AMC Stock Soars as Earnings Beat

Description

Yesterday, **AMC Entertainment Holdings** (NYSE:AMC) released its second-quarter earnings, which beat Wall Street expectations on both revenue and profit. Revenue came in at $444.7 million, up 2,250% year over year, and diluted EPS came in at -$0.71, beating the -$0.91 analyst consensus. It was a solid quarter. The earnings release triggered a small rally in the day leading up to it and a larger rally after hours. Investors are getting excited about AMC's recent results and buying up the stock in response. In this article, I'll explore AMC's earnings release in detail and attempt to conclude what it means for investors.

AMC's earnings recap

AMC's second-quarter earnings release included a number of metrics of interest to investors:

- Revenue: $444.7 million, up 2,250% and beating estimates by $62 million.
- EPS: -$0.71, improved from -$5.81, beating analyst estimates by $0.2.
- Net loss: -$344 million, down from $561 million.
- Adjusted EBITDA: -$150 million.

Pretty much every relevant metric beat what analysts were expecting. The quarter did see a pretty substantial net loss, with a -77% net margin, but analysts were expecting far worse. Based on the second-quarter results, AMC is not out of the woods yet. However, its path to recovery seems clearer than it ever did before, and revenue/earnings are moving in the right direction.

What does it all mean?

What do AMC's most recent earnings mean for the stock?

Evidently, investors think they are good news. As of this writing (Monday night), AMC was up about 5.3% after hours. That follows a gain of about 4% on the day prior to earnings being released. So, investors are getting more bullish on AMC stock.

As for the company itself: the beat is undeniably a win. However, AMC is still losing money. The loss as a percentage of revenue was high, and the dramatic decline in the per-share loss was largely due to dilution. The net loss did decline, but not as much as the loss per share — when equity is diluted, positive earnings and losses both shrink on a per-share basis.

What about Cineplex?

For Canadian investors, it's natural to wonder whether **Cineplex** (TSX:CGX) stock could rally like AMC has. CGX has indeed rallied this year, as movie theatres are benefiting from the post-COVID recovery, but not nearly as much as AMC has. CGX is set to report earnings tomorrow and is likely to post rising revenue and shrinking losses like AMC did.

Will the stock rally?

It's hard to say. Positive growth in key metrics is very likely, but it's not guaranteed that the growth will meet expectations. If earnings miss, then the stock could sell off, even with growth that is "high." Cineplex doesn't have the level of retail interest that AMC does, so its stock is more likely to move in tandem with analyst expectations and earnings results than AMC is. Likely, any moves observed in CGX this week will be smaller than AMC's moves yesterday and today. At any rate, earnings will be out soon, so we won't have to wait long to see how this plays out.

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