Regal Entertainment Group
Three Year Strategic Plan
April 14, 2016

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Contents

Introduction

History

Regal Entertainment Group is the largest and most diverse moving picture company in the United States. Regal has been built with roots within the United States around large metropolitan areas to be able to cater to as many of its customers as possible. Regal began its national theatre circuit in 2002 when it was incorporated and it is now part of 574 theatres in 42 states. Regal operates 7,367 movie theatre screens in the United States as well as internationally in Guam, Saipan, and American Samoa.

Vision and Mission Statements

Regal Entertainment Group does not currently have a vision or a mission statement, therefore I have included a newly proposed vision statement which sets the foundation for the proposed mission statement.

Vision

Regal Entertainment Group aspires to be the most widely recognized movie exhibitor in the world, offering an unmatched theatre experience and unrivaled guest service in the most conducive movie theatre atmosphere on the planet.

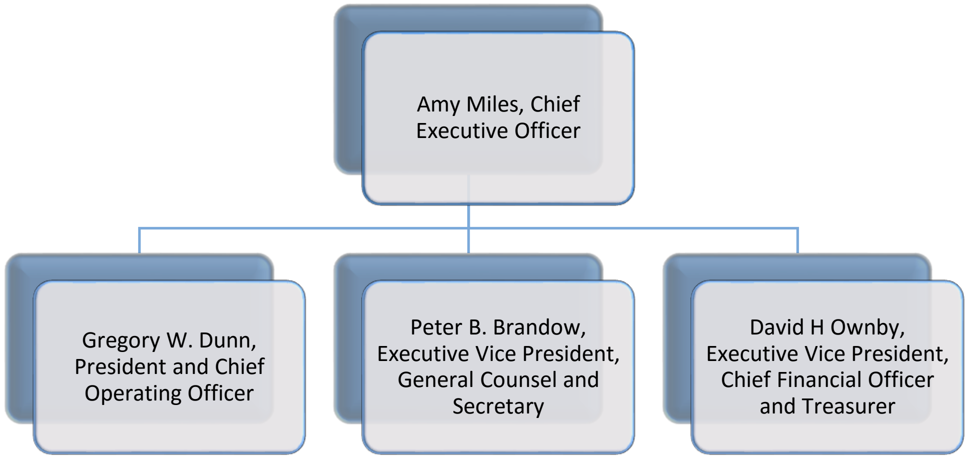
Mission

Regal Entertainment Group is the premier and most widely interspersed motion picture exhibitor and entertainment technology company in the United States (3) which operates a wide variety of multi-screen RPX, IMAX, and REAL3D theatres (2,4,7) chiefly in mid to large metropolitan areas, providing a first-in-class movie theatre experience along with superior guest service at affordable prices to families of all ages (1,8). By employing a talented, spirited and friendly cast which maintains honesty and integrity (6,8), we are able to promote from within to continue a legacy for exceeding our guests' expectations (9); generating value for: our guests, employees, key stakeholders, and shareholders of the company (5).

Organizational Structure

Current Organizational Structure

Currently, Regal Entertainment is extremely dependent upon its CEO, Amy Miles who has accomplished a lot for Regal Entertainment. Under this particular structure, this company is considered very lean given its market share and revenues. If Regal Entertainment is going to become a large player in the international market, then they will need to depend on more than just their CEO. It is recommended that Regal alter their leadership organizational structure to help better position them for the future growth and acquisition.



Proposed Organizational Structure

This new organizational structure illustrates Regal Entertainment's need for operational support to maintain the company's efficiencies in the United States, especially through acquisitions and conversions as well as abroad when expanding the company's reach internationally. These Vice President positions will be able to support the growth that Regal Entertainment needs to reach higher profits. This new proposed structure also supports the need for a Chief Information Officer as well as a Chief Technology Officer. These positions reflect the growing concern over data security and importance for information technology within business and strategic management. Keeping information safe and reliably available is viable to any company, and Regal will be able to ensure that is the case for the future with these proposed positions.

Competitive Profile Matrix

The competitive profile matrix (CPM) is what strategists use to identify major competitors of a firm within a particular industry. The CPM here uses our firm's strengths and weaknesses and compares them to other firms' strategic positions. The CPM uses weights to help identify the importance of an industry's aspects. According to Yahoo Finance, AMC and Cinemark are Regal's two major competitors in the movie industry. As you can see below, ten critical success factors were evaluated and analyzed to score all three companies according to these factors. Regal Entertainment scored at the top of the list in six (6) of the twelve (12) categories, specifically advertising, store locations and proximity, guest service, customer loyalty, market share, and movie experience. Areas that Regal fell short compared to its competitors includes: exploring markets and ticket price competitiveness. Interestingly enough, Regal understands that their ticker prices are a bit higher than other major theatres due to their increases services to their customers including concessions and improved luxury seating. Regal will need to plan to explore markets which are currently booming rather than focusing all of their efforts on the mature US market.

		Regal		AMC		Cinemark	
Critical Success Factors	**Weight**	**Rating**	**Score**	**Rating**	**Score**	**Rating**	**Score**
Advertising	0.03	4	0.12	3	0.09	2	0.06
Exploring Markets	0.08	2	0.16	3	0.24	4	0.32
Guest Service	0.10	4	0.40	2	0.20	3	0.30
Store Locations and Proximity	0.08	4	0.32	3	0.24	2	0.16
Digital and 3-D Screen Technology	0.10	3	0.30	2	0.20	4	0.40
Employee Dedication	0.05	2	0.10	3	0.15	1	0.05
Financial Profit	0.15	2	0.30	3	0.45	1	0.15
Customer Loyalty	0.08	4	0.32	2	0.16	3	0.24
Market Share	0.08	4	0.32	3	0.24	2	0.16
Movie Experience	0.10	4	0.40	2	0.20	3	0.30
Senior Management	0.05	3	0.15	2	0.10	4	0.20
Ticket Price Competitiveness	0.10	2	0.20	3	0.30	4	0.40
Totals	**1.00**		**3.09**		**2.57**		**2.74**

Internal Assessment

Internal Factor Evaluation (IFE)

The internal factor evaluation (IFE) used below is a strategy tool which helps to summarize the strengths and weaknesses of a company providing a basis for identifying relationships among the most functional areas of the industry. Requiring some intuitive judgements to complete, an IFE matrix uses weights and ratings to identify a weighted score for the particular company. The IFE illustrates ten (10) strengths and ten (10) weaknesses in the functional areas of Regal's business. Regal Entertainment describes their major competitive strengths within the industry as "superior management drives strong operating margins, proven acquisition and integration expertise, and a quality theatre portfolio" (sec.gov). Many of Regal's weaknesses came from their annual 10-K report within the financials section. According to Statistica.com, Regal Entertainment revenues have not returned back to 2007 levels as of 2015. Furthermore, another weakness in Regal is that a majority of employees do not have any equity in the company, are part time, and that has not allowed employee satisfaction to reach very high levels.

