from disposition of assets	1.3	—
Investment in non-consolidated entities	(4.7)	(0.3)
Proceeds from sale of available for sale securities	3.6	—
NET CASH USED IN INVESTING ACTIVITIES	(89.2)	(71.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash used to pay dividends	(69.9)	(70.2)
Payments on long-term obligations	(10.0)	(9.6)
Landlord contributions received from amended lease financing arrangements	3.3	2.3
Cash paid for tax withholdings and other	(3.2)	(4.4)
Proceeds from Amended Senior Credit Facility, net of discount	958.5	963.3
Payoff of Prior Senior Credit Facility	(958.5)	(963.2)
Payment of debt acquisition costs	(1.3)	(13.2)

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Purchase of noncontrolling interest	—	(2.6)
NET CASH USED IN FINANCING ACTIVITIES	(81.1)	(97.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS	68.5	120.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	219.6	147.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 288.1	\$ 267.7
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 52.7	\$ 44.3
Cash paid for interest, net of amounts capitalized	\$ 62.7	\$ 61.2
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Investment in NCM	\$ 9.9	\$ 9.0
Increase in property and equipment and other from lease financing arrangements	\$ 8.9	\$ 4.1

See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 and most geographically diverse theatre circuit in the United States, consisting of 7,307 screens in 564 theatres in 42 states along with Guam, Saipan, American Samoa and the District of Columbia as of June 30, 2016. Beginning January 2, 2015, the Company's fiscal year changed from a 52-53 week fiscal year ending on the first Thursday after December 25 of each year to a fiscal year ending on December 31 of each year. Accordingly, effective with the Company's fiscal year ending December 31, 2015, the Company's quarterly results are for three month periods ending March 31, June 30, September 30 and December 31 of each year.

For a discussion of significant transactions that have occurred through December 31, 2015, 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 29, 2016 with the Securities and Exchange Commission (the "Commission") (File No. 001-31315) for the fiscal year ended December 31, 2015 (the "2015 Audited Consolidated Financial Statements"). For a summary of our significant accounting policies, please refer to Note 2 to the 2015 Audited Consolidated Financial Statements.

The Company has prepared the unaudited condensed consolidated balance sheet as of June 30, 2016, the unaudited condensed consolidated statements of income and comprehensive income for the quarters and two quarters ended June 30, 2016 and June 30, 2015, and the unaudited condensed consolidated statements of cash flows for the two quarters ended June 30, 2016 and June 30, 2015 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 been made. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. The December 31, 2015 unaudited condensed consolidated balance sheet information is derived from the 2015 Audited Consolidated Financial Statements. These unaudited condensed consolidated financial statements should be read in conjunction with the 2015 Audited Consolidated Financial Statements and notes thereto. The results of operations for the quarter and two quarters ended June 30, 2016 are not necessarily indicative of the operating results that may be achieved for the full 2016 year.

Certain amounts in prior fiscal periods have been reclassified to conform with the presentation adopted in the current year.

2. INVESTMENTS

Investment in National CineMedia, LLC

We maintain an investment in National CineMedia, LLC ("National CineMedia" or "NCM"). National CineMedia provides in-theatre advertising for its theatrical exhibition partners, which include us, AMC Entertainment, Inc. ("AMC") and Cinemark, Inc. ("Cinemark"). The formation of National CineMedia, related IPO of National CineMedia, Inc. ("NCM, Inc.") and other related transactions are further described in Note 4 to the 2015 Audited Consolidated Financial Statements.

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We account for our investment in National CineMedia following the equity method of accounting and such investment is included as a component of "Other Non-Current Assets" in the accompanying unaudited condensed consolidated balance sheets. From time to time, the Company receives additional newly issued common units of National CineMedia ("Additional Investments Tranche") as a result of the adjustment provisions of the Common Unit Adjustment Agreement. The Company follows the guidance in Accounting Standards Codification ("ASC") 323-10-35-29 (formerly EITF 02-18, Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition) by analogy, which also refers to AICPA Technical Practice Aid 2220.14, which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit adjustments included in its Additional Investments Tranche equates to making additional investments in National CineMedia. The Company evaluated the receipt of the additional common units in National CineMedia and the assets exchanged for these additional units and has determined that the right to use its incremental new screens would not be considered funding of prior losses. As such, the Additional Investments Tranche is accounted for separately from the Company's Initial Investment Tranche (as defined and described more fully in Note 4 to the 2015 Audited Consolidated Financial Statements) following the equity method with undistributed equity earnings included as a component of "Earnings recognized from NCM" in the accompanying unaudited condensed consolidated financial statements.

Below is a summary of activity with National CineMedia included in the Company's unaudited condensed consolidated financial statements as of and for the two quarters ended June 30, 2016 (in millions):

	As of the period ended			For the period ended	
	Investment in NCM	Deferred Revenue	Cash Received	Earnings recognized from NCM	Other NCM Revenues
Balance as of and for the period ended December 31, 2015	\$ 157.4	\$(426.7)	\$ —	\$ —	\$ —
Receipt of additional common units(1)	9.9	(9.9)	—	—	—
Receipt of excess cash distributions(2)	(4.6)	—	11.7	(7.1)	—
Receipt under tax receivable agreement(2)	(4.1)	—	10.5	(6.4)	—
Revenues earned under ESA(3)	—	—	8.4	—	(8.4)
Amortization of deferred revenue(4)	—	5.8	—	—	(5.8)
Equity income (loss) attributable to additional common units(5)	1.7	—	—	(1.7)	—
Balance as of and for the period ended June 30, 2016	\$ 160.3	\$(430.8)	\$ 30.6	\$(15.2)	\$(14.2)

On March 17, 2016, we received from National CineMedia approximately 0.7 million newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. The Company recorded the additional common units (Additional Investments Tranche) at fair value using the available closing stock price of NCM, Inc. as of the date on which the units were issued. With respect to the common units issued on March 17, 2016, the Company recorded an increase to its investment in National CineMedia of \$9.9 million with a corresponding increase to deferred revenue. Such deferred revenue amount is being amortized to advertising revenue over the remaining term of the exhibitor services agreement, between RCI and National CineMedia ("ESA") following the units of revenue method as described in (4) below. This transaction caused a proportionate increase in the Company's Additional Investments Tranche and increased our ownership share in National CineMedia to approximately 27.1 million common units. As a result, on a fully diluted basis, we own a 19.7% interest in NCM, Inc. as of June 30, 2016.

(2) During the two quarters ended June 30, 2016, the Company received \$22.2 million in cash distributions from National CineMedia, exclusive of receipts for services performed under the ESA (including payments of \$10.5 million received under the tax receivable agreement described in Note 4 to the 2015 Audited Consolidated Financial Statements of the Company). Approximately \$8.7 million of these cash distributions received during the

two quarters ended June 30, 2016 were attributable to the Additional Investments Tranche and were recognized as a reduction in our investment in National CineMedia. The remaining amounts were recognized in equity earnings during the period and have been included as components of "Earnings recognized from NCM" in the accompanying unaudited condensed consolidated financial statements.

(3) The Company recorded other revenues, excluding the amortization of deferred revenue, of approximately \$8.4 million for the two quarters ended June 30, 2016 pertaining to our agreements with National CineMedia, including per patron and per digital screen theatre access fees (net of payments of \$6.1 million for the two quarters ended June 30, 2016 for on-screen advertising time provided to our beverage concessionaire) and other NCM revenues. These advertising revenues are presented as a component of "Other operating revenues" in the Company's unaudited condensed consolidated financial statements.

(4) Amounts represent amortization of ESA modification fees received from NCM to advertising revenue utilizing the units of revenue amortization method. These advertising revenues are presented as a component of "Other operating revenues" in the Company's unaudited condensed consolidated financial statements.

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Amounts represent the Company's share in the net income (loss) of National CineMedia with respect to the (5) Additional Investments Tranche. Such amounts have been included as a component of "Earnings recognized from NCM" in the unaudited condensed consolidated financial statements.

