Why Cineplex Inc. Is Down Over 6%

Description

Cineplex Inc. (TSX:CGX), Canada's largest owner and operator of movie theatres, announced its third-quarter earnings results this morning, and its stock has responded by falling over 6% in early trading. The stock now sits more than 34% below its 52-week high of $54.81 reached back in May, so let's break down the quarterly results to determine if now is finally the time to buy.

Declining attendance leads to dismal results

Here's a breakdown of 10 of the most notable financial statistics from Cineplex's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Total revenues	$370.4 million	$376.0 million	(1.5%)
Net income	$17.2 million	$26.0 million	(33.8%)
Diluted earnings per share (EPS)	$0.27	$0.41	(34.1%)
Adjusted EBITDA	$58.8 million	$67.3 million	(12.6%)
Adjusted EBITDA margin	15.9%	17.9%	(200 basis points)
Adjusted free cash flow (FCF)	$37.9 million	$46.9 million	(19.1%)
Adjusted FCF per share	$0.597	$0.739	(19.2%)
Box office revenues per patron (BPP)	$9.81	$9.65	1.7%
Concession revenues per patron (CPP)	$6.01	$5.69	5.6%
Attendance	16.8 million	19.2 million	(12.8%)

What should you do now?

It was a horrible quarter overall for Cineplex, and this has been an ongoing theme for the company in 2017, as its attendance fell 6.7% to 52.8 million, adjusted EBITDA fell 6.5% to $156.3 million, adjusted FCF fell 14.7% to $99.3 million, and diluted EPS fell 25% to $0.66 in the first nine months of the year compared with the same period in 2016.

With all of this being said, I think the weakness in Cineplex's stock is warranted, and I think it could face further weakness in the weeks, months, and years ahead, because consumers are simply not going to the movie theatre as often as they used to.

Cineplex's stock is now down more than 29% year to date and more than 20% since I recommended avoiding the stock following its disappointing second-quarter earnings release on August 2, and I think Foolish investors should continue to avoid it, because the headwinds facing the industry are far too great to ignore.

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