Strengths

	Strengths	Weight	Rating	Weighted Score
1	Industry leading and largest domestic motion picture exhibitor operating 7,367 screens in 574 theatres in 42 states.	0.20	4	0.80
2	Regal operates in 46 of the top 50 U.S. designated market areas	0.18	4	0.72
3	As of January 1, 2015, Regal had 86 IMAX and 86 RPX theatres in the United States	0.15	3	0.45
5	Regal Entertainment Group makes up about 20% of the total North American Box Office	0.10	4	0.40
5	As of January 1, 2015, approximately 79% of theatres had 10 or more screens.	0.10	3	0.30
6	Regal theatres have an average 12.8 screens per location which is above the North American industry average.	0.07	3	0.21
7	As of January 1, 2015, Regal had 78% of their North American locations with stadium style seating.	0.05	4	0.20
8	Regal offers luxury reclining seating in 336 auditoriums at 32 select locations in North America.	0.05	4	0.20
9	Frequent Moviegoer Loyalty Program called Regal Crown Club - 13 million active members as of January 1, 2015	0.05	3	0.15
10	42% of Regal locations have premium amenity offerings, such as Expanded Food and Beverage Offerings in 185 locations	0.05	4	0.20

Weaknesses

	Weaknesses	Weight	Rating	Weighted Score
1	As of 2014, Regal Entertainment Return on Equity (ROE) was -13.68%	0.15	2	0.30
2	As of 2014, Regal Entertainment debt to equity ratio was -2.53	0.15	2	0.30
3	Regal Entertainment is only located in 42 US states and 3 US territories.	0.15	2	0.30
4	Regal total revenues decreased from $3,038 million to $2,990 million in 2014.	0.12	2	0.24
5	A large portion of employees are part time who are paid slightly above the minimum wage.	0.10	1	0.10
6	Earnings (EBITDA) decreased in 2014 from $606 million to $512 million.	0.10	2	0.20
7	In 2014, the number of Regal screens decreased from 7,394 to 7,367.	0.08	1	0.08
8	Regal is a holding company dependent on subsidiaries for ability to service debt and pay dividends.	0.05	1	0.05
9	Income from operations decreased in 2014 from $340 million to $306 million.	0.05	2	0.10
10	Long term debt increased from $2,187 million to $2,239 million	0.05	2	0.10
	Total IFE Score	**2.00**	**0**	**5.40**

External Assessment

In this section, using current financials, the value of Regal is examined more closely taking other factors into account, compared to Regal's largest competitor, AMC Entertainment. By using the current financials from Regal's form 10-K, the current income statement and balance sheets were able to be prepared. By using these current financial statements, a chart of historical ratios were able to be produced as shown below. These ratios include the return on equity (ROE) as well as the debt to equity ratio.

Company Value

Regal Entertainment Group	
Stockholders' Equity - (Goodwill + Intangibles)	($1,272)
Net Income x 5	($106)
(Share Price/EPS) x Net Income	$2,760,572,767
Number of Shares Outstanding x Share Price	$2,760,572,767
Method Average	**$1,380,286,039**

AMC Entertainment Holdings, Inc.	
Stockholders' Equity - (Goodwill + Intangibles)	($1,002,583)
Net Income x 5	$320,400
(Share Price/EPS) x Net Income	$1,666,080
Number of Shares Outstanding x Share Price	$2,535,156
Method Average	**$879,763**

Current Financial Statements and Ratios

Income Statement	12/31/2014	12/31/2015		Percent Change
Revenues	$3,038	$2,990	-1	-1.58%
Cost of Goods Sold	2,698	2,684	-1	-0.52%
Gross Profit	340	306	-1	-10.00%
Operating Expenses	75	128	1	70.67%
EBIT	265	178	-1	-32.83%
Interest Expense	141	126	-1	-10.64%
EBT	124	52	-1	-58.06%
Tax	107	73	-1	-31.40%
Non-Recurring Events	0	0	#DIV/0!	#DIV/0!
Net Income	17	(21)	-1	-225.88%

Balance Sheet	12/31/2014	12/31/2015		Percent Change
Assets				
Cash and Equivalents	$281	$147	-1	-48%
Accounts Receivable	123	126	1	2%
Inventory	19	18	-1	-6%
Other Current Assets	42	50	1	19%
Total Current Assets	465	341	-1	-27%
Property Plant & Equipment	1,510	1,459	-1	-3%
Goodwill	320	320	0	0%
Intangibles	58	54	-1	-7%
Other Long-Term Assets	352	365	1	4%
Total Assets	2,705	2,539	-1	-6%
Liabilities				
Accounts Payable	170	166	-1	-3%
Other Current Liabilities	336	311	-1	-7%
Total Current Liabilities	506	477	-1	-6%
Long-Term Debt	2,188	2,239	1	2%
Other Long-Term Liabilities	730	721	-1	-1%
Total Liabilities	3,424	3,437	1	0%
Equity				
Common Stock	0	0	0	0%
Retained Earnings	72	48	-1	-33%
Treasury Stock	(0)	(0)	0	0%
Paid in Capital & Other	(791)	(946)	1	20%
Total Equity	(719)	(898)	1	25%
Total Liabilities and Equity	**2,705**	**2,539**	-1	-6%

	Historical Ratios		
	12/31/2014		12/31/2015
Current Ratio	0.92		0.71
Quick Ratio	0.20		0.14
Debt-to-Total-Assets Ratio	1.27		1.35
Debt-to-Equity Ratio	-4.76		-3.83
Times-Interest-Earned Ratio	2		1
Inventory Turnover	159.89		167.98
Fixed Assets Turnover	2.01		2.05
Total Assets Turnover	1.12		1.18

Accounts Receivable Turnover	25		24
Average Collection Period	14.78		15.38
Gross Profit Margin %	11%		10%
Operating Profit Margin %	9%		6%
ROA %	1%		-1%
ROE %	-2%		2%

External Factor Evaluation (EFE)

The external factor evaluation allows strategists to summarize and evaluate economic, social, cultural, demographic, environmental, political, governmental, legal, and technological information by focusing on opportunities and threats of an organization. The external factor evaluation includes the opportunities and threats for Regal Entertainment. Opportunities for Regal include growing the business through expansions internationally as well as improving the existing theatres in the United States and abroad.

Disposable income is a very important opportunity of which Regal Entertainment should take advantage. According to IBISWorld Business Environmental Report from March 2016, the United States per capita disposable income has returned from low 2012 levels to become less volatile since early. Disposable income has made a rebound in the US marketplace, and according to a chart from IBISWorld's most recent report, there seems to be steady levels of income forecasted until 2021 (IBISWorld). This is an important factor which is necessary to understand to be able to make informed future financial decisions for our company.

There are also threats that plague Regal Entertainment revenues that include video streaming, more accessible online movies, increasing prices, and cyber security. The highest weighted scores for threats to Regal include online streaming of movies, and admissions have decreased over 6% in the last three (3) years.

Opportunities

	Opportunities	Weight	Rating	Weighted Score
1	The top growing markets in box office dollars in the world are Asia Pacific ($12.4 billion) and Chinese ($4.8 billion), both grew at 12% and 34% respectively in 2014.	0.30	4	1.2
2	Last year, disposable income in the United States increased by 3% to $13.6 trillion.	0.20	4	0.8
3	The number of digital screens internationally grew by 16.4% in 2014 to 86,171	0.15	4	0.6
4	The value of entertainment and media in the United States is expected to increase steadily from 2015 to 2019 approximately 22% to $723.4 billion.	0.10	4	0.4
5	In 2014, 86% of US and Canadian box offices used non-3D theatres. $8.94 billion are being spent on non-3D movies.	0.08	3	0.24

6	International box office market made up for 72% of the global box office in 2014 ($26 billion).	0.05	3	0.15
7	Three of the top six films in 2014 in the US and Canada were distributed by Disney. 14 of the top 25 films in 2014 were rated PG-13.	0.03	2	0.06
8	In 2014, 21% of Asia Pacific used analog screens versus 4% in the US and Canada.	0.03	2	0.06
9	A movie theatre experience provides the most affordable entertainment, less than $40 per family of four.	0.03	2	0.06
10	As of 2014, 50% of Regal Theatres in the United States feature premium amenities.	0.03	2	0.06