As of June 30, 2016, approximately \$2.9 million and \$1.4 million due from/to National CineMedia were included in "Trade and other receivables, net" and "Accounts payable," respectively. As of December 31, 2015, approximately \$2.8 million and \$1.3 million due from/to National CineMedia were included in "Trade and other receivables, net" and "Accounts payable," respectively.

As of the date of this quarterly report on Form 10-Q (this "Form 10-Q"), no summarized financial information for National CineMedia was available for the quarterly period ended June 30, 2016. Summarized unaudited consolidated statements of income information for National CineMedia for the quarters ended March 31, 2016 and April 2, 2015 is as follows (in millions):

	Quarter Ended March 31, 2016	Quarter Ended April 2, 2015
Revenues	\$ 76.2	\$ 76.9
Income (loss) from operations	5.8	(24.2)
Net loss	(7.5)	(38.7)

Investment in Digital Cinema Implementation Partners

We maintain an investment in Digital Cinema Implementation Partners, LLC, a Delaware limited liability company ("DCIP"). DCIP is a joint venture company formed by Regal, AMC and Cinemark. Regal holds a 46.7% economic interest in DCIP as of June 30, 2016 and a one-third voting interest along with each of AMC and Cinemark. Since the Company does not have a controlling financial interest in DCIP or any of its subsidiaries, it accounts for its investment in DCIP under the equity method of accounting. The Company's investment in DCIP is included as a component of "Other Non-Current Assets" in the accompanying unaudited condensed consolidated balance sheets. The change in the carrying amount of our investment in DCIP for the two quarters ended June 30, 2016 is as follows (in millions):

Balance as of December 31, 2015	\$ 160.7
Equity contributions	—
Equity in earnings of DCIP(1)	19.0
Receipt of cash distributions	—
Change in fair value of equity method investee interest rate swap transactions	(1.2)
Balance as of June 30, 2016	\$ 178.5

Represents the Company's share of the net income of DCIP. Such amount is presented as a component of "Equity in (1) income of non-consolidated entities and other, net" in the accompanying unaudited condensed consolidated statement of income.

DCIP funds the cost of digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including us. In accordance with the master equipment lease agreement (the "Master Lease"), the digital projection systems are leased from a subsidiary of DCIP

under a twelve-year term with ten one-year fair value renewal options. The Master Lease also contains a fair value purchase option. As of June 30, 2016, under the Master Lease, the Company pays annual minimum rent of \$1,000 per digital projection system through the end of the lease term. The Company considers the \$1,000 rent payment to be a minimum rental and accordingly records such rent on a straight-line basis in its consolidated financial statements. The Company is also subject to various types of other rent if such digital projection systems do not meet minimum performance requirements as outlined in the Master Lease. Certain of the other rent payments are subject to either a monthly or an annual maximum. The Company accounts for the Master Lease as an operating lease for accounting purposes. During the two quarters ended June 30, 2016 and June 30, 2015, the Company incurred total rent expense of approximately \$2.7 million associated with the leased digital projection systems. Such rent expense is presented as a component of "Other operating expenses" in the Company's unaudited consolidated statements of income.

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Summarized unaudited consolidated statements of operations information for DCIP for the quarters and two quarters ended June 30, 2016 and June 30, 2015 is as follows (in millions):

	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
Net revenues	\$ 44.8	\$ 39.9	\$ 85.4	\$ 80.6
Income from operations	27.8	23.0	51.2	46.8
Net income	22.3	16.5	40.8	34.0

Investment in Open Road Films

We maintain an investment in Open Road Films, a film distribution company jointly owned by us and AMC. The Company has committed to a cash investment of \$30.0 million in Open Road Films. We account for our investment in Open Road Films using the equity method of accounting. As of March 27, 2014, \$30.0 million of cumulative losses were recorded in Open Road Films. Consistent with the accounting model provided by ASC 323-10-35-22, since March 27, 2014, the Company has not provided for any additional losses of Open Road Films since it has not guaranteed obligations of Open Road Films and otherwise has not committed to provide further financial support for Open Road Films above its initial \$30.0 million commitment. Accordingly, the Company discontinued equity method accounting for its investment in Open Road Films as of March 27, 2014. The amount of losses incurred through June 30, 2016 continued to be in excess of the Company's initial \$30.0 million commitment by approximately \$32.5 million. During the quarter ended June 30, 2016, the Company effected equity contributions of \$4.8 million in cash to Open Road Films, and as of June 30, 2016, the Company has funded a total of \$24.8 million of its initial \$30.0 million commitment. As a result of the equity contributions, the carrying value of the Company's investment in Open Road Films totaled approximately \$(5.2) million as of June 30, 2016. In addition, see Note 14—"Subsequent Events" for a recent development regarding the Company's investment in Open Road Films.

The Company's investment in Open Road Films is included as a component of "Other Non-Current Liabilities" in the accompanying unaudited condensed consolidated balance sheets. The change in the carrying amount of our investment in Open Road Films for the two quarters ended June 30, 2016 is as follows (in millions):

Balance as of December 31, 2015	\$(10.0)
Equity contributions	4.8
Balance as of June 30, 2016	\$(5.2)

Summarized unaudited consolidated statements of operations information for Open Road Films for the quarters and two quarters ended June 30, 2016 and June 30, 2015 is as follows (in millions):

	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
Revenues	\$ 43.4	\$ 31.7	\$ 79.0	\$ 68.5
Income (loss) from operations	2.2	(8.7)	(23.1)	(5.6)
Net income (loss)	1.0	(9.3)	(25.3)	(6.8)

As of June 30, 2016, approximately \$3.5 million and \$1.4 million due from/to Open Road Films were included in "Trade and other receivables, net" and "Accounts payable," respectively. As of December 31, 2015, approximately \$2.4 million and \$2.0 million due from/to Open Road Films were included in "Trade and other receivables, net" and

"Accounts payable," respectively.

Investment in RealD, Inc.

As of December 31, 2015, the Company held 322,780 common shares in RealD, Inc., an entity specializing in the licensing of 3D technologies. On February 24, 2016, RealD, Inc. stockholders approved an all-cash merger whereby Rizvi Traverse Management, LLC acquired RealD, Inc. for \$11.00 per share. Under the terms of the merger agreement, RealD, Inc. shareholders received \$11.00 in cash for each share of RealD, Inc.'s common stock. On March 24, 2016, the Company received approximately \$3.6 million in cash consideration for its remaining 322,780 RealD, Inc. common shares. As a result of the transaction, the Company recorded a gain of approximately \$1.0 million during the quarter ended March 31, 2016. See Note 12—"Fair Value of Financial Instruments" for a discussion of fair value estimation methods with respect to the Company's investment in RealD, Inc. as of December 31, 2015.

Table of Contents**Investment in AC JV, LLC**

We maintain an investment in AC JV, LLC (“AC JV”), a Delaware limited liability company owned 32% by each of RCI, AMC and Cinemark and 4% by National CineMedia. AC JV acquired the Fathom Events business from National CineMedia on December 26, 2013. AC JV owns and manages the Fathom Events business, which markets and distributes live and pre-recorded entertainment programming to various theatre operators (including us, AMC and Cinemark) to provide additional programs to augment their feature film schedule and includes events such as live and pre-recorded concerts, opera and symphony, DVD product releases and marketing events, theatrical premieres, Broadway plays, live sporting events and other special events. In consideration for the sale, National CineMedia received a total of \$25 million in promissory notes from RCI, Cinemark and AMC (one-third or approximately \$8.3 million from each). The notes bear interest at 5.0% per annum. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing. National CineMedia recorded a gain of approximately \$25.4 million in connection with the sale. The Company's proportionate share of such gain (approximately \$1.9 million) was excluded from equity earnings in National CineMedia and recorded as a reduction in the Company's investment in AC JV. The remaining outstanding balance of the note payable from the Company to National CineMedia as of June 30, 2016 was \$5.6 million. Since the Company does not have a controlling financial interest in AC JV, it accounts for its investment in AC JV under the equity method of accounting. The Company's investment in AC JV is included as a component of "Other Non-Current Assets." The change in the carrying amount of our investment in AC JV for the two quarters ended June 30, 2016 is as follows (in millions):

Balance as of December 31, 2015	\$7.5
Equity in earnings attributable to AC JV, LLC(1)	0.1
Balance as of June 30, 2016	\$7.6

Represents the Company's recorded share of the net income of AC JV, LLC. Such amount is presented as a (1) component of “Equity in income of non-consolidated entities and other, net” in the accompanying unaudited condensed consolidated statement of income.

