



Cineplex Stock Price Falls Almost 5% on Q4/2021 Earnings

Description

The Cineplex stock price slumped 4.7% on Friday as revenue disappointed the market. The Q4 2021 continued to be impacted by the Omicron variant of the pandemic. While the company's performance improved dramatically versus last year, the results disappointed.

- Revenue of \$300 million was shy of the \$310 million forecast, but represented a 500% year-over-year increase.
- Cineplex's bottom line also disappointed, coming in at a net loss of \$0.34 per share. This represents a significant improvement from last year's \$3.64 loss but it was way below expectations, which called for a loss of \$0.18 per share.
- Cash from operating activities was \$27.5 million, a significant improvement from last year, putting an end to the quarter of cash burn brought on by the pandemic.

What happened in Q4 2021?

During the quarter, lockdowns and restrictions hit Cineplex once again. Just when everything was looking up, the Omicron variant appeared. This sent Cineplex back into closure. So basically, theatres were closed during an extremely crucial time. In fact, the last two weeks of December usually represent approximately 30% of the company's Q4 box office revenue. This was clearly not good for the company, but it handled it well. [This is a testament to its top-notch management team.](#)

So it's not a surprise that Cineplex posted a net loss once again and came in below expectations. Cineplex's stock price reflected this disappointment. It slumped almost 5% on the day of the announcement. But the company was ready. The damage in the quarter could have been much worse had it not been for Cineplex's mitigation strategies. Major cost cutting and excellent liquidity management resulted in positive cash flow.

What did Cineplex management say?

Management stressed the fact that Cineplex has made "significant progress in recovering from the

pandemic effects”. The company has slimmed down and has continued to invest in its business. For example, let’s look at its online business, Cineplex Store. Cineplex ramped up its content when theatres were closed. Also, Cineplex introduced a subscription program, which consumers received very well.

From a big picture perspective, management was quick to point out that movies have exceeded expectations. Attendance has been strong, and the industry is showing major momentum. For example, let’s look at the *Spiderman* release in December. This movie generated over \$1 billion in global box office within two weeks of its release. Domestically, it generated \$750 million to date. These signals imply that Cineplex stock price is “poised for a strong recovery”. [It's showing a lot of value here.](#)

What’s next for Cineplex stock?

Well, given the momentum that we are seeing, good things await Cineplex. The macro environment is improving. The pandemic is nearing its end. Restrictions are once again being lifted, and we hope it’s for good this time. There’s a lot of pent-up demand from movie goers. There’s also a backlog of movies ready for release upon reopening. Cineplex has ramped up its focus on cost control and diversification. Therefore, this company looks to be in a really sweet spot as the country’s largest movie exhibition venue.

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Author

karenjennifer

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