Threats

	Threats	Weight	Rating	Weighted Score
1	By 2019, 80% of the world's internet traffic will be video streaming.	0.25	4	1.00
2	US and Canadian admissions have decreased by 6.6% since 2012.	0.20	4	0.80
3	Admissions (1.27 billion) and average ticket sold per person (3.7) both declined by 6% in 2014.	0.15	4	0.60
4	73% of adult moviegoers own at least 4 types of technologies, increasing their availability to other forms of entertainment.	0.10	3	0.30
5	Frequent moviegoers, who attend the movies at least 12 times per year drive the movie industry in the US and Canada at 51%.	0.05	3	0.15
6	The Motion Picture Association of America (MPAA) says piracy costs $20.5 billion annually in the US.	0.05	3	0.15
7	Since 2012, the number of frequent moviegoers between the ages of 25 and 39 has decreased from $9.9 million in 2012 to $8.2 million in 2013 to $7.1 million in 2014.	0.05	2	0.10
8	Global Cybersecurity spending as an industry spends more than $50 million annually, rising 10% annually.	0.05	2	0.10
9	In 2014, the number of broadband connections increased 12% to 323 million connections.	0.05	2	0.10
10	Video streaming services are now used by more than 42% of American households has overtaken live TV as the viewing method of choice in the US.	0.05	2	0.10
	Total EFE Score	**2.00**	**0**	**7.03**

Strategy Formulation

SWOT Analysis

The SWOT analysis is made up of strengths, weaknesses, opportunities, and threats which is an important matching tool that allows managers to develop four types of strategies which can be found below. The four strategies include: strengths-opportunities (SO) strategies, strengths-threats (ST) strategies, weaknesses-opportunities (WO) strategies, and weaknesses-threats (WT) strategies. The SO strategies include new offers as well as continuing to expand in the markets that are already saturated for

Regal Entertainment. Technology is also an important aspect of these strategies. The WO strategies offer what can be for Regal, specifically expanding internationally as well as closing unproductive theatres. The ST strategies include those which are strengths that defend against the threats including increasing luxury within the theatres and reducing legal risks within the organization. The WT strategies are those which apply action to those recommendations that help Regal compete with new streaming services by revitalizing Regal's website and then by driving traffic to that website.

Strength-Opportunity (SO) Strategy

SO Strategies	
1	Offer monthly "Crown pass" allowing unlimited weekday movie entrance to select theatres (S1, S2, S9, O2, O4, O9).
2	Offer half priced kids candies for select candies to increase sales (S10, O7, O10).
3	Expand to the other 4 out of 50 US designated market areas (S2, S5, O2, O4).
4	Continue to convert theatres digital technology rather than analog for added value and experience (S1, S3, S6, T1, T2, T10).

Weakness-Opportunity (WO) Strategy

WO Strategies	
1	Open 5 Latin American locations in Brazil, Argentina, Colombia, Peru and Chile (W1,W3, W9, O3, O6).
2	Establish 10 new theatres in the Asia Pacific Market in China (W3, W6, O1, O8).
3	Close 5 least productive theatres in the US (W2, W6, W8, W9, W10, O1, O6, O10).
4	Integrate healthier concession choices to cater to younger and healthier moviegoers (W4, W9, O2, O4, O7, O9).

Strength-Threat (ST) Strategy

ST Strategies	
1	Increase number of theatres that offer luxury reclining seating from 32 to 50 (S5, S9, T1, T3, T7).
2	Reduce legal employee risk by investing into Data Security and Privacy Training (S1, T4, T6, T8).
3	Add more theatres with IMAX and RPX technology for added value (S1, S3, S6, T1, T2, T10).
4	Offer half priced food and offer kid friendly snacks to cater to younger movies (S10, T2, T7).

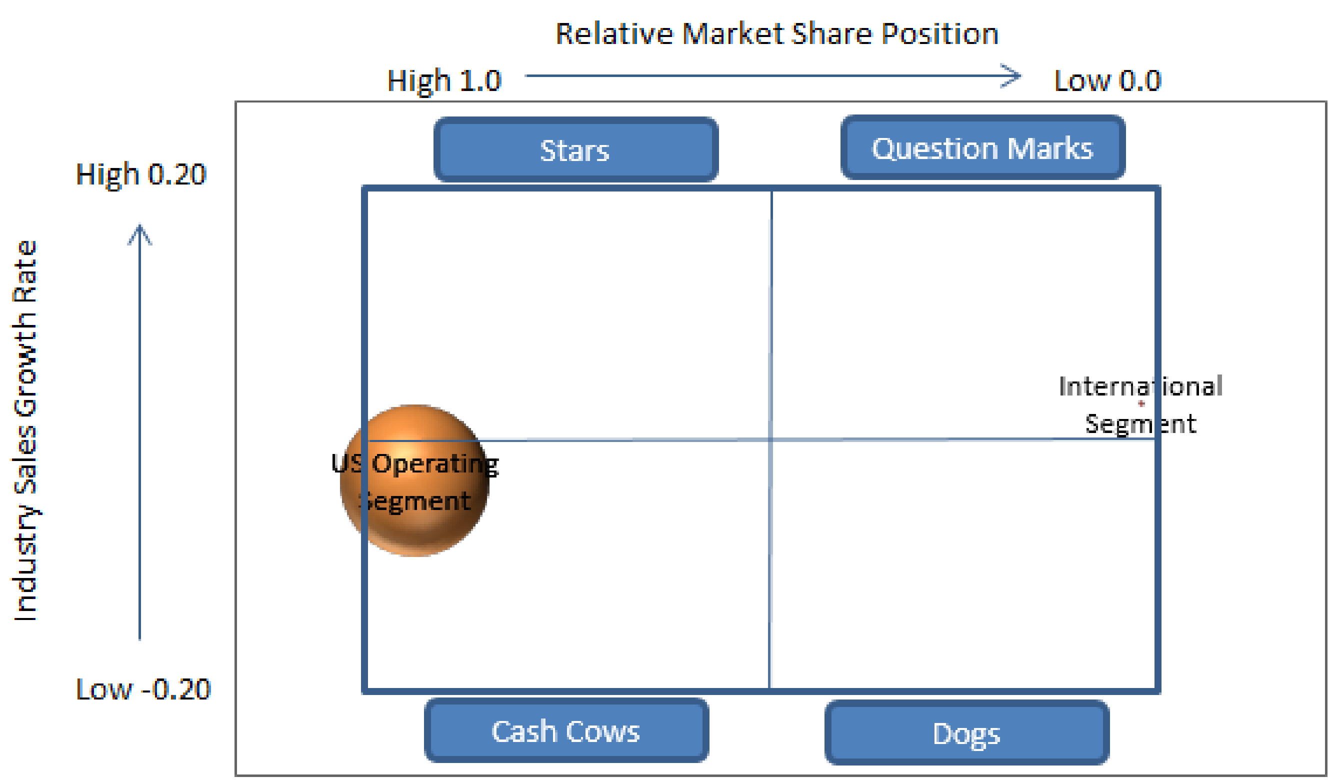
Weakness-Threat (WT) Strategy

WT Strategies	
1	Make website more interactive to include streaming of movie trailers to increase traffic (W7, T1, T4, T9, T10).

2	Continue upgrading theatres to include full luxury experience allowing for the higher ticket prices (W1, W9, T3, T4, T5, T9).
3	Continue to develop the movie theatre experience to help differentiate it from online streaming (W7, T1, T4, T7, T9, T10).
4	Implement no-cost training programs and videos to reduce turnover and part time employees (W5, W6, T7).

