



## Is Cineplex Stock a Buy in January 2023?

### Description

Investors hoped for a strong comeback in 2023 after **Cineplex** ([TSX:CGX](#)) stock saw a huge drawdown towards the end of 2022. However, the Canadian theatre company stock has had a weak start to the year, carrying on with its declining spell. It lost 40% last year and is currently trading close to its three-year lows.

### What's next for CGX stock?

Cineplex stock has burnt an immense amount of shareholder wealth since the pandemic. Movement restrictions resulted in massive cash burn and losses quarter after quarter, which notably weighed on its stock.

However, the recent drop makes it an attractive bet. Its financial turnaround and discounted valuation could drive the stock higher in the medium to long term. It is trading one times its revenues and looks appealing compared to its average historical [valuation](#). However, as we know that there is no such thing as free lunch, Cineplex also carries a high risk for its higher return potential.

There are several uncertainties associated with Cineplex and its growth prospects. Its latest financial growth has been really encouraging and boosted investor sentiment.

### Financial growth and prospects

For the quarter that ended on September 30, 2022, it reported total revenues of \$340 million, an increase of a decent 36% year over year.

Cineplex has seen robust revenue growth for the last six consecutive quarters, indicating that people are flocking back to the big screens. For the same quarter, it reported a total net income of \$31 million, compared to a loss of \$30 million in the same quarter in 2021. Big releases will likely keep up the momentum of its revenues for the next few quarters.

Moreover, apart from box office revenues, Cineplex operates with three other business segments. The Film Entertainment and Content segment contributes 70% to its total revenues, while the Media business makes up 5.6%. The Amusement and Leisure segment forms 14% and the Location-based entertainment arm contributed nearly 9% to its total revenues.

Cineplex will likely see [value creation](#) if its profitability continues. However, rising COVID-19 cases could dent its prospects on that front. Even if curbs are not there, it might hamper moviegoers' sentiment and impact Cineplex's top-line growth.

## Settlement with Cineworld

What would be a big respite for Cineplex and its investors is its settlement with **Cineworld**. The Canadian company is expected to receive \$1.24 billion from Cineworld after the latter denied its proposed takeover in 2020. The said amount could do wonders for Cineplex and its shareholders. It has a total debt of \$1.9 billion as of September 2022. So, if Cineplex receives the amount, its balance sheet could notably strengthen. However, the settlement could take time, as Cineworld is going through bankruptcy proceedings.

## Conclusion

Cineplex is expected to release its fourth-quarter 2022 earnings on February 15. It will be interesting to see if its financial growth continues or calms. Along with financial growth, how the settlement with Cineworld shapes up will drive CGX stock in 2023. The stock could have a limited downside from here, given the seemingly limited impact of the COVID-19 cases and potential earnings growth.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

### PARTNER-FEEDS

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

### PP NOTIFY USER

1. kduncombe
2. vinitkularni20

**Category**

1. Investing

**Date**

2025/06/28

**Date Created**

2023/01/12

**Author**

vinitkularni20

default watermark

default watermark