



4 Important Factors to Watch in Cineplex Inc.'s Q3 Earnings

Description

Cineplex Inc. ([TSX: CGX](#)), the largest owner and operator of movie theatres in Canada, has been one of the market's best performing stocks over the last five years, rising more than 145% versus the TSX Composite Index's return of just over 35%. Strong growth in earnings has played a pivotal role in the company's rising stock price, and with this in mind, the company is scheduled to release third quarter earnings on November 13. Let's take a look at four of the most important factors to watch for in the report and also determine if we should initiate long-term positions today. **1. EPS and revenue results versus expectations** First off, it will be very important for Cineplex to meet or exceed analysts' earnings per share and revenue expectations, as these are always the most in-focus metrics. Here is a chart of the current consensus estimates for the third quarter and the company's results from the same period a year ago.

Metric	Expected	Year Ago
Earnings Per Share	\$0.42	\$0.41
Revenue	\$323.78 million	\$298.36 million

Source: Financial Times. The estimates above call for earnings per share to increase 2.4% and revenue to increase 8.5% year-over-year. **2. Attendance and revenues per patron** Secondly, three highly important metrics for a movie theatre operator are overall attendance, box office revenues per patron, and concession revenues per patron, so investors will want to be sure that all three of these move in a positive direction, or at least remain unchanged. Here are charts of the company's performance in these three categories in the most recent quarterly release and in the third quarter a year ago. Q2 2014:

Category	Q2 2014	Q2 2013	Change
Attendance	19.30 million	18.63 million	3.6%
Box Office Revenues Per Patron	\$9.40	\$9.36	0.4%
Concession Revenues Per Patron	\$5.08	\$4.81	5.6%

Source: Cineplex Inc. Q3 2013:

Category	Q3 2013	Q3 2012	Change
Attendance	19.01 million	18.35 million	3.6%
Box Office Revenues Per Patron	\$8.84	\$8.84	Unchanged
Concession Revenues Per Patron	\$4.81	\$4.68	2.8%

Source: Cineplex Inc. **3. Q4 outlook versus expectations** Next, it will be very important for Cineplex to provide outlook on the fourth quarter that satisfies analysts' expectations. Here is a chart of the current consensus estimates for the fourth quarter and the results from the same period a year ago.

Metric	Expected	Year Ago
Earnings Per Share	\$0.51	\$0.32
Revenue	\$352.13 million	\$323.21 million

Source: *Financial Times*. The estimates above call for Cineplex's earnings per share to increase 59.4% and its revenue to increase 8.9% compared to the fourth quarter of fiscal 2013, which would result in much higher growth than what is expected in the third quarter; however, whether or not the company meets third quarter expectations will play a large role in whether or not these estimates are maintained, raised, or reduced. **4. Updated market share data** Lastly, watch for Cineplex's updated market share information in Canada. In the third quarter of fiscal 2013, the company reported a 70% market share, but this spiked much higher following its acquisition of Empire Theatres, and it reached 79% in its most recent quarterly release. Investors will want to make sure Cineplex maintains or grows its market share in the third quarter and also look for any information as to whether or not the company is actively trying to make acquisitions. **Should you go long Cineplex today?** Cineplex is one of the most dominant companies in Canada and its current 79% market share depicts this power perfectly. The company's stock has fallen just over 4.5% year to date, but it could turn positive and head much higher following the release of its third quarter earnings on November 3. Long-term investors should take a closer look at Cineplex today, because it trades at only 21.8 times forward earnings and has a bountiful dividend yield of about 3.6%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

Category

1. Dividend Stocks
2. Investing

Date

2025/10/01

Date Created

2014/10/29

Author
jsolito

default watermark

default watermark