



## Cineplex Inc.: All Is Not Well!

### Description

If you take a look at the stock chart of **Cineplex Inc.** ([TSX:CGX](#)), it's apparent that all is not well. In fact, things can and likely will get worse over the medium term, as there appears to be no major catalyst that can lift the stock out of its funk. We're probably heading for another quiet year at the box office; unfortunately for Cineplex, that means suffering due to its overdependence on Hollywood. To rub more salt in the wound, straight-to-stream movies are likely to become more common as competition between video streamers like **Netflix Inc.** ([NASDAQ:NFLX](#)) continues to escalate.

In previous pieces, I noted that if Cineplex is going to become great again, it's going to need to [entice](#) Canadians to leave the home by offering experiences and exclusive content in order to relieve medium-term pressures that the company is likely to face, as the company continues its gradual diversification away from its box office and concession segments.

Another year of box office duds could therefore hurt Cineplex, so how is the company going to try to lessen the bleeding in the nearer term? Showing live theatre on the big screens? That's an intriguing experience that you can't stream due to exclusivity rights (not yet, anyway).

The company has recently been promoting the National Theatre Live play, *Hamlet* starring Benedict Cumberbatch. Although the big screen performance isn't a live stream, it's an exclusive and limited showing that could get Canadians into big-screen showings of live theatre performances in order to make up for its lack of recent blockbuster hits.

Live theatre performances are ridiculously expensive, especially when they're featuring a star like Benedict Cumberbatch. To many Shakespeare fans, it's uneconomical to catch a once-in-a-lifetime performance like this unless it's been recorded and released for viewing in theatres.

Will the showing of live theatre partially offset the pressures from another tough year of theatrical duds?

I think it's extremely unlikely that National Live Theatre performances will be anything more than a drop in the bucket for Cineplex's box office segment. The theatrical showings will cater to a very niche audience, even though many Canadians may be dying to see Benedict Cumberbatch recite the famous "To be, or not to be" soliloquy.

### Bottom line

National Live Theatre showings and other nearer-term offerings are unlikely to spark a rebound in shares of Cineplex. The stock's still ridiculously [expensive](#) at 30.84 times trailing earnings. If no major general entertainment acquisitions are made this year, the stock will likely continue to be punished as shareholders continue to throw in the towel on a business whose industry is in secular decline.

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