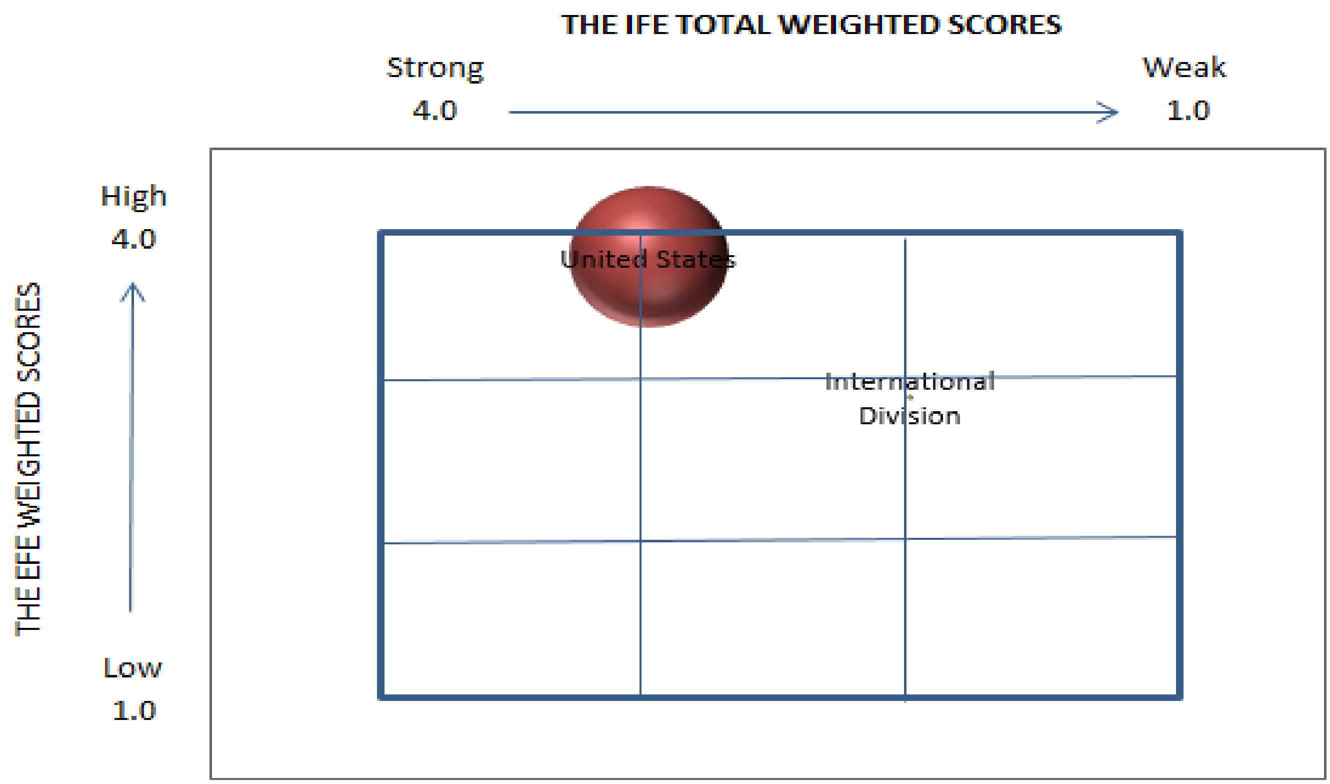
Boston Consulting Group (BCG) Matrix

Below is the BCG matrix for Regal Entertainment and it is designed specifically to enhance a multidivisional firm's efforts to formulate strategies. Unfortunately, the relative market share of the company's international sector is so small it is almost insignificant when compared to the United States market share. This illustrates exactly how mature the US market is and how saturated it is with Regal Entertainment theatres. This is important as this perfectly illustrates Regal Entertainment's need to expand and the opportunity that is there for the company.

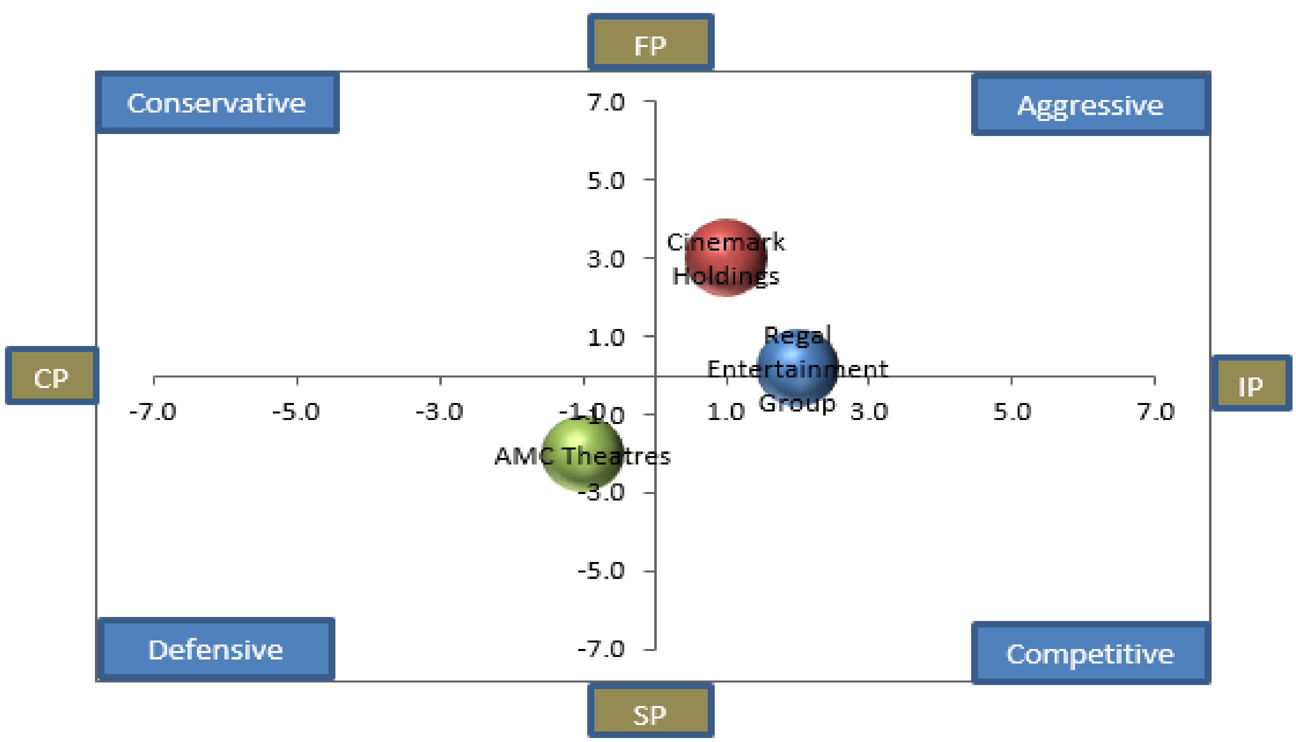


Internal-External (IE) Matrix

The internal-external (IE) matrix found below for Regal Entertainment helps to position an organization's divisions or market segments in an easy to read display. The IE matrix is developed using the EFE and IFE matrices using the company's strengths, weaknesses, opportunities, and threats as its foundation. As before, the international division of Regal Entertainment is just beginning to expand, and therefore is currently weaker than the United States division which is much more mature as a market segment.



