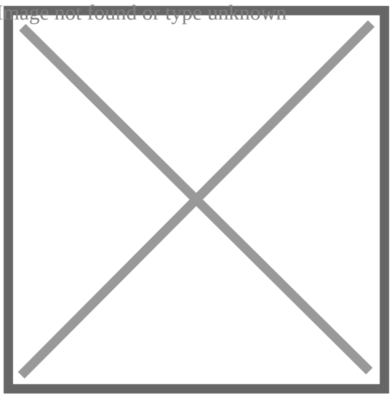
Image not found or type unknown



Time to Buy Cineplex Stock?

Description

Cineplex (TSX:CGX) is one of the largest entertainment companies in Canada operating a chain of movie theatres. Since the company's operations depend mostly on indoor gatherings, it received a massive blow during the global pandemic. Though the stock is now recovering slowly and is up by more than 40% year to date, it still has to move higher significantly to return to pre-pandemic levels.

default watermark

Striving to recover

Cineplex opened all its theatres in Canada last month after a long time. On the first fully opened weekend, the company witnessed its busiest weekend since March 2020. Since then, it has served more than two million guests, indicating that everything is inching toward normalcy.

However, despite the lower number of COVID cases, a major problem persists even now. Fearing the fourth wave, many filmmakers have either denied a theatrical release of their projects or have delayed the release. For example, Sony Pictures have delayed the release of their film *Venom: Let There Be Carnage* from the month of September to the month of October.

Therefore, to preserve costs, the only option left for the company was to hike the ticket prices. Cineplex has hiked its ticket price by an average of 3% and is also promoting its $9.9 monthly subscription program called CineClub that comes with benefits like complimentary tickets or offer products at concessional prices.

The increasing number of Delta variant cases worldwide has raised huge concerns that the country might be moving toward another lockdown soon. If lockdowns resume, this would lead to more cash burn, and as a result, it would be extremely difficult for Cineplex to sustain the recent growth momentum experienced by the company.

Nevertheless, Canada has had an impressive vaccination program receiving great response from the citizens, following which the country has seen a steep fall in the number of COVID deaths. Moreover, government officials in Canada believe that with such high vaccination rates, the chances of any major disruption due to the rising Delta variant might get minimized to a large extent.

Improved financials in Q2

Cineplex disclosed its second-quarter results a few days back. Revenue for the quarter improved significantly by 195% and came in at $64.9 million against $22 million a year ago. The ease of restrictions in many provinces in Canada has led to the reopening of the theatres and venues during the month of June — a move that's given the company's revenues a much-needed boost.

Another major contributor to its better-than-expected performance was the company's new improved cost control measures. Cineplex has limited its cash burn rate to $24 million this quarter compared to $27 million of the year-ago period.

Consumers' demand for traditional cinema is not going to disappear anytime soon, and people should flock to theatres as restrictions ease. Cineplex stock is poised to witness a huge improvement in revenue and profitability over the next few quarters. Therefore, long-term investors may hold the stock through this volatility and can consider buying it.

default watermark

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath
2. arosenberg

Category

1. Coronavirus
2. Investing

Date
2025/08/27
Date Created
2021/08/23
Author
araghunath

default watermark

default watermark