



Will Avengers: Endgame Save Cineplex (TSX:CGX) Stock?

Description

Investors of Canada's premier movie theatre company haven't had much to cheer over lately. Over the past year, **Cineplex** ([TSX:CGX](#)) has lost over 30% of its value. The majority of the recent decline came in early November when the company posted disappointing quarterly results. As a result, its share price fell off a cliff.

In 2019, the TSX Index has posted healthy double-digit gains, yet Cineplex continues to struggle. It has lost approximately 4% in 2019 on the back of poor box office performance.

This weekend, the movie event of a generation is opening worldwide. Will *Avengers: End Game* be the saviour Cineplex so desperately needs? Let's take a look.

2019 box office performance

First, let me be clear. I am not a box office bear and I do not believe that [streaming services](#) will be the death of movie theatres. I still believe that going to the movies is an experience — one that is not available in one's own home.

I do, however, acknowledge that the landscape has changed. The theatre business is dependent on blockbusters such as *Avengers: Endgame*. Watching these events on an IMAX or AVX screens is second to none. This point has been driven home in the first quarter of 2019.

Outside of *Captain Marvel*, there were no real blockbusters that hit theatres. As a result, the North American box office is down 16.5% year over year and down 18.3% over the same period in 2016. Ouch.

This does not bode well for Cineplex's [first-quarter results](#). As much as the company has done a great job of diversifying operations, it is still largely dependent on the movie business. As of writing, analysts are expecting the company to post earnings of \$0.34 per share, a 41% increase over the first quarter of 2017.

This may be overly optimistic. As such, an earnings miss could result in further downward pressure on the stock.

Endgame lands this weekend

The newest *Avengers* film could not have come at a better time for the company. This weekend's release is expected to smash records at home and worldwide. The film has the potential to be the first in history to open with +\$300 million in North America and \$1 billion worldwide.

Most films don't make that throughout their entire run. Although the release will be a boon for Cineplex, it is important to remember that the company benefited from *Avengers: Infinity War* in the second quarter of last year. It also benefited from a record showing from *Black Panther* in the first half of 2018. In fact, *Black Panther* out-earned *Infinity War* in North America.

For *Endgame* to have any real impact on Cineplex's financials, it will have to outperform *Infinity War* in a big way. Although the potential is there, the first quarter was so bad, it will take *Force Awakens*-type numbers for the box office to catch up.

Foolish Takeaway

Cineplex is best analyzed on a yearly basis. The timing and release of blockbusters has a significant impact on the quarterly results. Despite a poor showing in the fall, the company has still managed to consistently grow revenue year over year.

Avengers: End Game will help mitigate what I expect to be a poor first quarter. However, don't count on it being the catalyst the company needs to return to new highs. There is still plenty of work to be done for the company. This isn't an *Endgame* for Cineplex; it's a long game.

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