



Vaccine News: Cineplex Gets Its House in Order While We Wait for a Vaccine

Description

Vaccine news out of **Pfizer** this week was extremely encouraging. And the hopeful message was not lost on Cineplex stock, which has rallied 24% higher in the last week. Cineplex released its third-quarter 2020 earnings results today. Here are three takeaways from its earnings call.

Cineplex stock: a company in waiting – for the vaccine and for the return of moviegoers

[The vaccine news out of Pfizer this week](#) was a definite boost to Cineplex stock. For a company that has focused on surviving the crisis, a glimpse of the possible way out has been very encouraging.

My main focus with respect to Cineplex is this: “How does the company manage those variables that are under its control?” Because no company can control external, macro events. [But those companies that handle what they can control will always be the survivors.](#)

Cineplex is one of those companies that handles itself well. From the threat of streaming services, to the coronavirus pandemic today, Cineplex has always handled itself well, regardless of the struggles it is facing.

Cineplex focuses on cost control and liquidity

The coronavirus pandemic has shattered the movie exhibition business. Outright closures followed by capacity restrictions and a lack of film product has hit Cineplex hard. Today, the focus is on cost control and liquidity. Cineplex is aiming to survive this unprecedented time so that when a vaccine comes, it will be there to reap the rewards.

Lease costs are Cineplex's single largest fixed cost. Abatements and conversions from fixed to variable leasing arrangements have helped Cineplex lessen the blow. So far, lease costs have been reduced by \$58 million, with more savings expected in Q4 and 2021.

Cineplex's largest semi-fixed cost is payroll. Cineplex has received \$22 million in government subsidies and has reduced its payroll to \$3.9 million from \$78 million. These are big savings that are allowing Cineplex to survive this crisis and come out on the other side. And once a vaccine is well established in the population, Cineplex will do just that.

So what awaits Cineplex when this vaccine is available and things go back to normal? Well, on Cineplex's third quarter earnings call, management highlighted the Japanese experience. Since the Japanese government recently eased restrictions, movie theatres there have been booming. And surveys here in Canada show that those who returned to the theatres after they reopened in August were highly satisfied.

Cineplex is biding its time by focusing on its other business segments

Cineplex's other business segments, such as food delivery service, digital media, and Cineplex Store, are thriving. Although they are a small part of Cineplex's overall business, it is at least something. Cineplex Store, for example, has seen a 41% increase in its customer base, with over two million transactions in the quarter.

So with management increasing its focus on these areas, we can look forward to seeing more progress here to lessen the blow of the movie exhibition business, even if it is only a marginal impact.

Motley Fool: the bottom line

When a coronavirus vaccine comes to the market, Cineplex stock will break out big. The company has worked on securing itself financially to ride out the storm. A large list of blockbuster theatrical releases, as well as excited moviegoers will make the return of the movie theatres a hugely profitable time for Cineplex.

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