Investment in Digital Cinema Distribution Coalition

The Company is a party to a joint venture with certain exhibitors and distributors called Digital Cinema Distribution Coalition (“DCDC”). DCDC has established a satellite distribution network that distributes digital content to theatres via satellite. The Company has an approximate 14.6% ownership in DCDC as of June 30, 2016. The Company's investment in DCDC is included within "Other Non-Current Assets." The carrying value of the Company's investment in DCDC was approximately \$3.2 million as of June 30, 2016.

3. ACQUISITION

On September 3, 2015, Regal completed the acquisition of five theatres with 61 screens from entities affiliated with Georgia Theatre Company for an aggregate net cash purchase price of \$9.2 million. The acquisition enhanced the Company's presence in the state of Georgia. The aggregate net cash purchase price was allocated to the identifiable assets acquired for each of the respective theatre locations based on their estimated fair values at the date of acquisition using the acquisition method of accounting. The allocation of the purchase price is based on management's judgment after evaluating several factors. The results of operations of the five acquired theatres have been included in the Company's consolidated financial statements for periods subsequent to the acquisition date.

The following is a summary of the allocation of the aggregate net cash purchase price to the estimated fair values of the identifiable assets acquired that have been recognized by the Company in its consolidated balance sheet as of the date of acquisition (in millions):

Property and equipment	\$0.9
Goodwill	8.3
Total purchase price	\$9.2

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4. DEBT OBLIGATIONS

Debt obligations at June 30, 2016 and December 31, 2015 consist of the following (in millions):

	June 30, 2016	December 31, 2015
Regal Cinemas Amended Senior Credit Facility, net of debt discount	\$956.7	\$958.8
Regal 5 ³ / ₄ % Senior Notes Due 2022	775.0	775.0
Regal 5 ³ / ₄ % Senior Notes Due 2025	250.0	250.0
Regal 5 ³ / ₄ % Senior Notes Due 2023	250.0	250.0
Lease financing arrangements, weighted average interest rate of 11.28% as of June 30, 2016, maturing in various installments through November 2028	96.3	89.4
Capital lease obligations, 8.5% to 10.7%, maturing in various installments through December 2030	10.0	11.1
Other	6.9	8.1
Total debt obligations	2,344.9	2,342.4
Less current portion	26.0	27.4
Less debt issuance costs, net of accumulated amortization of \$17.5 and \$16.2, respectively (1)	28.4	30.7
Total debt obligations, less current portion and debt issuance costs	\$2,290.5	\$2,284.3

(1) See Note 10—"Recent Accounting Pronouncements" for discussion of debt issuance costs reclassification upon adoption of ASU 2015-03, Interest—Imputation of Interest.

Regal Cinemas Seventh Amended and Restated Credit Agreement— As described further in Note 5 to the 2015 Audited Consolidated Financial Statements, on April 2, 2015, Regal Cinemas entered into a seventh amended and restated credit agreement (the "Amended Senior Credit Facility"), with Credit Suisse AG as Administrative Agent ("Credit Suisse AG") and the lenders party thereto which amended, restated and refinanced the sixth amended and restated credit agreement (the "Prior Senior Credit Facility"). The Amended Senior Credit Facility consisted of a term loan facility (the "Term Facility") in an aggregate principal amount of \$965.8 million with a final maturity date in April 2022 and a revolving credit facility (the "Revolving Facility") in an aggregate principal amount of \$85.0 million with a final maturity date in April 2020. The Term Facility amortized in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Facility, with the balance payable on the Term Facility maturity date. Proceeds from the Term Facility (approximately \$963.3 million, net of debt discount) were applied to refinance the term loan under the Prior Senior Credit Facility, which had an aggregate outstanding principal balance of approximately \$963.2 million. As a result of the amendment, the Company recorded a loss on debt extinguishment of approximately \$5.7 million during the second quarter of fiscal 2015.

On June 1, 2016, Regal Cinemas entered into a permitted secured refinancing agreement (the "Refinancing Agreement") with REH, the guarantors party thereto, Credit Suisse AG and the lenders party thereto (the "Lenders"). Pursuant to the Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Term Facility (the "Prior Term Facility") under the Amended Senior Credit Facility, which had an aggregate principal balance of approximately \$958.5 million, and in accordance therewith, the Lenders advanced new term loans in an aggregate principal amount of approximately \$958.5 million with a final maturity date in April 2022 (the "New Term Loans"). Together with other amounts provided by Regal Cinemas, proceeds of the New Term Loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Term Facility under the Amended Senior Credit Facility in effect immediately prior to the making of the New Term Loans. The New Term Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the New Term Loans, with the balance payable on the maturity date of the New Term Loans.

The Refinancing Agreement amends the Amended Senior Credit Facility by reducing the interest rate on the New Term Loans. Borrowings under the Amended Senior Credit Facility, as amended by the Refinancing Agreement, bear interest at Regal Cinemas' option, at either a base rate or an adjusted LIBOR rate (as defined in the Amended Senior Credit Facility) plus, in each case, an applicable margin of 1.75% in the case of base rate loans or 2.75% in the case of LIBOR rate loans. Interest is payable (a) in the case of base rate loans, quarterly in arrears, and (b) in the case of LIBOR rate loans, at the end of each interest period, but in no event less often than every 3 months. If, at any time, with respect to the New Term Loans, the adjusted LIBOR rate, as defined in the Amended Senior Credit Facility, would otherwise be lower than 0.75% per annum, the adjusted LIBOR rate with respect to the New Term Loans shall be deemed to be 0.75% per annum at such time. The Refinancing Agreement also provides for a 1.0% prepayment premium applicable in the event that Regal Cinemas enters into a refinancing or amendment of the New Term Loans on or prior to the sixth-month anniversary of the closing of the Refinancing Agreement

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that, in either case, has the effect of reducing the interest rate on the New Term Loans. In connection with the execution of the Refinancing Agreement, the Company recorded a loss on debt extinguishment of approximately \$1.5 million during the quarter ended June 30, 2016.

No amounts have been drawn on the Revolving Facility. As of June 30, 2016, we had approximately \$2.7 million outstanding in letters of credit, leaving approximately \$82.3 million available for drawing under the Revolving Facility. The Amended Senior Credit Facility also permits Regal Cinemas to borrow additional term loans thereunder in an amount of up to \$200.0 million, plus additional amounts as would not cause the consolidated total leverage ratio of Regal Cinemas to exceed 3.00:1.00, in each case, subject to lenders providing additional commitments for such amounts and the satisfaction of certain other customary conditions. The obligations of Regal Cinemas are secured by, among other things, a lien on substantially all of its tangible and intangible personal property (including but not limited to accounts receivable, inventory, equipment, general intangibles, investment property, deposit and securities accounts, and intellectual property) and certain owned real property. The obligations under the Amended Senior Credit Facility are also guaranteed by certain subsidiaries of Regal Cinemas and secured by a lien on all or substantially all of such subsidiaries' personal property and certain owned real property pursuant to that certain second amended and restated guaranty and collateral agreement, dated as of May 19, 2010 among Regal Cinemas, certain subsidiaries of Regal Cinemas party thereto and Credit Suisse AG (the "Amended Guaranty Agreement"). The obligations are further guaranteed by Regal Entertainment Holdings, Inc., on a limited recourse basis, with such guaranty being secured by a lien on the capital stock of Regal Cinemas.