Strategic Position and Action Evaluation

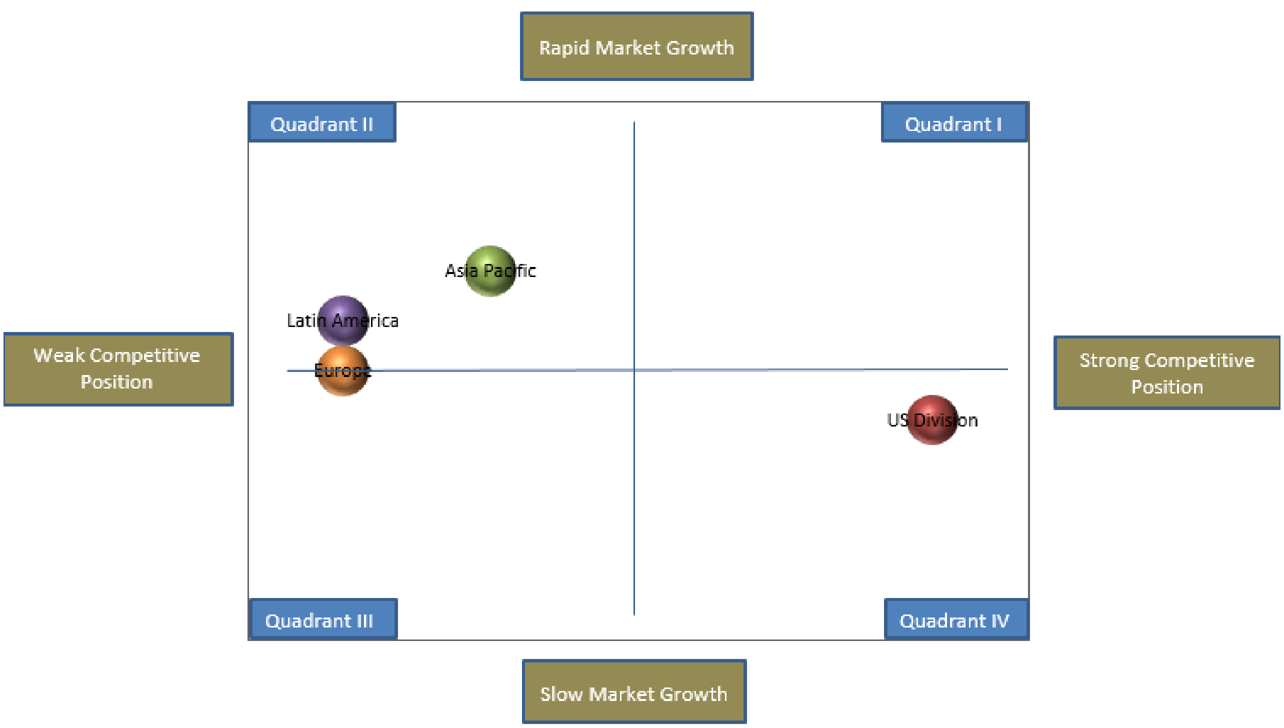


Internal Analysis:		*External Analysis:*	
Financial Position (FP)		**Stability Position (SP)**	
Return on Investment (ROI)	4	Rate of Inflation	-3
Return on Equity (ROE)	3	Technological Changes	-3
Liquidity	2	Price Elasticity of Demand	-4
Debt to Equity	4	Competitive Pressure	-3
Cash Flow	3	Barriers to Entry into Market	-2
Financial Position (FP) Average	**3.2**	**Stability Position (SP) Average**	**-3.0**

Internal Analysis:		*External Analysis:*	
Competitive Position (CP)		**Industry Position (IP)**	
Market Share	-3	Growth Potential	6
Product Quality	-1	Financial Stability	5
Customer Loyalty	-3	Ease of Entry into Market	4
Technological know-how	-2	Resource Utilization	4
Control over Suppliers and Distributors	-5	Profit Potential	5
Competitive Position (CP) Average	**-2.8**	**Industry Position (IP) Average**	**4.8**

GRAND Strategy Matrix

The Grand strategy matrix has become very popular recently in being useful as a tool to formulate alternative strategic management strategies. This matrix shows the firm in four quadrants usually separated by way of division. The Grand strategy matrix is able to compare various market segments in market growth versus the positioning of the firm.



Quantitative Strategic Planning Matrix (QSPM)

Stage one of the strategy formulation analytical framework is made up of the external factor evaluation (EFE), internal factor evaluation (IFE), and the competitive profile matrix (CPM). Stage two includes the SWOT matrix, SPACE matrix, Boston Consulting Group (BCG matrix, the grand strategy matrix, as well as the internal-external matrix. This quantitative strategic planning (QSPM) matrix uses input information from stage one to objectively evaluate feasible alternative strategies in stage two. As can be seen from the figures below, the weighted score for establishing ten (10) new theatres to the Asia Pacific market in China is 4.94 and the weighted score of closing the 5 least productive theatres in the United States is 4.85.

			Establish 10 new theatres in the Asia Pacific Market in China.		Close 5 least productive theatres in the US.	
	Strengths	**Weight**	**AS**	**TAS**	**AS**	**TAS**
1	Industry leading and largest domestic motion picture exhibitor operating 7,367 screens in 574 theatres in 42 states.	0.20	2	0.40	1	0.20
2	Regal operates in 46 of the top 50 U.S. designated market areas	0.18	2	0.36	3	0.54
3	As of January 1, 2015, Regal had 86 IMAX and 86 RPX theatres in the United States	0.15	0	0.00	0	0.00
4	Regal Entertainment Group makes up about 20% of the total North American Box Office	0.10	3	0.30	2	0.20
5	As of January 1, 2015, approximately 79% of theatres had 10 or more screens.	0.10	0	0.00	0	0.00
6	Regal theatres have an average 12.8 screens per location which is above the North American industry average.	0.07	0	0.00	0	0.00
7	As of January 1, 2015, Regal had 78% of their North American locations with stadium style seating.	0.05	0	0.00	0	0.00
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9	Frequent Moviegoer Loyalty Program called Regal Crown Club - 13 million active members as of January 1, 2015	0.05	0	0.00	0	0.00
10	42% of Regal locations have premium amenity offerings, such as Expanded Food and Beverage Offerings in 185 locations	0.05	0	0.00	0	0.00

			Establish 10 new theatres in the Asia Pacific Market in China.		Close 10 least productive theatres in the US.	
	Weaknesses	**Weight**	**AS**	**TAS**	**AS**	**TAS**
1	As of 2014, Regal Entertainment Return on Equity (ROE) was -13.68%	0.15	4	0.60	3	0.45
2	As of 2014, Regal Entertainment debt to equity ratio was -2.53	0.15	1	0.15	4	0.60

