Data Analyst Report: Movie Theater Companies

**Objective**

This report provides an in-depth analysis of the comparative market performance of AMC Entertainment Holdings, Inc. (AMC), Cinemark Holdings, Inc. (CNK), and Cineplex Inc. (CGX). The analysis focuses on stock price trends, earnings per share, market capitalization, revenue, EBITDA margin, and long-term debt. The objective is to determine if AMC's current stock valuation reflects its market performance and to identify any indicators of potential undervaluation or overvaluation relative to its competitors.

**Introduction**

The cinema industry has navigated through turbulent market conditions in recent years. Amidst the backdrop of the COVID-19 pandemic's disruptions, the industry also grappled with a drought in content creation brought on by a writer's strike, which severely constrained the flow of new material. Despite these formidable obstacles, the industry has proven its resilience and capacity for innovation.

With the writer's strike now concluded, there is a resurgence of content creation, reinvigorating the pipeline with fresh narratives and experiences for audiences, and the pent-up demand for these shared cinematic moments is palpable and is driving a robust comeback for theaters across the globe.

In this context, AMC, along with its competitors CNK and CGX, has been strategizing to capitalize on the resurgence of cinemagoers. They have been updating their venues to enhance the movie-going experience, investing in advanced screening technologies, and expanding their concessions to boost revenue. Moreover, the industry's push towards blockbuster releases, coupled with alternative content offerings like live events and movie concerts, hints at a broader strategy to diversify the traditional cinema model.

As the industry steadies itself, the long-term outlook hinges on how effectively these companies can integrate these changes and retain customer loyalty in the face of the convenience offered by at-home streaming. The data from 2010 to 2023 will serve as a crucial barometer for understanding these trends and forecasting the trajectory of the cinema sector in the post-pandemic era. Through this analysis, I aim to provide a comprehensive assessment of AMC's strategic positioning and financial prospects relative to its industry peers.

**Data Overview**

The dataset comprises monthly stock prices over a 5-year period, quarterly EPS reports from 2022 of December-2023 of September, annual revenue figures, and quarterly long-term debt figures as well as annual long-term debt from a 2018-2022 period. Data quality was verified, and any inconsistencies were addressed through data cleaning processes.

**Methodology/Skills displayed**

Data Collection

I began the project by gathering financial data from two reputable sources: Macrotrends and Yahoo Finance. This initial step ensured that I had a comprehensive dataset for my analysis.

Data Cleaning and Preparation

Using Pandas, a powerful data analysis tool, I consolidated data from various companies into single files, categorized by data type. I added new columns with the company names to each dataset for clear identification.

Currency Conversion

Since Cineplex Inc. is based in Canada, its stock prices were listed in Canadian dollars. I converted these to U.S. dollars by first changing the format to numbers, then applying the exchange rate, and rounding the results to two decimal places. This conversion was carefully done only for the relevant columns.

Adjusting AMC Stock Data

AMC had gone through a stock split, which meant their historical stock data had to be adjusted to reflect the new stock value. I divided the affected columns by ten to account for this change.

Standardizing Revenue Data

To compare revenues accurately, I standardized all revenue figures into millions of dollars. This process involved removing non-numeric characters and converting the text to numbers. If needed, I scaled down the values to reflect millions and renamed the columns accordingly.

Preparing Data for Analysis

In Power Query, I transformed stock data into a uniform numeric format and rounded it to the nearest hundredth. I also introduced custom columns to fill in missing company names based on the information in the source column. I assigned a unique number to each company—AMC as 1, CNK as 2, and CGX as 3—to facilitate easier sorting in Power BI.

EBITDA Margin and Earnings Data

I created a custom column to cleanse the EBITDA Margin data, ensuring it was numeric. For the earnings data, I aligned the entries with a list of fiscal quarters. Next, I added a custom column to match any of the fiscal quarters specified in the list. If there's a match, it returns the quarter's position in a chronological sequence (starting from 1 instead of 0). If there's no match, it marks that entry as null, signifying that it's not part of the fiscal quarters of interest.

To present the data clearly, I created several visualizations:

The analysis employed statistical methods and visualization tools. Stock prices were analyzed using time series analysis, while EPS beats/misses were evaluated through comparative bar charts. Market capitalization and revenue were visualized using pie charts to depict market share and debt trends were analyzed using a combination of bar and line graphs.

**Analysis and Findings**

Upon an initial assessment, a stark contrast in stock price is evident between AMC Entertainment Holdings, Inc. and its industry counterparts. In the realm of market capitalization, AMC solidly claims the second rank, trailing behind Cinemark Holdings, Inc. by $320 million. Market capitalization is a critical metric, often reflecting the market's valuation of a company's future growth prospects.