As of June 30, 2016 and December 31, 2015, borrowings of \$956.7 million (net of debt discount) and \$958.8 million (net of debt discount), respectively, were outstanding under the New Term Loans and the Prior Term Facility at an effective interest rate of 3.87% (as of June 30, 2016) and 4.17% (as of December 31, 2015), after the impact of the interest rate swaps described in Note 11—"Derivative Instruments" is taken into account.

For further discussion of the Amended Senior Credit Facility, please refer to Note 5 to the 2015 Audited Consolidated Financial Statements and incorporated by reference herein

Regal 5³/₄% Senior Notes Due 2022—On March 11, 2014, Regal issued \$775.0 million aggregate principal amount of its 5³/₄% senior notes due 2022 (the "5³/₄% Senior Notes Due 2022") in a registered public offering. The 5³/₄% Senior Notes Due 2022 bear interest at a rate of 5.75% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning September 15, 2014. The 5³/₄% Senior Notes Due 2022 will mature on March 15, 2022.

The 5³/₄% Senior Notes Due 2022 are the Company's senior unsecured obligations and rank equal in right of payment with all of the Company's existing and future senior unsecured indebtedness and prior to all of the Company's future subordinated indebtedness. The 5³/₄% Senior Notes Due 2022 are effectively subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of the Company's subsidiaries. None of the Company's subsidiaries guaranty any of the Company's obligations with respect to the 5³/₄% Senior Notes Due 2022.

For further discussion of the 5³/₄% Senior Notes Due 2022, please refer to Note 5 to the 2015 Audited Consolidated Financial Statements and incorporated by reference herein

Regal 5³/₄% Senior Notes Due 2025—On January 17, 2013, Regal issued \$250.0 million in aggregate principal amount of its 5³/₄% senior notes due 2025 (the "5³/₄% Senior Notes Due 2025") in a registered public offering. The 5³/₄% Senior Notes Due 2025 bear interest at a rate of 5.75% per year, payable semiannually in arrears on February 1 and August 1 of each year, beginning August 1, 2013. The 5³/₄% Senior Notes Due 2025 will mature on February 1, 2025.

The 5³/₄% Senior Notes Due 2025 are the Company's senior unsecured obligations. They rank equal in right of payment with all of the Company's existing and future senior unsecured indebtedness and prior to all of the Company's future subordinated indebtedness. The 5³/₄% Senior Notes Due 2025 are effectively subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of the Company's subsidiaries. None of the Company's subsidiaries guaranty any of the Company's obligations with respect to the 5³/₄% Senior Notes Due 2025.

For further discussion of the 5³/₄% Senior Notes Due 2025, please refer to Note 5 to the 2015 Audited Consolidated Financial Statements and incorporated by reference herein.

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Regal 5³/₄% Senior Notes Due 2023—On June 13, 2013, Regal issued \$250.0 million aggregate principal amount of its 5³/₄% senior notes due 2023 (the "5³/₄% Senior Notes Due 2023") in a registered public offering. The 5³/₄% Senior Notes Due 2023 bear interest at a rate of 5.75% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning December 15, 2013. The 5³/₄% Senior Notes Due 2023 will mature on June 15, 2023.

The 5³/₄% Senior Notes Due 2023 are the Company's senior unsecured obligations. They rank equal in right of payment with all of the Company's existing and future senior unsecured indebtedness and prior to all of the Company's future subordinated indebtedness. The 5³/₄% Senior Notes Due 2023 are effectively subordinated to all of the Company's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of the Company's subsidiaries. None of the Company's subsidiaries will guaranty any of the Company's obligations with respect to the 5³/₄% Senior Notes Due 2023.

For further discussion of the 5³/₄% Senior Notes Due 2023, please refer to Note 5 to the 2015 Audited Consolidated Financial Statements and incorporated by reference herein.

Lease Financing Arrangements—These obligations primarily represent lease financing obligations resulting from the requirements of ASC Subtopic 840-40. As a result of certain lease transactions effected during the two quarters ended June 30, 2016, the Company increased the carrying amount of its lease financing obligations by approximately \$12.2 million.

Other Long-Term Obligations—Other long-term obligations, including capital lease obligations, not explicitly discussed herein are described in Note 5 to the 2015 Audited Consolidated Financial Statements and incorporated by reference herein.

Covenant Compliance—As of June 30, 2016, we are in full compliance with all agreements, including all related covenants, governing our outstanding debt obligations.

5. INCOME TAXES

The provision for income taxes of \$22.5 million and \$34.2 million for the quarters ended June 30, 2016 and June 30, 2015, respectively, reflect effective tax rates of approximately 40.1% and 39.1%, respectively. The provision for income taxes of \$52.2 million and \$49.5 million for the two quarters ended June 30, 2016 and June 30, 2015, respectively, reflect effective tax rates of approximately 41.3% and 39.3%, respectively. The increase in the effective tax rate for the quarter ended June 30, 2016 is primarily attributable to the deferred tax impact of a decrease in the effective tax rates in certain states during the quarter ended June 30, 2015. The increase in the effective tax rate for the two quarters ended June 30, 2016 is primarily attributable to an increase in uncertain state tax positions during the two quarters ended June 30, 2016 and to the deferred tax impact of a decrease in the effective tax rates in certain states during the two quarters ended June 30, 2015. The effective tax rates for the quarter and two quarters ended June 30, 2016 and June 30, 2015 also reflect the impact of certain non-deductible expenses and income tax credits.

In assessing the realizable value of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. The Company has recorded a valuation allowance against deferred tax assets at June 30, 2016 and December 31, 2015 of \$34.9 million, as management believes it is more likely than not that certain deferred tax assets will not be realized in future tax periods. Future reductions in the valuation allowance associated with a change in management's determination of the Company's ability to realize these deferred tax assets will result in a decrease in the provision for income taxes.

In November 2015, the Financial Accounting Standards Board (the "FASB") issued ASU 2015-17, Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes, which requires the presentation of deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in ASU 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted this guidance during the quarter ended March 31, 2016 and elected the prospective approach. Therefore, deferred taxes as of June 30, 2016 are recorded as long-term deferred tax assets and long-term deferred tax liabilities on the balance sheet. Balances as of December 31, 2015 have not been recast.

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Total unrecognized tax benefits at June 30, 2016 and December 31, 2015 were \$14.1 million and \$13.1 million, respectively. The total net unrecognized tax benefits that would affect the effective tax rate if recognized at June 30, 2016 and December 31, 2015 were \$7.5 million and \$6.8 million, respectively.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. As of June 30, 2016 and December 31, 2015, the Company has accrued gross interest and penalties of approximately \$2.7 million and \$2.2 million, respectively.

The Company and its subsidiaries collectively file income tax returns in the U.S. federal jurisdiction and various state and U.S. territory jurisdictions. The Company is not subject to U.S. federal, state or U.S. Territory examinations for years before 2011. However, the taxing authorities still have the ability to review the propriety of tax attributes created in closed tax years if such tax attributes are utilized in an open tax year. During fiscal 2015, the Internal Revenue Service ("IRS") closed an examination of the Company's 2010 and 2012 federal income tax returns and notified the Company that no items were being disputed. In April 2016, the Company was notified that the IRS would examine its 2014 federal income tax return. The Company is in the process of providing information requested by the IRS with respect to such tax year. As the exam process is in the early stages, the Company has not been notified of any items that are being disputed by the IRS. Management believes that it has provided adequate provision for income taxes relative to the tax year under examination.

6. CAPITAL STOCK AND SHARE-BASED COMPENSATION

Capital Stock

As of June 30, 2016, the Company's authorized capital stock consisted of:

- 500,000,000 shares of Class A common stock, par value \$0.001 per share;
- 200,000,000 shares of Class B common stock, par value \$0.001 per share; and
- 50,000,000 shares of preferred stock, par value \$0.001 per share.

