3 Reasons to Buy Cineplex Stock After Earnings

Description

Cineplex (TSX:CGX) is the largest cinema operator in Canada. Unfortunately, that monopoly did not serve the company well during the worst throes of the COVID-19 pandemic in 2020. Cineplex was forced to close its operations for most of the previous year, which cratered its revenues. Its shares sank below the $5 mark in the fall of 2020. However, the stock has since rebounded. Shares are up 61% year over year as of early afternoon trading on November 17.

Box office numbers have continued to rebound into the fall

The North American box office started slowly out of the gate in the summer of 2021. Ontario, Canada's most populous province, finally swung open its doors for theatres in July. Despite this progress, there were still concerns that the popularity of streaming services would eat into revenues. Fortunately, **Disney** came to assist in September.

In September, the media giant announced that the remainder of its 2021 film releases would debut exclusively in theatres. They will play out for a minimum of a month before being made available on the Disney Plus platform. *Eternals* opened to a very solid $71 million in North America in the face of weaker-than-expected critic reviews.

October raked in $638 million in box office sales. It beat out July as the best month for North American cinemas since the beginning of the COVID-19 pandemic. This is a great sign for the industry's ongoing recovery. It was bolstered by big releases like *Dune*, *Halloween Kills*, and *No Time to Die*, which debuted on September 30.

Cineplex shows improvement in the third quarter

The strengthening box office was reflected by Cineplex in its third-quarter 2021 earnings release on November 11. Cineplex reopened its entire circuit of cinemas on July 17, 2021. This included 161 theatre locations and 18 VIP cinema locations. It also launched CineClub, a movie subscription program designed to provide members with additional benefits to draw in more customers.

Theatre attendance soared 492% from the prior year to 8.3 million customers. Meanwhile, revenues increased 310% to $250 million. Box office revenues per patron rose 22% to $11.38 and concession revenues per patron jumped 16% to $8.58.

Cineplex saw adjusted EBITDA hit $48.6 million — up from a loss of $28.9 million in the third quarter of 2020. Moreover, adjusted cash flow reported a loss of $5.8 million — an improvement from a steep loss of $77.3 million in the previous year.

In the year-to-date period, total revenues sank 2.5% to $356 million. Meanwhile, theatre attendance was still down 19.9% to 9.8 million. Recent results should push Cineplex over the edge compared to its full-year earnings in 2021.

Investors hungry for income may be rewarded in 2022

Last month, I'd looked at three reasons investors should snatch up Cineplex stock. The stock has delivered strong growth in the year-over-year period. However, investors may still be hungry for its discontinued dividend. Cineplex needs to continue its strong performance into 2022 in order to inspire a return to its income-generating ways. Still, investors should be encouraged by the return to dividend payouts for many energy companies that were reeling during the worst months of the pandemic. This could telegraph a return to dividends at the country's top theatre operator.

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