The Earnings Per Share (EPS) metric is designed to gauge a company's profitability and its success in achieving financial targets each quarter. A review of recent performance reveals that AMC has consistently surpassed EPS estimates for the past four consecutive quarters, outperforming Cinemark, which exceeded expectations in three quarters, and Cineplex Inc., which met its targets in the final quarter of 2022. Such a consistent beat on EPS by AMC may signal effective management execution and potential undervaluation.

In terms of revenue generation over the trailing twelve months, AMC has significantly outpaced its competition. Capturing a substantial 51.75% of the industry's revenue share, which translates to $5 billion, AMC demonstrates a dominant position. This is in comparison to Cinemark, which holds a 30.87% share at $3 billion, and Cineplex, which accounts for 17.38% at $2 billion. Revenue dominance is indicative of market leadership and, potentially, a robust business model.

However, AMC's impressive revenue figures are accompanied by a considerable debt profile, amounting to $5.1 billion, which is more than double that of its competitors. This is not entirely unexpected given AMC's expansive operations and the array of challenges faced by the cinema industry in recent times. Notably, since 2020, AMC has managed to reduce its debt by $600 million, demonstrating fiscal prudence and strategic debt management. Conversely, Cinemark experienced a debt increase from 2020 until 2021, with a modest reduction of $17 million in 2022. Cineplex has seen a total debt increase of $30 million from 2020 to 2022. On a quarterly basis, AMC has kept its debt service payments comparable to Cinemark's through early debt repayments and restructuring agreements.

Turning attention to the scatter chart, the placement of TTM revenue on the x-axis and TTM EBITDA on the y-axis allows for an evaluation of operational profit efficiency against sales. An upward trend in this relationship typically underscores successful sales conversion into operational profits. Within this context, Cineplex exhibits an impressive EBITDA margin, suggesting efficient cost management and profit margin preservation despite scaling challenges. Cinemark modestly outperforms AMC's EBITDA margin by 0.46%, which, when considering AMC's significantly larger revenue base, may point to untapped operational efficiencies.

Taking into account these financial metrics, the recent reverse stock split appears to have led to a conservative valuation of AMC's stock, especially when juxtaposed against its rivals. The only anomaly in this comparison is the stock price, which does not seem congruent with AMC's operational scale, revenue generation, and near parity in EBITDA margin with Cinemark.

AMC has embarked on a strategic path to narrow the EBITDA margin gap with its competitors, introducing initiatives like premium pricing for select seating, diversifying into film distribution with high-profile artists, launching branded merchandise, and venturing into the sale of its signature popcorn and forthcoming candy line. The company is also exploring opportunities to broadcast live sports events. These efforts, unique to AMC within the industry, contribute additional revenue streams that may facilitate accelerated debt reduction without diluting equity.

In conclusion, AMC's multifaceted strategy to expand its revenue base while managing its debt profile suggests a trajectory towards rebalancing its financial metrics in line with, or potentially surpassing, its competitors. With these strategic initiatives in place, AMC may be well-positioned to refine its valuation in the stock market and solidify its standing in the industry.

**Interpretation**

The analysis reveals that AMC’s financial narrative is one of substantial revenue generation juxtaposed with significant debt. The discrepancies in stock price compared to industry peers hint at market undervaluation, given AMC's robust revenue share. However, debt levels remain a pivotal factor in AMC's overall financial assessment. The company’s ability to exceed EPS forecasts consistently indicates strong operational management, which could be a sign of resilience and potential for growth. The data also reveals a concerted effort by AMC to diversify its revenue streams and enhance profitability through innovative strategies not mirrored by its competitors

**Conclusion**

In conclusion, while AMC’s current stock price may not fully reflect the company’s market position and revenue prowess, its high debt load presents a nuanced investment picture. The company's recent strategic initiatives indicate a promising direction, with the potential for a reevaluation of its market valuation. The cinema industry is poised for a resurgence, and AMC appears to be innovatively positioning itself to capitalize on this momentum. As such, AMC’s stock may present an undervalued opportunity, provided the company continues to successfully execute its strategic initiatives and effectively manage its debt. Investors should monitor AMC's financial health closely, keeping an eye on the evolving landscape of the cinema industry and AMC’s adaptability within it.

Disclosure

Please note that I currently hold a minor stake in AMC Entertainment Holdings, Inc. (AMC). This personal investment does not influence the objective analysis and insights provided in this report. The information presented is based on publicly available data and is intended to offer an unbiased evaluation of AMC's market performance in comparison to its competitors.