
# Warning: These Numbers Are Bad News for Cineplex Inc. (TSX:CGX) Stock

## Description

**Cineplex** (TSX:CGX) stock was down 0.95% in mid-afternoon trading on February 20. This pushed shares into negative territory for 2019. The stock was down 21.5% year over year. Cineplex and the cinema industry at large is facing major challenges heading into the next decade.



Back in December, I'd asked whether Cineplex stock was primed for a rebound in 2019 after a difficult 2018. The company released its fourth-quarter and full-year results for 2018 on February 15.

For the full year, revenues rose 3.8% to $1.61 billion, and net income climbed 9.4% to $77 million. Revenues have been bolstered by rising box office and concession prices. Box office revenues per patron (BPP) climbed 2.9% from 2017 and concession revenues per patron (CPP) increased by 6%. However, theatre attendance still experienced a 1.6% decline from 2017. This is a troubling trend and shows the increased dependence on blockbusters theatres have developed heading into the next decade.

Results in the fourth quarter of 2018 show that this trend could worsen in 2019. Theatre attendance dropped 3.2% year over year in Q4 2018. Revenues rose by a paltry 0.4% in Q4 2018.

The North American box office has been plagued by very disappointing numbers to start 2019. Revenue for the first eight weeks of 2019 has hit an eight-year low. January ticket sales were down 15% from the prior year while revenue for the month came in at $812 million, the lowest since 2011. Revenue in February has also been at its lowest since 2011. The industry is holding out hope that big releases in late winter and the spring will fuel a rally in ticket sales.

Some of the big releases include *Captain Marvel* in early March, *Avengers: Endgame* in late April, and the live-action remake of *Aladdin* in late May. **Disney** productions have dominated the box office in recent years. In 2018, Disney properties made up the top three domestic grosses in North America; *Black Panther*, *Avengers: Infinity War*, and *Incredibles 2*. There are also massive summer releases on tap, including *Toy Story 4* and *The Lion King* live-action remake.

Still, consumer spending dropped off in late 2018 in the United States and Canada. Big releases are packed in tight this year, and a continuation of last year's attendance trend could squash the high hopes studios have for 2019.

The drop-off in late 2018 and mediocre results to cap off the year have prevented Cineplex from benefiting from the early rally in 2019. Brutal box office numbers in the first two months of 2019 will likely mean that we will see a rough first-quarter report for Cineplex in the spring. Cineplex stock last boasted an RSI of 31, putting it just outside oversold territory.

Investors should keep this one on their watch list, especially considering its attractive dividend. The stock last paid out a monthly dividend of $0.145 per share, which represents a 6.8% yield. A supercharged summer and fall in 2019 could reward patient investors who elect to buy the dips in the first half of the year.

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