



## Cineplex Inc. (TSX:CGX) Profit Jumps 1,670% in Q2: Time to Buy the Stock?

### Description

**Cineplex** ([TSX:CGX](#)) reported record second-quarter results, including increases in revenue across all reportable segments and a big jump in profit, as more people went to the movies and spent more on movie tickets and food.

#### Cineplex's diversification strategy is paying off

The Toronto-based cinema and entertainment company had a record revenue of \$409 million for the second quarter. This is a 12% increase as compared to the revenue of \$364.1 million Cineplex earned last year.

The strong box office performance of three superhero movies helped to boost sales. The movie *Avengers: Infinity War* has been the greatest success, contributing 24% of box office revenue.

The attendance jumped 5% to \$17.3 million and increased box office revenue by 0.7% to \$187.2 million, while revenue from food services jumped 14.6% to a record \$114 million.

Box office revenue per patron rose 4.4% to \$10.82 and concession revenue per patron rose 9.3% to \$6.59.

Cineplex also generated increased revenue from its media and amusement business units.

Net income soared 1,670% to \$24.4 million or \$0.38 per share in the second quarter, thereby beating analysts' estimates of \$0.24 per share. The company's cost-cutting efforts are clearly paying off.

"In addition to growing our revenue sources, we continue to focus on optimizing our cost structure across our ecosystem, having implemented a cost reduction program during the second quarter with the expectation of realizing annualized cost savings of \$25 million by the end of the year," President and CEO Ellis Jacob said in a statement.

Cineplex strived to minimize the impact of an unpredictable box office and to compete with the popularity of on-demand streaming video services by [expanding its offerings](#) beyond movies and

developing its gaming and restaurant brands including Rec Room gaming balls, Playdium arcade centres and its future Topgolf virtual sports complexes.

Last month, Cineplex announced that it will open at least five more virtual-reality experience centres in Canada over the next several years.

The VOID Experience Centres combine virtual reality technology and sensory effects like touch and smell.

Cineplex already operates one of the centres at its Toronto Rec Room location; the second will open at its West Edmonton Mall location.

The company is also looking at food to attract more customers. In June, Cineplex partnered with Uber Eats to launch a popcorn and snack delivery program in 60 communities in Ontario, Alberta, British Columbia, and Quebec. This is convenient for people who are craving movie theatre popcorn, but want to stay in the comfort of their home.

In addition to concession stand treats, customers will also be able to order combos that include movie rentals from the Cineplex Store.

### **The stock keeps plunging**

In light of these strong second quarter results, one would think that it would have helped to push up Cineplex's shares, which have plunged 27% over one year. On the contrary, the stock dipped almost 4% following the earnings release. It looks like investors' confidence in Cineplex hasn't reversed itself yet.

I think it represents an opportunity to buy the stock on the dip.

While earnings declined at an average annual rate of 4.8% during the last five years, Cineplex will experience strong growth in the next five years, with an average annual earnings growth rate of 18.3%. In addition, the stock is rather [cheap](#) with a forward P/E of 20.

Further, Cineplex should please dividend lovers. The company pays a monthly dividend of \$0.145 per share for a yield near 6%.

I think it's only a matter of time before investors recognize that Cineplex' efforts to attract customers and cost-reduction initiatives are working and this to be reflected in the stock price.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:CGX (Cineplex Inc.)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Dividend Stocks
2. Investing

### **Date**

2025/08/26

### **Date Created**

2018/08/13

### **Author**

sbchateauneuf

default watermark

default watermark