3	Regal Entertainment is only located in 42 US states and 3 US territories.	0.15	4	0.60	2	0.30
4	Regal total revenues decreased from $3,038 million to $2,990 million in 2014.	0.12	4	0.48	3	0.36
5	A large portion of employees are part time who are paid slightly above the minimum wage.	0.10	0	0.00	0	0.00
6	Earnings (EBITDA) decreased in 2014 from $606 million to $512 million.	0.10	3	0.30	4	0.40
7	In 2014, the number of Regal screens decreased from 7,394 to 7,367.	0.08	0	0.00	0	0.00
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9	Income from operations decreased in 2014 from $340 million to $306 million.	0.05	2	0.10	3	0.15
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			Establish 10 new theatres in the Asia Pacific Market in China.		Close 10 least productive theatres in the US.	
	Opportunities	**Weight**	**AS**	**TAS**	**AS**	**TAS**
1	The top growing markets in box office dollars in the world are Asia Pacific ($12.4 billion) and Chinese ($4.8 billion), both grew at 12% and 34% respectively in 2014.	0.30	4	1.20	2	0.60
2	Last year, disposable income in the United States increased by 3% to $13.6 trillion.	0.20	0	0.00	0	0.00
3	The number of digital screens internationally grew by 16.4% in 2014 to 86,171	0.15	4	0.60	2	0.30
4	The value of entertainment and media in the United States is expected to increase steadily from 2015 to 2019 approximately 22% to $723.4 billion.	0.10	0	0.00	0	0.00
5	In 2014, 86% of US and Canadian box offices used non-3D theatres. $8.94 billion are being spent on non-3D movies.	0.08	0	0.00	0	0.00
6	International box office market made up for 72% of the global box office in 2014 ($26 billion).	0.05	4	0.20	3	0.15
7	Three of the top six films in 2014 in the US and Canada were distributed by Disney. 14 of the top 25 films in 2014 were rated PG-13.	0.03	0	0.00	0	0.00
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9	A movie theatre experience provides the most affordable entertainment, less than $40 per family of four.	0.03	0	0.00	0	0.00
10	As of 2014, 50% of Regal Theatres in the United States feature premium amenities.	0.03	0	0.00	0	0.00

	Threats	Weight	Establish 10 new theatres in the Asia Pacific Market in China. AS	TAS	Close 10 least productive theatres in the US. AS	TAS
1	By 2019, 80% of the world's internet traffic will be video streaming.	0.25	0	0.00	0	0.00
2	US and Canadian admissions have decreased by 6.6% since 2012.	0.20	1	0.20	3	0.60
3	Admissions (1.27 billion) and average ticket sold per person (3.7) both declined by 6% in 2014.	0.15	0	0.00	0	0.00
4	73% of adult moviegoers own at least 4 types of technologies, increasing their availability to other forms of entertainment.	0.10	0	0.00	0	0.00
5	Frequent moviegoers, who attend the movies at least 12 times per year drive the movie industry in the US and Canada at 51%.	0.05	1	0.05	2	0.10
6	The Motion Picture Association of America (MPAA) says piracy costs $20.5 billion annually in the US.	0.05	0	0.00	0	0.00
7	Since 2012, the number of frequent moviegoers between the ages of 25 and 39 has decreased from $9.9 million in 2012 to $8.2 million in 2013 to $7.1 million in 2014.	0.05	0	0.00	0	0.00
8	Global Cybersecurity spending as an industry spends more than $50 million annually, rising 10% annually.	0.05	0	0.00	0	0.00
9	In 2014, the number of broadband connections increased 12% to 323 million connections.	0.05	0	0.00	0	0.00
10	Video streaming services are now used by more than 42% of American households has overtaken live TV as the viewing method of choice in the US.	0.05	0	0.00	0	0.00
	TOTALS			**4.94**		**4.85**

Recommendations

Below is a chart illustrating the top recommendations for Regal Entertainment along with the coordinating costs in millions of dollars. Some of these recommendations add benefit with very little investment, while others are more strategic in nature and require more capital to achieve the return. This three year strategic plan for Regal Entertainment is one that will require the following recommendations to be executed and paid for through debt and equity. Before the financing is illustrated in the financial analysis later, the recommendations with costs are below.

No.	Recommendation	3 Year Cost (in millions)
1	Enter into and open theatres in five (5) locations in Brazil, Argentina, Colombia, Peru, and Chile.	**$9,911**
2	Expand to the other four (4) out of the fifty (50) US designated market areas by establishing a theatre in each of these areas.	**$7,929**
3	Establish ten (10) new theatres in the Asia Pacific Market in China.	**$19,822**
4	Close the five (5) least productive theatres in the United States	**$30**
5	Increase the number of theatres that offer luxury reclining seating from thirty-two (32) to fifty (50) locations.	**$600**
6	Reduce legal employee risk by investing into data security and privacy training	**$0.3**
7	Implement no-cost training programs and videos to help reduce turnover and part time employees	**$1.4**
8	Develop website to be more interactive to include streaming of movie trailers to increase web traffic.	**$17.2**
9	Hire a new Chief Technology Officer and Chief Information Officer	**$0.3**
10	Offer monthly "Crown Pass" allowing unlimited weekday movie entrance to select theatres for a specific monthly price.	**$850**
	TOTAL	**$39,161**

Below each of these recommendations will be analyzed one by one to understand the benefit involved, the origin of the research, and how much each of them costs. According to movie theatre models from RSMeans.com, it costs $1,982 million to build a movie theatre with about 12,000 square feet. There is nothing to be found that suggests that the cost to build would be different from Latin America to Asia, therefore we will assume they have the same construction costs. Therefore, this is how we determine the $9,911 million for the five locations in Latin America as well as the $19,822 million it will cost in the Asian market for expansion purposes.

According to the SEC.com, a government website, and KFF.com, a Kaiser Family Foundation website, the US population for ages 0-18 is highest in states: 1) Utah 2) Idaho and 3) Alaska. Similarly, for US states which have persons aged 65 and over, leading those states in highest population include: 1) Maine 2) Florida and 3) Oregon. According to MPAA.org's theatrical market statistics from 2014, these two particular age ranges have the fewest movie goers per capita of any of the age groups. This means that if Regal Entertainment is going to close any movie theatres, then Regal would be most likely to choose those five least productive theatres to close in these particular states, according to population statistics.

As of January 1, 2015, Regal Entertainment employed approximately 23,168 employees. Based on knowing this number, and having a quote from Truvincio, a leader in North American data security training, we are able to accurately predict the cost for data security and compliance training for all Regal employees. At $12 per seat to train, and 23,168 employees, the total cost of the training would be $278,016. This is equivalent to $0.28 million within the recommendations. Based on people-trak.com, large corporations can expect to pay up to $60 per person for personalized training to help reduce turnover within business. For every employee, this would be a $1.4 million cost to Regal Entertainment in order to do the most to reduce turnover within the company. According to Cinemablend.com, Regal Entertainment's direct competitor, AMC Entertainment recently spent over $600 million to renovate and revitalize almost 1,800 auditoriums with luxury reclining seating. Regal averages approximately 12 auditoriums per theatre, and therefore this would mean that to improve and renovate the rest of their planned theatres within their portfolio will cost Regal approximately $600 million.

Today, Netflix has over 40 million subscribers and that number is only going to grow and accelerate. According to webtegrity.com, experts in website design for business solutions, approximately every 14 hours of website design, banners inclusion, editing, programming, and entire project management costs approximately $25,000 for multimillion dollar company website designs. Regal will want to add video capability as well as unlimited bandwidth and personalize each of the 574 theatres. This will bring the subtotal to approximately $30,000 per location. For 574 locations, this would mean $17.2 million in website redesign to be able to compete with YouTube and Redbox in streaming and availability.

According to bizjournals.com, AMC recently closed less productive movie theatres in the United States, and their costs added to around $60 million for closing 10 theatres. If we extrapolate these costs, then that would mean the cost per movie theatre close would be about $6 million including breaking leases and other related expenses. If Regal closes five (5) theatres, then that closing cost total would be $30 million.

EPS/EBIT Analysis

For the Regal Entertainment recommendations, the total dollar with debt and equity financing would be $19,580 million which would be spread out over the next three years. Regal Entertainment is under substantial lease and debt obligations currently which leaves little debt to be used to finance any upcoming strategies. Similarly, Cash and cash equivalents have not been extraordinary for Regal. Therefore, it makes more sense to split the financing of 50% debt and 50% equity while keeping the total amount of investment relatively low for monetary risk reasons.