Of the authorized shares of Class A common stock, 18.0 million shares were sold in connection with the Company's initial public offering in May 2002. The Company's Class A common stock is listed on the New York Stock Exchange under the trading symbol "RGC." As of June 30, 2016, 133,083,540 shares of Class A common stock were outstanding. Of the authorized shares of Class B common stock, 23,708,639 shares were outstanding as of June 30, 2016, all of which are beneficially owned by The Anschutz Corporation and its affiliates (collectively, "Anschutz"). Each share of Class B common stock converts into a single share of Class A common stock at the option of the holder or upon certain transfers of a holder's Class B common stock. Each holder of Class B common stock is entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Of the authorized shares of the preferred stock, no shares were issued and outstanding as of June 30, 2016. The Class A common stock is entitled to a single vote for each outstanding share of Class A common stock on every matter properly submitted to the stockholders for a vote. Except as required by law, the Class A and Class B common stock vote together as a single class on all matters submitted to the stockholders. The material terms and provisions of the Company's certificate of incorporation affecting the relative rights of the Class A common stock and the Class B common stock are described in Note 9 to the 2015 Audited Consolidated Financial Statements, incorporated by reference herein.

Warrants

No warrants to acquire the Company's Class A or Class B common stock were outstanding as of June 30, 2016.

Share-Based Compensation

In 2002, the Company established the Regal Entertainment Group Stock Incentive Plan (as amended, the "Incentive Plan"), which provides for the granting of incentive stock options and non-qualified stock options to officers, employees and consultants of the Company. As described below under "Restricted Stock" and "Performance Share Units," the Incentive Plan also provides for grants of restricted stock and performance shares that are subject to restrictions and risks of forfeiture. Readers should refer to Note 9 to the 2015 Audited Consolidated Financial Statements for additional information related to these awards and the Incentive Plan.

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On May 9, 2012, the stockholders of Regal approved amendments to the Incentive Plan increasing the number of Class A common stock authorized for issuance under the Incentive Plan by a total of 5,000,000 shares and extending the term of the Plan to May 9, 2022. As of June 30, 2016, 4,000,626 shares remain available for future issuance under the Incentive Plan.

Stock Options

As of June 30, 2016, there were no options to purchase shares of Class A common stock outstanding under the Incentive Plan. There were no stock options granted or exercised during the quarters and two quarters ended June 30, 2016 and June 30, 2015 and no compensation expense related to stock options was recorded during such periods.

Restricted Stock

As described further in Note 9 to the 2015 Audited Consolidated Financial Statements, the Incentive Plan also provides for restricted stock awards to officers, directors and key employees. Under the Incentive Plan, shares of Class A common stock of the Company may be granted at nominal cost to officers, directors and key employees, subject to a continued employment/service restriction. During the two quarters ended June 30, 2016, 261,119 restricted shares were granted under the Incentive Plan at nominal cost to officers, directors and key employees. These awards vest 25% at the end of each year for 4 years (in the case of officers and key employees) and vest 100% at the end of one year (in the case of directors). The closing price of the Company's Class A common stock on the date of the grant (January 13, 2016) was \$17.74 per share. The Company assumed a forfeiture rate of 6% for such restricted stock awards.

During the two quarters ended June 30, 2016, the Company withheld approximately 177,663 shares of restricted stock at an aggregate cost of approximately \$3.2 million, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of 519,830 restricted stock awards. In addition, during the two quarters ended June 30, 2016, 262,476 performance shares (originally granted on January 9, 2013) were converted to shares of restricted common stock as threshold performance goals for these awards were satisfied on January 9, 2016, the calculation date. These awards are scheduled to fully vest on January 9, 2017, the one year anniversary of the calculation date.

During the quarters ended June 30, 2016 and June 30, 2015, the Company recognized approximately \$1.1 million and \$1.0 million, respectively of share-based compensation expense related to restricted share grants. During the two quarters ended June 30, 2016 and June 30, 2015, the Company recognized approximately \$1.9 million of share-based compensation expense related to restricted share grants. Such expense is presented as a component of "General and administrative expenses." The compensation expense for these awards was determined based on the market price of the Company's stock at the date of grant applied to the total numbers of shares that were anticipated to fully vest. As of June 30, 2016, we have unrecognized compensation expense of \$6.3 million associated with restricted stock awards.

The following table represents the restricted stock activity for the two quarters ended June 30, 2016:

Unvested at beginning of period	773,643
Granted during the period	261,119
Vested during the period	(519,830)
Forfeited during the period	(7,873)
Conversion of performance shares during the period	262,476
Unvested at end of period	769,535

During the two quarters ended June 30, 2016, the Company paid two cash dividends of \$0.22 on each share of outstanding restricted stock totaling approximately \$0.4 million. During the two quarters ended June 30, 2015, the Company paid two cash dividends of \$0.22 on each share of outstanding restricted stock totaling approximately \$0.4 million.

Performance Share Units

The Incentive Plan also provides for grants in the form of performance share units to officers, directors and key employees. Performance share agreements are entered into between the Company and each grantee of performance share units.

In 2009, the Company adopted an amended and restated form of performance share agreement (each, a "Performance Agreement" and collectively, the "Performance Agreements"). Pursuant to the terms and conditions of the Performance Agreements, grantees will be issued shares of restricted common stock of the Company in an amount determined by the

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attainment of Company performance criteria set forth in each Performance Agreement. The shares of restricted common stock received upon attainment of the performance criteria will be subject to further vesting over a period of time, provided the grantee remains a service provider to the Company during such period. During the two quarters ended June 30, 2016, 280,374 performance shares were granted under the Incentive Plan at nominal cost to officers and key employees. Under the Performance Agreement, which is described further in the section entitled "Compensation Discussion and Analysis — Elements of Compensation — Performance Shares," of our 2016 proxy statement filed with the Commission on April 6, 2016, each performance share represents the right to receive from 0% to 150% of the target numbers of shares of restricted Class A common stock. The number of shares of restricted common stock earned will be determined based on the attainment of specified performance goals by January 13, 2019 (the third anniversary of the grant date) set forth in the applicable Performance Agreement. Such performance shares vest on January 13, 2020 (the fourth anniversary of their grant date). The shares are subject to the terms and conditions of the Incentive Plan. The closing price of the Company's Class A common stock on the date of the grant (January 13, 2016) was \$17.74 per share, which approximates the grant date fair value of the awards. The Company assumed a forfeiture rate of 9% for such performance share awards.

During each of the quarters ended June 30, 2016 and June 30, 2015, the Company recognized approximately \$1.2 million of share-based compensation expense related to performance share grants. During the two quarters ended June 30, 2016 and June 30, 2015, the Company recognized approximately \$2.2 million and \$2.0 million, respectively, of share-based compensation expense related to performance share grants. Such expense is presented as a component of "General and administrative expenses." As of June 30, 2016, we have unrecognized compensation expense of \$8.7 million associated with performance share units, which is expected to be recognized through January 13, 2020. During the two quarters ended June 30, 2016, 262,476 performance share awards (originally granted on January 9, 2013) were converted to shares of restricted common stock as threshold performance goals for these awards were satisfied on January 9, 2016, the calculation date.

The following table summarizes information about the Company's number of performance shares for the two quarters ended June 30, 2016:

Unvested at beginning of period	696,849
Granted (based on target) during the period	280,374
Cancelled/forfeited during the period	(12,255)
Conversion to restricted shares during the period	(262,476)
Unvested at end of period	702,492

In connection with the conversion of the above 262,476 performance shares, during the two quarters ended June 30, 2016, the Company paid cumulative cash dividends of \$3.60 (representing the sum of all cash dividends paid from January 9, 2013 through January 9, 2016) on each performance share converted, totaling approximately \$0.9 million. The above table does not reflect the maximum or minimum number of shares of restricted stock contingently issuable. An additional 0.4 million shares of restricted stock could be issued if the performance criteria maximums are met.

7. COMMITMENTS AND CONTINGENCIES

The Company is presently involved in various judicial, administrative, regulatory and arbitration proceedings concerning matters arising in the ordinary course of business operations, including but not limited to, personal injury claims, landlord-tenant, antitrust, vendor and other third party disputes, tax disputes, employment and other contractual matters, some of which are described below. Many of these proceedings are at preliminary stages, and many of these cases seek an indeterminate amount of damages. The Company's theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship and health and sanitation and environmental protection requirements.

