



Cineplex Inc. (TSX:CGX) Stock Could Still Be a Bargain Ahead of its Q3 Earnings Release

Description

Cineplex ([TSX:CGX](#)) stock fell 1.4% on October 10. This was a mild dip considering the bloodbath that swept through Canadian and U.S. indexes on the same day. Over the past three months, shares of Cineplex have climbed 10.2%.

Back in May, I'd discussed comments from Cineplex CEO Ellis Jacob, who suggested that struggles in the first quarter were [the result of a "blip."](#) The company came back strong in the second quarter, giving the CEO some bragging rights in the late spring and early summer. Indeed, I'd also [recommended](#) that investors consider scooping up Cineplex in early June.

The second quarter, ending on June 30, 2018, was extremely positive for Cineplex. The company posted a 12.4% year-over-year increase in total revenues and attendance climbed 5% to \$17.3 million. Adjusted EBITDA surged 78.3% to \$67.8 million.

For the first six months of 2018, Cineplex has reported a 5.5% increase in revenue from the prior year, while attendance is still down 2.8% to 35.1 million. Net income is up 62.7% from the prior year to \$39.6 million, while box office and concession revenues per patron are up 3.5% and 8.2%, respectively. Cineplex announced the opening of its fifth Rec Room location in the second quarter, this time in London, Ontario. It also opened a new theatre in Calgary, Alberta, called Cineplex Cinemas East Hills.

On September 18, Cineplex announced a monthly cash dividend payment of \$0.145 per share, representing an attractive 5% dividend yield.

Cineplex is expected to release its third-quarter results in early November. A strong box office in the summer of 2018 bodes well for the company in Q3 2018. Revenue for the summer box office will hit \$4.39 billion in 2018, according to the media measurement and analytics company **comScore**. This represents a 14.4% increase from the summer of 2017, which saw North American cinema attendance drop to its lowest level in over two decades.

The box office was powered by several hit films in 2018 and some interesting surprises. The Marvel

cinematic universe turned in another excellent year. *Black Panther* pulled in a \$700 million domestic gross in North America in 2018, while *Avengers: Infinity War* posted a \$678 million gross. *Incredibles 2* also rose above the \$600 million mark this summer.

The fall season tends to be slower at the box office, although the horror genre has posted several success stories in recent years, including *It: Part I*, which grossed over \$700 million worldwide on a September release in 2017.

The positive summer box office season has powered a 9.9% increase in North America compared to the same period in 2017. This will come as a relief for an industry that was reeling coming into this year. However, without a Marvel or Star Wars release this holiday season, the late fall and early winter box office is unlikely to turn out the results seen in the last months of 2017.

Cineplex stock is still down 12% year over year as of close on October 10. A strong finish to 2018 is attainable and the stock still boasts a good dividend. Investors should look for entry points ahead of its next earnings release.

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aocallaghan

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