Cineplex (TSX:CGX) Stock Price Soars on Breakthrough Deal Announcement

Description

Cineplex (TSX:CGX) stunned investors this week by rocketing an incredible +40% on news that U.K. movie exhibitor **Cineworld** would be buying the Canadian theatre owner in a significant $2.1 billion deal. Cineplex is a key stock in the TSX media segment, and as the operator of 165 sites, it's the leading player in the domestic exhibition space.

Too late to ride the upside?

A 5.29% dividend yield is suitably rich, though new investors eyeing Cineplex will have to make a value call: While the stock remains up by a record 41.69% this week, it's nowhere near pre-2018 prices. In fact, even last year Cineplex briefly traded higher than the 52-week high it just hit.

Cineplex could continue to appreciate in 2020, but investors may want to wait until after the holidays. The inevitable dip that follows every news-driven peak would be a good time to buy, though as with any cyclical purchase would-be shareholders might want to wait for the lucrative holiday season to die down first. So far that's not happening, as the cinema giant holds on to its 42% lead into the weekend.

There's also the streaming industry to keep an eye on. The next phase in the roll-out of **Disney**'s streaming platform, *Disney+*, will take place at the end of March and should see significant take-on to rival the millions of news subscribers already gleaned this year. With mixed reviews for its latest *Star Wars* instalment and an underwhelming calendar for 2020, though, it could be a rougher year than expected for Cineplex.

Cineworld has been in acquisitions mode for a while now, having snapped up Regal last year. The second-largest movie exhibitor in the world, Cineworld will reshape how cinema-going looks and feels in Canada once the transaction is complete. Second only to AMC, Cineworld is likely to increasingly dominate the social entertainment experience in the coming decade as the industry squares up to streamers.

Fighting on too many fronts?

Disney raked in US$18 billion upon launch of its streaming platform, *Disney+*, representing an initial take-on of 10 million subscribers. The long game being played by the media behemoth has a sign-up goal of 90 million within the next four years. However, while new content is part of the strategy, the ambitious media streaming plan relies heavily on top-heavy franchises susceptible to audience fatigue.

By using a staggered approach – the service is only available in Canada, the U.S., Australia, New Zealand, Puerto Rico, and the Netherlands at present – Disney is ensuring that it captures as many subscribers as possible in each region. Given the growth potential of **Netflix** and its ground-breaking content streaming model, though, Disney may face an uphill struggle in the battle for new subscribers.

The bottom line

Next year could be decisive for big names in the entertainment industry. With a key merger seeing North American movie exhibitors getting serious about meeting the streamers in battle, giants such as Disney and Netflix will have to work hard to maintain market share. Investors bearish on Disney may want to check next year's movie schedule and consider cashing in their chips.

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