On October 9, 2012, staff at the San Francisco Regional Water Quality Board (the "Regional Board") notified United Artists Theatre Circuit, Inc. ("UATC"), an indirect wholly owned subsidiary of the Company, that the Regional Board was contemplating issuing a cleanup and abatement order to UATC with respect to a property in Santa Clara, California that UATC owned and then leased during the 1960s and 1970s. On June 25, 2013, the Regional Board issued a tentative order to UATC setting out proposed site clean-up requirements for UATC with respect to the property. According to the Regional Board, the property in question has been contaminated by dry-cleaning facilities that operated at the property in question from approximately 1961 until 1996. The Regional Board also issued a tentative order to the current property owner, who has been conducting site investigation and remediation activities at the site for several years. UATC submitted comments to the Regional Board on July 28, 2013, objecting to the tentative order. The Regional Board considered the matter at its regular meeting on September 11, 2013 and adopted the tentative order with only minor changes. On October 11, 2013, UATC filed a petition with

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the State Water Resources Control Board (“State Board”) for review of the Regional Board’s order. The State Board failed to act on the petition and hence by operation of law it was deemed denied and UATC filed a petition for writ of mandamus with the California Superior Court seeking review and modification of the order. UATC is cooperating with the Regional Board while its petition remains pending before the State Board. To that end, UATC and the current property owner jointly submitted, and on October 27, 2015, the Regional Board approved, a Remedial Action Plan (“RAP”) to remediate the dry-cleaner contamination. UATC intends to vigorously defend this matter. We believe that we are, and were during the period in question described in this paragraph, in compliance with such applicable laws and regulations.

On January 28, 2016, Regional Board staff contacted UATC’s counsel in the Santa Clara matter to ascertain whether he would be representing UATC in connection with the cleanup of a drycleaner-impacted property located in Millbrae, California that the Regional Board believes UATC or related entities formerly owned during the dry-cleaning operations. Counsel subsequently responded in the affirmative. The Company has received no further communications from the Regional Board on this matter.

On May 5, 2014, NCM, Inc. announced that it had entered into a merger agreement to acquire Screenvision. On November 3, 2014, the DOJ filed an antitrust lawsuit seeking to enjoin the proposed merger between NCM, Inc. and Screenvision. On March 16, 2015, NCM, Inc. announced that it had agreed with Screenvision to terminate the merger agreement. On March 17, 2015, the Company was notified by the DOJ that it has opened an investigation into potential anticompetitive conduct by and coordination among NCM, Inc., National CineMedia, Regal, AMC and Cinemark (the “DOJ Notice”). In addition, the DOJ Notice requested that the Company preserve all documents and information since January 1, 2011 relating to movie clearances or communications or cooperation between and among AMC, Regal and Cinemark or their participation in NCM. On May 28, 2015, the Company received a civil investigative demand (the “CID”) from the United States Department of Justice, Antitrust Division, as part of an investigation into potentially anticompetitive conduct under Sections 1 and 2 of the Sherman Act, 15 U.S.C. § 1 and § 2. The Company has also received investigative demands from the antitrust sections of various state attorneys general regarding movie clearances and Regal's various joint venture investments, including National CineMedia. The CID and various state investigative demands require the Company to produce documents and answer interrogatories. The Company may receive additional investigative demands from the DOJ and state attorneys general regarding these or related matters. The Company continues to cooperate with these investigations and any other related Federal or state investigations to the extent any are undertaken. The DOJ and various state investigations may also give rise to additional lawsuits filed against the Company related to clearances and the Company’s investments in its various joint ventures. While we do not believe that the Company has engaged in any violation of Federal or state antitrust or competition laws during its participation in NCM and other joint ventures, we can provide no assurances as to the scope, timing or outcome of the DOJ’s or any other state or Federal governmental reviews of the Company’s conduct.

On June 17, 2014, Starlight Cinemas, Inc. ("Starlight") filed a complaint and demand for jury trial in the Superior Court of the State of California, County of Los Angeles, Central District against Regal alleging various violations by Regal of California antitrust and unfair competition laws and common law. On July 14, 2014, Regal removed the action to the United States District Court for the Central District of California. Starlight alleges, among other things, that Regal has adversely affected Starlight's ability to exhibit first-run, feature-length motion pictures at its Corona, California theatre. Starlight is seeking, among other things, compensatory, treble and punitive damages and equitable relief enjoining Regal from engaging in future anticompetitive conduct. Regal filed a motion to dismiss all claims. The United States District Court for the Central District of California granted the motion on October 23, 2014. Starlight’s subsequent attempts to file an amended complaint were struck and denied. On February 5, 2015, Starlight filed a notice of appeal with the United States Court of Appeals for the Ninth Circuit. The parties’ briefing of the case is complete, and a hearing on the appeal will be held in the fourth quarter of 2016. Starlight also filed a Motion for Summary Reversal, which was denied by the Court of Appeals on October 8, 2015. Management believes that the allegations and claims are without merit and intends to vigorously defend against Starlight's claims through the

appellate process.

On July 23, 2015, Regal accepted service of a complaint filed by Cinema Village, Cinemart (“Cinemart”), which was filed in the U.S. District Court for the Southern District of New York. Cinemart filed an amended complaint on October 20, 2015. Cinemart alleges among other things, that as a result of a clearance, the Company adversely affected the plaintiff’s ability to exhibit first-run, feature-length motion pictures at its Forest Hills, New York theatre. Cinemart is seeking, among other things, compensatory, treble and punitive damages and equitable relief enjoining the Company from engaging in future anticompetitive conduct. On December 18, 2015, the Company filed a motion to dismiss all claims. The parties completed their briefing on the motion on February 1, 2016, and oral arguments have not yet been scheduled. Management believes that the allegations and claims are without merit, and intends to vigorously defend the Company against the claims.

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On November 17, 2015, iPic-Gold Class Entertainment LLC (“iPic”) filed a petition in the District Court of Harris County, Texas. iPic filed an amended petition on December 4, 2015, that claims, among other things, that the Company adversely affected the plaintiff’s ability to exhibit first-run motion pictures at its theatre in Houston, Texas. The petition also names AMC Entertainment Holdings, Inc., AMC, and American Multi-Cinema, Inc. (together the “AMC Companies”) and alleges that the Company and the AMC Companies conspired together to coordinate their respective positions with distributors regarding the distribution of film to iPic’s theatre in Houston, and a proposed iPic theatre in Frisco, Texas. iPic is seeking under Texas antitrust law and common law, among other things, actual and treble damages and equitable relief enjoining the Company from engaging in future anticompetitive conduct. On January 21, 2016, after an evidentiary hearing, the district court entered a Temporary Injunction Order (“TIO”) which prohibits the Company from (i) requesting that movie studios grant it exclusive film licenses that would exclude iPic from licensing the same film at its Houston theatre; (ii) indicating to a studio that it will not play a film at any of its theatres if the studio licenses the film to iPic’s Houston theatre; and (iii) communicating with the AMC Companies or coordinating their respective communications with any studio, with regard to preventing iPic from receiving licenses to first run films to exhibit at iPic’s Houston theatre. On February 4, 2016, Regal filed a notice of appeal regarding the TIO, which has been assigned to the Texas First Court of Appeals. On February 4, 2016, Regal filed a notice of appeal regarding the TIO, which was assigned to the Texas First Court of Appeals. Oral argument on this appeal was held on June 28, 2016, but the Court of Appeals has not issued its decision. Management believes that the allegations and claims are without merit, and intends to vigorously defend the Company.