$ Amount of Capital Needed	**$19,580**
EBIT Range	**$513 - $606**
Interest Rate	**4%**
Tax Rate	**15%**
Stock Price	**$20.84**
Shares Outstanding	**132,465,104**

	Common Stock Financing			-	Debt Financing		
	Recession	***Normal***	***Boom***	-	***Recession***	***Normal***	***Boom***
EBIT	$513	$560	$606		$513	$560	$606
Interest	0	0	0		2	2	2
EBT	513	560	606		511	558	604
Taxes	77	84	91		77	84	91
EAT	436	476	515		435	475	514

# Shares	132,465,106	132,465,106	132,465,106		132,465,104	132,465,104	132,465,104
EPS	**$0.00**	**$0.00**	**$0.00**		**$0.00**	**$0.00**	**$0.00**

Stock	50%	Debt	50%
	Recession	***Normal***	***Boom***
EBIT	$513	$560	$606
Interest	1	1	1
EBT	512	559	605
Taxes	77	84	91
EAT	435	475	514
# Shares	132,465,105	132,465,105	132,465,105
EPS	**$0.00**	**$0.00**	**$0.00**

Pro Forma Financial Statements and Ratios

Projected Income Statement	12/31/2015	12/31/2017	12/31/2018
Revenues	$3,349	$3,684	$3,978
Cost of Goods Sold	268	184	199
Gross Profit	3,081	3,499	3,779
Operating Expenses	268	184	199
EBIT	2,813	3,315	3,581
Interest Expense	256	397	549
EBT	2,557	2,918	3,032
Tax	384	438	455
Non-Recurring Events	0	0	0
Net Income	2,173	2,481	2,577

Projected Balance Sheet	12/31/2015	12/31/2017	12/31/2018
Assets			
Cash and Equivalents	($25)	($2)	$29
Accounts Receivable	248	357	452
Inventory	1,997	4,026	6,074
Other Current Assets	50	50	50
Total Current Assets	2,270	4,431	6,605
Property Plant & Equipment	4,102	6,745	9,388
Goodwill	695	1,145	1,670
Intangibles	89	139	214

Other Long-Term Assets	383	402	422
Total Assets	7,539	12,862	18,299
Liabilities			
Accounts Payable	349	549	766
Other Current Liabilities	311	311	311
Total Current Liabilities	660	860	1,077
Long-Term Debt	4,882	7,525	10,168
Other Long-Term Liabilities	721	721	721
Total Liabilities	6,263	9,106	11,966
Equity			
Common Stock	0	0	0
Retained Earnings	2,222	4,702	7,279
Treasury Stock	(0)	(0)	(0)
Paid in Capital & Other	(946)	(946)	(946)
Total Equity	1,276	3,756	6,333
Total Liabilities and Equity	**7,539**	**12,862**	**18,299**

Projected Ratios					
	12/31/2015		12/31/2017		12/31/2018
Current Ratio	3.44		5.15		6.13
Quick Ratio	0.41		0.47		0.49
Debt-to-Total-Assets Ratio	0.83		0.71		0.65
Debt-to-Equity Ratio	4.91		2.42		1.89
Times-Interest-Earned Ratio	11		8		7
Inventory Turnover	1.68		0.92		0.66
Fixed Assets Turnover	0.82		0.55		0.42
Total Assets Turnover	0.44		0.29		0.22
Accounts Receivable Turnover	14		10		9
Average Collection Period	27.03		35.37		41.47
Gross Profit Margin %	92%		95%		95%
Operating Profit Margin %	84%		90%		90%
ROA %	29%		19%		14%
ROE %	170%		66%		41%

Notes for Projected Income Statement:

1) Revenues- A 12% increase for the first year due to risk mitigation, crown pass sales, and completion of luxury seating upgrades. Then 10% and 8% thereafter year over year.

2) COGS/Operating Expenses - I would suggest there be an 8% increase due to the expansion in other markets, establishing new theatres, and shutting down poor performing theatres will cost money as well. Hiring new vice presidents and chief officers will not be inexpensive either.

3) Interest Expense - 4% interest rate on $2,241.9 million in debt = $89.7 million

4) Tax Rate- even though I anticipate a 12% increase in revenues, I expect very little change in tax rates considering the 50-50 split of debt versus equity.

Notes for Projected Balance Sheet:

1) Dividends – Regal was paying a dividend, but will not increase their dividend over the next three years.

2) Paid in Capital & Other – I am predicting no increase in paid in capital because there was no adjustment to treasury stock.

3) Treasury stock - I expect no change at all

4) Common stock – I expect no change at all

5) Other long-term liabilities – No change in other long term liabilities.

6) Long Term Debt - $6,527 million is for the new property expansions and establishing new theatres, which totaled $19,580 million over three years.

7) Other Current-Liabilities – No additional liabilities

8) Accounts Payable – I forecast an increase of 10% in accounts payable due to increased sales volume domestically and abroad year over year.

9) Other long-term assets – Forecasted to increase by 5% due to the increased number of theatres

10) Intangibles - Increase by 10% due to the upgrade of Regal Entertainment's website functionality as well as the experience within the theatres.

11) Goodwill- Increase by 20% due to the luxury seating, differentiated concessions offering, and increasing movie experience reach throughout the world.

12) Property, Plant, & Equipment- Increase of $7,275 for the additional properties around the world and in the United States. This is the total $19,580 million divided by three.

13) Other Current Assets – No other current assets

14) Inventory- Decrease by 5% due to the new theatres that were added

15) Accounts Receivables – There is a growing concern that there is too much cash outstanding. Therefore, we will need to decrease this amount by 10% so that we can use the cash to help pay off some of our debt obligations

16) The Cash & Cash Equivalents – Forecasted to increase over time as the recommendations should be adding dollars back as profit to Regal.

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Appendix 1: Truvincio Proposal

<u>Truvincio Proposal for Data Security and Compliance Solutions</u>

It is hard to open any news source and not see something about data or cyber security and how it is negatively impacting a company, a marketplace, the government or our country as a whole. The problem seems to be spiraling out of control with no sign of getting better. Every business, regardless of industry is now a target. While many people think that the problem is limited to credit cards and personal information, the truth is that it is far larger. Any piece of information that you have can be of value to someone else, from trade secrets and intellectual property to bid specifications, all of it can be used against you if it gets out.

While this may seem disheartening and cause paralysis in businesses as even if they want to do something, they are left not knowing what to do, the answer doesn't have to be that difficult or that expensive. This is where Truvincio can help.

The Issues

Data security and privacy, collectively referred to today as cybersecurity, is an issue that every organization must address in the near future if it wishes to have any chance to survive. Because of the pervasive use of information and technology, the issues associated with cybersecurity are far-reaching and exist within every facet of an organization and how it does business. Additionally, the fact that in order for information to be of use it must be made available, the number of people who have access to sensitive information is often surprising to organizations. Even further, this information may be available to individuals who may seem to have no reasonable need for it, but who may be able to access it inadvertently. This includes, but is not limited to cleaning crews, construction or painting crews, plant workers and many more. This also includes many individuals who do not actually work for the organization, but are directly or indirectly contracted to provide services to the organization. In other words, a traditional approach to addressing who has access to information is not only out of date, it is dangerously misleading. The proof of this fact is that the root cause of more than 80% of all data breaches is employee error. And 40-50% of all data losses are the result of the actions of third party service providers.

