

# [Regal entertainment group weaknesses](https://assignbuster.com/regal-entertainment-group-weaknesses/)

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Regal’s substantial lease and debt obligations could impair our financial condition. Regal has substantial lease and debt obligations. As of December 31, 2009, they had total debt obligations of $1, 997. 1 million. As of December 31, 2009, Regal had total contractual cash obligations of approximately $6, 330. 3 million. If Regal is unable to meet their lease and debt service obligations, they could be forced to restructure or refinance their obligations and seek additional equity financing or sell assets

Our theatres operate in a competitiveenvironment. The motion picture exhibition industry is fragmented and highly competitive with no significant barriers to entry. Moviegoers are generally not brand conscious and usually choose a theatre based on its location, the films showing there and its amenities. Generally, stadium seating found in modern megaplex theatres is preferred by patrons over slopefloored multiplex theatres, which were the predominant theatre-type built prior to 1996.

Although, as of December 31, 2009, approximately 80% of Regal’s screens were located in theatres featuring stadium seating, we still serve many markets with sloped-floored multiplex theatres. These theatres may be more vulnerable to competition than their modern megaplex theatres. Regal depends on motion picture production and performance. Regal’s ability to operate successfully depends upon the availability, diversity and appeal of motion pictures, our ability to license motion pictures and the performance of such motion pictures in our markets.

We license first-run motion pictures, the success of which has increasingly depended on the marketing efforts of the major motion picture studios. Poor performance of, or any disruption in the production of these motion pictures (including by reason of a strike or lack of adequate financing), or a reduction in the marketing efforts of the major motion picture studios, could hurt their business. Development of digitaltechnologymay increase our capital expenses. The industry is in the process of converting film-based media to electronic-based media.

There are a variety of constituencies associated with this anticipated change, which may significantly impact industry participants, including content providers, distributors, equipment providers and exhibitors. An increase in the use of alternative film delivery methods may drive down movie theatre attendance and reduce ticket prices. Regal also competes with other movie delivery vehicles, including cable television, downloads via the Internet, in-home video and DVD, satellite and pay-per-view services.

Traditionally, when motion picture distributors licensed their products to the domestic exhibition industry, they refrained from licensing their motion pictures to these other delivery vehicles during the theatrical release window. A material contraction of the current theatrical release window could significantly dilute the consumer appeal of the in-theatre motion picture offering, which could have a material adverse effect on Regal. Regal depends on their relationships with film distributors.

The film distribution business is highly concentrated, with ten major film distributors accounting for approximately 95% of our admissions revenues during fiscal 2009. Regal depends on maintaining good relations with these distributors. No assurance of a supply of motion pictures. Regal cannot assure ourselves of a supply of motion pictures by entering into long-term arrangements with major distributors, but must compete for our licenses on a film-by-film and theatre-by-theatre basis.

A prolonged economic downturn could materially affect our business by reducing consumer spending on movie attendance. Regal depends on consumers voluntarily spending discretionary funds on leisure activities. Motion picture theatre attendance may be affected by prolonged negative trends in the general economy that adversely affect consumer spending. A prolonged reduction in consumer confidence or disposable income in general may affect the demand for motion pictures or severely impact the motion picture production industry, which, in turn, could adversely affect Regal’s operations.