On January 27, 2016, Silver Cinemas Acquisition Co., doing business as Landmark Theatres (“Landmark”), filed a complaint in the U.S. District Court for the District of Columbia. Landmark alleges, among other things, that Regal has adversely affected Landmark’s ability to license mainstream commercial first run films at its Atlantic Plumbing Cinema in Washington D.C., and that Regal has violated federal and District of Columbia antitrust laws and tortious interference law. Landmark is seeking, among other things, compensatory, treble and punitive damages and equitable relief enjoining Regal from engaging in future anticompetitive conduct. Landmark filed an amended complaint on February 24, 2016. On April 18, 2016, the Company filed a motion to dismiss all claims. The parties completed their briefing on the motion on June 3, 2016, and oral arguments have not yet been scheduled. Management believes that the allegations and claims are without merit, and intends to vigorously defend the Company against the claims.

In situations where management believes that a loss arising from proceedings described herein is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range and no amount within the range is more probable than another. As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary. The amounts reserved for such proceedings totaled approximately \$3.5 million as of June 30, 2016. Management believes any additional liability with respect to these claims and disputes will not be material in the aggregate to the Company’s consolidated financial position, results of operations or cash flows. Under ASC Topic 450, Contingencies—Loss Contingencies, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." Thus, references to the upper end of the range of reasonably possible loss for cases in which the Company is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the Company believes the risk of loss is more than slight. Management is unable to estimate a range of reasonably possible loss for cases described herein in which damages have not been specified and (i) the proceedings are in early stages, (ii) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (iii) there is uncertainty as to the outcome of pending appeals or motions, (iv) there are significant factual issues to be resolved, and/or (v) there are novel legal issues presented. However, for these cases, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on the Company’s financial condition, though the outcomes could be material to the Company’s operating results for any particular period, depending, in part, upon the operating results for such period.

Our theatres must comply with Title III of the Americans with Disabilities Act of 1990 (the "ADA") to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requires that public accommodations "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, awards of damages to private litigants and additional capital expenditures to remedy such non-compliance.

In prior years, private litigants and the DOJ had filed claims against the Company alleging that a number of theatres with stadium seating violated the ADA because these theatres allegedly failed to provide wheelchair-bound patrons with lines of sight comparable to those available to other members of the general public and denied persons in wheelchairs access to the stadium portion of the theatres. On June 8, 2005, Regal reached an agreement with the DOJ resolving and dismissing the

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private litigants' claims and all claims made by the United States under the ADA. On December 9, 2010, the parties renewed the Consent Decree for another three year term. On or about February 5, 2014, the Company filed its final compliance report and fulfilled all of its obligations under the Consent Decree. From time to time, the Company receives claims that the stadium seating offered by theatres allegedly violates the ADA. In these instances, the Company seeks to resolve or dismiss these claims based on the terms of the DOJ settlement or under applicable ADA standards.

The accessibility of theatres to persons with visual impairments or that are deaf or hard of hearing remains a topic of interest to the DOJ, and they have published an Advance Notice of Proposed Rulemaking concerning the provision of closed captioning and descriptive audio within the theatre environment. The Company believes it provides the members of the visually and hearing impaired communities with reasonable access to the movie-going experience, and has deployed new digital captioning and descriptive video systems that should meet all such potential requirements or expectations of any federal, state or individual concerns. The Company believes that it is in substantial compliance with all current applicable regulations relating to accommodations for the disabled. The Company intends to comply with future regulations in this regard and except as set forth above, does not currently anticipate that compliance will require the Company to expend substantial funds.

8. RELATED PARTY TRANSACTIONS

During each of the quarters ended June 30, 2016 and June 30, 2015, Regal Cinemas received less than \$0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility. During each of the two quarters ended June 30, 2016 and June 30, 2015, Regal Cinemas received approximately \$0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During each of the quarters ended June 30, 2016 and June 30, 2015, the Company received approximately \$0.2 million and \$0.3 million, respectively, from an Anschutz affiliate for management fees related to a theatre site in Los Angeles, California. During the two quarters ended June 30, 2016 and June 30, 2015, the Company received approximately \$0.4 million from an Anschutz affiliate for management fees related to a theatre site in Los Angeles, California.

Please also refer to Note 2—"Investments" for a discussion of other related party transactions associated with our various investments in non-consolidated entities.

9. EARNINGS PER SHARE

We compute earnings per share of Class A and Class B common stock using the two-class method. Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, common stock equivalents outstanding during the period. Potential common stock equivalents consist of the incremental common shares issuable upon the vesting of restricted stock and performance share units. The dilutive effect of outstanding restricted stock and performance share units is reflected in diluted earnings per share by application of the treasury-stock method. In addition, the computation of the diluted earnings per share of Class A common stock assumes the conversion of Class B common stock, while the diluted earnings per share of Class B common stock does not assume the conversion of those shares.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting. The earnings for the periods presented are allocated based on the contractual participation rights of the Class A and Class B common shares. As the liquidation and dividend rights are identical, the earnings are allocated on a proportionate basis. Further, as we assume the conversion of Class B common stock in

the computation of the diluted earnings per share of Class A common stock, the earnings are equal to net income attributable to controlling interest for that computation.

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The following table sets forth the computation of basic and diluted earnings per share of Class A and Class B common stock (in millions, except share and per share data):

	Quarter Ended June 30, 2016		Quarter Ended June 30, 2015		Two Quarters Ended June 30, 2016		Two Quarters Ended June 30, 2015	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Basic earnings per share:								
Numerator:								
Allocation of earnings	\$28.4	\$ 5.1	\$45.3	\$ 8.1	\$62.9	\$11.3	\$64.8	\$11.7
Denominator:								
Weighted average common shares outstanding (in thousands)	132,316	13,709	131,962	13,709	132,316	13,709	131,962	13,709
Basic earnings per share	\$0.21	\$ 0.21	\$ 0.34	\$ 0.34	\$ 0.48	\$ 0.48	\$ 0.49	\$ 0.49
Diluted earnings per share:								
Numerator:								
Allocation of earnings for basic computation	\$28.4	\$ 5.1	\$45.3	\$ 8.1	\$62.9	\$11.3	\$64.8	\$11.7
Reallocation of earnings as a result of conversion of Class B to Class A shares	5.1	—	8.1	—	11.3	(0.1)	11.7	—
Reallocation of earnings to Class B shares for effect of other dilutive securities	—	—	—	—	—	—	—	—
Allocation of earnings	\$33.5	\$ 5.1	\$53.4	\$ 8.1	\$74.2	\$11.2	\$76.5	\$11.7
Denominator:								
Number of shares used in basic computation (in thousands)	132,316	13,709	131,962	13,709	132,316	13,709	131,962	13,709
Weighted average effect of dilutive securities (in thousands)								
Add:								
Conversion of Class B to Class A common shares outstanding	23,709	—	23,709	—	23,709	—	23,709	—
Restricted stock and performance shares	697	—	758	—	726	—	832	—
Number of shares used in per share computations (in thousands)	156,723	13,709	156,438	13,709	156,752	13,709	156,510	13,709
Diluted earnings per share	\$0.21	\$ 0.21	\$ 0.34	\$ 0.34	\$ 0.47	\$ 0.47	\$ 0.49	\$ 0.49

10. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. ASU 2014-09 was originally effective for annual and interim reporting periods beginning after December 15, 2016. However, the standard was deferred by ASU 2015-14, issued by the FASB in August 2015, and is now effective for fiscal years beginning on or after December 15, 2017, including interim reporting periods within that reporting period, with early adoption permitted as of the original effective date. The Company is evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In June 2014, the FASB issued ASU 2014-12, Compensation-Stock Compensation (Topic 718). ASU 2014-12 is intended to resolve the diverse accounting treatment of share-based awards that require a specific performance target

to be achieved in order for employees to become eligible to vest in the awards. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the requisite service has already been rendered. ASU 2014-12 is effective for annual periods

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and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The Company's adoption of ASU 2014-12 during the quarter ended March 31, 2016 had no impact on the Company's consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which provides guidance on evaluating whether a reporting entity should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. Further, the amendments eliminate the presumption that a general partner should consolidate a limited partnership, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The Company's adoption of ASU 2015-02 during the quarter ended March 31, 2016 had no impact on the Company's consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest, which intends to simplify the presentation of debt issuance costs. Prior to the issuance of ASU 2015-03, debt issuance costs were reported on the balance sheet as assets and amortized as interest expense. ASU 2015-03 requires that they be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability. The costs will continue to be amortized to interest expense using the effective interest method. ASU 2015-03 is to be applied retrospectively and is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The Company adopted this guidance during the quarter ended March 31, 2016. Debt issuance costs associated with long-term debt, net of accumulated amortization, were \$28.4 million and \$30.7 million as of June 30, 2016 and December 31, 2015, respectively. The balance sheet as of December 31, 2015 has been recast to reflect the reclassification of debt issuances costs, net of accumulated amortization, from "Other Non-Current Assets" to a reduction of "Long-Term Debt, Less Current Portion."