The legal requirements to protect information are all around you, and most people don't think about it or understand it until it is too late. It isn't just industry specific laws like HIPAA and Gramm Leach Bliley or industry standards such as PCI. Virtually every state has laws that require the protection of data and notification in the event of a breach or loss. Additionally, virtually every contract a company has includes specific requirements to take reasonable efforts to protect any sensitive information. Your insurance policies require similar precautions in order to be valid. Even your bank accounts require due diligence regarding data protection. In short, the requirements are everywhere you look. You've seen them a thousand times, but probably never even thought about what they really meant.

When most people think about cyber security, they immediately think of technology. The problem is that the primary problem is not the technology, but how that technology is used. If you were to compare a company that has relatively poor technology, but makes excellent use of it with a company that has cutting edge technology, but makes poor use of it, the better result will almost always be that of the former organization. There are several good examples of this. The Sony breach of 2014 was initiated by nearly 100 computers that had no or poor passwords. This is by no means a unique example, but it is a clear case to take note of. One reason that many people focus on the high tech nature of many attacks is that from a public perception, they do not wish to admit that they failed to take many of the basic precautions that they should have.

This is not to say that there aren't some serious technology issues to address, but according to James Lyne is his 2013 TED Talk, he pointed out that >98% of cyber-attacks would be prevented by doing the basics. Even if this number is high, the percentage of risk that can be avoided by doing the basics is very high.

So while the problem seems to be complex and difficult, the way to effectively address it, doesn't have to be.

The Approach

The traditional approach to implementing a data security and privacy program is to look to the laws and regulations as to what they require, then implement a program that addresses those requirements. And while this generally leads to a program that is compliant with the laws, this may or may not have any correlation with helping to actually address the problem, being secure.

A better approach is to first look to implement activities that solve the problem. The laws and regulations provide some guidance as to what these activities are, but must be transformed to work for an organization. At its core, a good security and privacy program needs to do five things. See Figure 1.

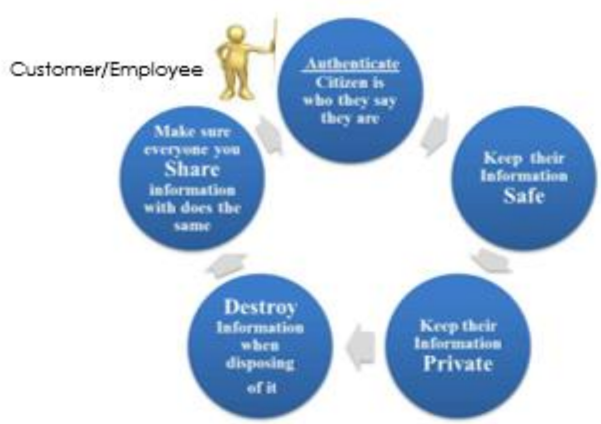

Figure 1

Any organization that can do the following five things is well on its way to having a living, breathing Culture of Security, which is essential to preventing a data loss.

- Authentication – Making sure that every person or organization is who they say they are. This is both with customers and with employees and third parties.
- Keep information safe – Once information is collected, it must be kept safe. An example of this would be keeping information in a locked file cabinet.
- Keep information private – Distinct from keeping information safe, this is about making sure that only those people who need access to information are actually able to see it.
- Proper destruction of information – When it is no longer needed, information must be properly disposed of.
- Oversight of 3rd parties – You have to take reasonable steps to make sure that everyone you do business with takes the same care when it comes to protecting information.

As a company works to do the right things to protect information, the step to compliance is very easy. Since compliance is intended to measure the effectiveness of achieving the desired result, if a company is doing the right things, then it should be relatively easy to be able to demonstrate this to a regulator or auditor.

Take as a whole, the overall intention of the approach should be one of reducing risk, not eliminating it. Additionally, security is a process, not a one-time activity. The goal is to, over time, improve behaviors to make your business more secure, but it is also about be prepared for when a risk or concern does appear. The best weapon a company has to protecting itself from a data loss are engaged, educated employees and the worst risk is an uneducated or careless employee.

One last point that is critical to the success of any approach to data security is continuity. In order to be effective, security should be addressed the same way, throughout the organization. Once a process is created and put in place, it should be mirrored at every other plant as identically as possible. When everyone is doing the same things, it is far easier to determine when something is out of place or out of the ordinary. It is about creating good habits that are practiced by everyone, and the simpler the processes and habits, the better.

The Solution

The difference between doing security well and doing it poorly is very thin, and it is generally not a question of how much money is spent trying to address it. The difference is the actions of the employees.

The best starting point for creating a Culture of Security is to develop and implement policies and procedures for how the company systematically addresses these issues. This is supplemented with employee training. Together, these actions help create an environment where everyone is aware of the issues and has a basic understanding of what to do. This fundamental knowledge is also important because it helps to better understand what technology needs to be purchased.

The policies and procedures should be written at the sixth grade level so that they are easily understood. If an employee can't understand the policy, then they can't follow it. And having policies and procedures that don't match how you do business can be worse than not having policies at all.

Employee training should be done for EVERY employee. There is always a temptation to try to save money by only training some employees, but the only laws that work perfectly are Murphy's Law and the Law of Unintended Consequences. Sure enough the one employee you don't train will be the one who makes the mistake. The training should be interesting and engaging, or at least as interesting as data security can be. If an employee is not engaged in the training, then it won't be effective. The training should be role based and provide a basic understanding of security, why it is important and how it applies to them. By stressing the why, employees better understand the issues and can respond to situations that are not specifically addressed in the training or policies.

The overall solution should address detection, prevention and correction. Detection is about identifying a potential risk when it appears. The risk could be a potential breach, potential fraud or many other things. Prevention is knowing what to do to prevent the risk from being realized. In general, this is what happens once a potential risk has been identified. If the risk can be avoided, it will always be better than trying to clean it up afterwards. Correction is the last step, but it is critical to be prepared for. When a breach or other incident occurs, the better prepared a company is prepared for a loss, the less it will cost to correct and the more likely the company is to come through it unscathed.

The Offer

Truvincio will provide a pack that includes policies & procedures and employee training.

- Training - The Truvincio training is auditable, trackable and is role based. The training roles will be based on one role for administrative personnel and a second for plant workers. The training is online and can be conducted individually or in groups.
- Policies & Procedures
    - Sensitive Information Policy – This is the overarching document that guides all efforts related to data security and privacy. It outlines what information shall be treated as sensitive, how it should be protected, access control requirements, etc.
    - Fraud Prevention Program – Although some business practices make fraud a lesser concern than most companies, it is an area that is important to address.
    - Risk Management Program – The most important aspect to implementing good security is understanding and managing your risks. You can fix what you don't know is there. Truvincio will provide a structure inside which you can implement or modify this process.
    - Mobile Policy – Although the majority of risks associated with mobile devices are an extension of other risks, how these devices are handled is sufficiently different to merit its own policy. Mobile technology is not only an opportunity for future growth, but a potential Achilles Heel, if not managed appropriately.
    - Breach Response Plan – Not only is this a requirement, it is an essential component of being ready to respond when a loss occurs.
    - Continuity Plan – The Breach Response Plan is a subset of this larger plan. This plan is about being able to systematically respond to most any situation that could interrupt operations. Truvincio will provide a structure and guidance for how you can complete this process.
    - Vendor Management Program – Adequate oversight of vendors is a critical component to the security process. Truvincio has an industry-leading solution for managing this risk.
- Consulting – Truvincio can provide, for an additional fee, consulting services to modify and adapt a security and privacy program to match their current business practices.

Pricing

One year's subscription for Truvincio's Cyber Security Training and Compliance Program

- Policies & Procedures and Training for 500 officer personnel
    - $10,000
- Training for plant personnel
    - $12 per seat

Additional consulting for program modification and adaptation

- $300/hour