

## Regal Entertainment in Talks with Cineworld on a Potential Purchase

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With companies like Amazon acquiring Whole Foods, and Broadcomm Limited making an offer to acquire Qualcomm, Inc., M&A deals have been active this quarter despite the [slowing](#) trend of M&A deals compared to those in 2016. Added to the list of notable companies in talks of potential mergers are Cineworld Group Plc. (“Cineworld”) and Regal Entertainment Group (“Regal”). Cineworld, a U.K. company and British operator of movie theaters, has offered [\\$3.6 billion](#) to acquire Regal in hopes of creating one of the largest movie theater chains worldwide.

Regal is not an unlikely choice for Cineworld as Regal has been looking for a buyer for the last couple of years. In 2014, Regal chose to drop its plans on selling itself. It then went on to purchase seven [Warren Theaters](#) in Kansas and Oklahoma. In 2016, it acquired [Carmike Cinemas](#). Hoping to enhance its user experience and rival companies such as AMC Theaters and Apple and Netflix’s video streaming services, Regal has positioned itself well to dominate the industry with multiple partnerships to diversify its entertainment offerings and strengthen its hold in cinema. A partnership with Cineworld would fortify Regal’s place in the US cinema industry and expand Cineworld’s reach outside of the UK.

When news of the acquisition broke Regal’s shares increased “...as much as [16%](#)...” Cineworld had initially offered Regal an all-cash offer of \$23 per share, which analysts found to be a [healthy](#) premium over the current trading price of Regal shares. In response to the growing curiosity about the deal, Regal issued the following [statement](#): “No agreement has been reached, and there is no assurance that any transaction will result. Regal Entertainment Group does not intend to make any further comment, or respond to any inquiries, until an agreement, if any, is reached, or discussions have been terminated.”

In a separate [statement](#) released by Cineworld later, Cineworld stated that it is in “...advanced discussions to acquire Regal and [is] finalizing due diligence on its offer.” Proposing an all-cash offer, Cineworld is said to “...finance its bid through a mixture of incremental debt and a material equity raise by way of a rights issue, including a commitment to full subscription from its largest [shareholder](#), Global City Holdings.” Global City Holdings, a Polish holding company that owns entertainment and real estate businesses in Europe and Israel, owns 28% of Cineworld.

With Regal remaining rather quiet on this transaction, analysts find this merger to be a strong one. With attendance decreasing at movie theaters and the films failing to meet high box-office expectations, the cinema industry is scrambling to attract moviegoers who appear to be more captivated by Netflix or Amazon’s home productions than traditional Hollywood films. As Regal is the second largest movie theater chain in the U.S. and Cineworld is also the second largest movie theater chain in Europe, both companies are poised to become global leaders in the cinema industry.