In April 2015, the FASB issued ASU 2015-05, Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in Cloud Computing Arrangement. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. In addition, the guidance in this ASU supersedes paragraph 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. ASU 2015-05 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company's adoption of ASU 2015-05 during the quarter ended March 31, 2016 had no impact on the Company's consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330) - Simplifying the Measurement of Inventory, which affects reporting entities that measure inventory using first-in, first-out (FIFO) or average cost. Specifically, ASU 2015-11 requires that inventory be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2015-11 to have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2015, the FASB issued ASU 2015-15, Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. ASU 2015-15 adds clarification to the guidance presented in ASU 2015-03, as that guidance did not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. We adopted ASU 2015-15 along with the original guidance in ASU 2015-03 discussed above. The guidance in ASU 2015-15 did not have an impact on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 was issued to simplify the accounting for adjustments made to provisional amounts recognized in a business combination and eliminates the requirement to retrospectively account for such

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adjustments. ASU 2015-16 requires an entity to present separately on the face of the income statement, or disclose in the notes, amounts recorded in current period earnings that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company's adoption of ASU 2015-16 during the quarter ended March 31, 2016 had no impact on the Company's consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes, which requires the presentation of deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in ASU 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted this guidance during the quarter ended March 31, 2016 and elected the prospective approach. Therefore, deferred taxes as of June 30, 2016 are recorded as long-term deferred tax assets and long-term deferred tax liabilities on the balance sheet. Balances as of December 31, 2015 have not been recast.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, Investments – Equity Method and Joint Ventures (Topic 323). The purpose of ASU 2016-07 is to eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment was held. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company is evaluating the impact that ASU 2016-07 will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenues Gross versus Net). The purpose of ASU 2016-08 is to clarify the implementation of revenue recognition guidance related to principal versus agent considerations. ASU 2016-08 is effective for fiscal years beginning after December 15, 2017, including interim periods within that year, concurrent with ASU 2014-09. Early adoption is permitted. The Company is evaluating the impact that ASU 2016-08 will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which relates to the accounting for employee share-based payments. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within

those fiscal years and early adoption is permitted. The Company is evaluating the impact that ASU 2016-09 will have on its consolidated financial statements and related disclosures.

11. DERIVATIVE INSTRUMENTS

Regal Cinemas has entered into hedging relationships via interest rate swap agreements to hedge against interest rate exposure of its variable rate debt obligations under Regal Cinemas' Amended Senior Credit Facility. Certain of these interest rate swaps qualify for cash flow hedge accounting treatment and as such, the change in the fair values of the interest rate swaps is recorded on the Company's consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps' gains or losses reported as a component of other comprehensive income and the ineffective portion reported in earnings.

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As interest expense is accrued on the debt obligation, amounts in accumulated other comprehensive income/loss related to the interest rate swaps will be reclassified into earnings. In the event that an interest rate swap is terminated or de-designated prior to maturity, gains or losses accumulated in other comprehensive income or loss remain deferred and are reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. See Note 12—"Fair Value of Financial Instruments" for discussion of the Company's interest rate swaps' fair value estimation methods and assumptions.

Below is a summary of Regal Cinemas' current interest rate swap agreements as of June 30, 2016:

Nominal Amount	Effective Date	Fixed Rate	Receive Rate	Expiration Date	Designated as Cash Flow Hedge	Gross Fair Value at June 30, 2016	Balance Sheet Location
\$150.0 million	April 2, 2015	1.220%	1-month LIBOR*	December 31, 2016	Yes	\$(0.4) million	See Note 12
\$200.0 million	June 30, 2015	2.165%	1-month LIBOR*	June 30, 2018	Yes	\$(5.1) million	See Note 12

* Subject to a 0.75% LIBOR floor

On April 2, 2015, Regal Cinemas amended two of its existing interest rate swap agreements originally designated as cash flow hedges on \$350.0 million of variable rate debt obligations. Since the terms of the interest rate swaps designated in the original cash flow hedge relationships changed with these amendments, we de-designated the original hedge relationships and re-designated the amended interest rate swaps in new cash flow hedge relationships as of the amendment date of April 2, 2015.

No amendments or modifications were made to two other interest swap agreements (originally designated to hedge \$300.0 million of variable rate debt obligations) existing as of April 2, 2015. Since such interest rate swaps no longer met the highly effective qualification for cash flow hedge accounting, the two hedge relationships were de-designated effective April 2, 2015. Accordingly, since the interest rate swaps no longer qualified for cash flow hedge accounting treatment, the change in their fair values since de-designation was recorded on the Company's unaudited condensed consolidated balance sheet as an asset or liability with the interest rate swaps' gains or losses reported as a component of interest expense during the period of change. On June 30, 2015, one of these interest rate swap agreements designated to hedge \$200.0 million of variable rate debt obligations expired. The remaining interest rate swap agreement designated to hedge \$100.0 million of variable rate debt obligations expired on December 31, 2015.

The following tables show the effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges recognized in other comprehensive income (loss), and amounts reclassified from accumulated other comprehensive loss to interest expense for the periods indicated (in millions):

	After-tax Gain (Loss) Recognized in Other Comprehensive Income (Loss) (Effective Portion)			
	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
Derivatives designated as cash flow hedges:				
Interest rate swaps	\$(0.8)	\$(0.7)	\$(2.1)	\$(2.4)

	Pre-tax Amounts Reclassified from Accumulated Other Comprehensive Loss into Interest Expense, net			
	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
Derivatives designated as cash flow hedges:				
Interest rate swaps(1)	\$1.7	\$ 1.6	\$ 3.4	\$ 2.9

(1) We estimate that \$1.4 million of deferred pre-tax losses attributable to these interest rate swaps will be reclassified into earnings as interest expense during the next 12 months as the underlying hedged transactions occur.

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The changes in accumulated other comprehensive loss, net associated with the Company's interest rate swap arrangements for the quarters and two quarters ended June 30, 2016 and June 30, 2015 were as follows (in millions):

	Interest Rate Swaps	
	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Accumulated other comprehensive loss, net, beginning of period	\$(3.0)	\$(3.8)
Change in fair value of interest rate swap transactions (effective portion), net of taxes of \$0.5 for each period	(0.8)	(0.7)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of taxes of \$0.7 for each period	1.0	0.9
Accumulated other comprehensive loss, net, end of period	\$(2.8)	\$(3.6)
	Interest Rate Swaps	
	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
Accumulated other comprehensive loss, net, beginning of period	\$(2.7)	\$(2.9)
Change in fair value of interest rate swap transactions (effective portion), net of taxes of \$1.4 and \$1.6, respectively	(2.1)	(2.4)
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of taxes of \$1.4 and \$1.2, respectively	2.0	1.7
Accumulated other comprehensive loss, net, end of period	\$(2.8)	\$(3.6)

The following table sets forth the effect of our interest rate swap arrangements on our unaudited condensed statements of operations for the quarters and two quarters ended June 30, 2016 and June 30, 2015 (in millions):

	Pre-tax Gain (Loss) Recognized in Interest Expense, net			
	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Two Quarters Ended June 30, 2016	Two Quarters Ended June 30, 2015
Derivatives designated as cash flow hedges (ineffective portion):				
Interest rate swaps(1)	\$0.7	\$0.2	\$1.5	\$0.2

Derivatives not designated as cash flow hedges: