



Forget Cineplex (TSX:CGX): 1 Canadian Streaming Stock to Buy Instead

Description

The future of the traditional cinema has [been in question](#) for years. Theatres have increasingly relied on big-box office draws, as entertainment behemoths like **Disney** have muscled their way to a dominant market share. Even still, attendance and revenues have stagnated over the past decade. **Cineplex** ([TSX:CGX](#)), Canada's largest theatre company, has seen its stock plunge 64% in 2020 as of close on May 22.

Unfortunately for Cineplex and its peers, the COVID-19 pandemic threatens to accelerate the already existent trends. Instead of betting on this fading industry, investors should look to streaming services and other forms of home entertainment. Today, we're going to examine why.

Why Cineplex is in big trouble

Cineplex was forced to put a pause on its operations across Canada in the middle of March. Revenue losses for the theatre industry have been staggering in North America. **AMC Entertainment**, the largest movie theatre chain in the world, is in crisis mode. Re-opening in U.S. states and Canadian provinces is occurring in phases. The opening of entertainment venues has been pushed to the final phases of the re-opening, which means theatres will likely be unable to begin operations until late June or July at the earliest.

In response to this shaky climate, Cineplex elected to delay the release of its next quarterly earnings report. It is expected to release its Q1 2020 report no later than June 29, 2020. Cineplex discontinued its dividend earlier this year in response to the crisis. Until there is some clarity on when theatres will be able to operate, let alone at something even close to full capacity, there is no reason to take a gamble on this stock.

This crisis will accelerate the rise of streaming

Home entertainment alternatives had been eating away at the theatre for several decades as we entered 2020. Meanwhile, streaming service may be about to deliver the coup de grâce. Grand View

Research recently projected that the global video streaming market would be worth US\$184.3 billion by 2027. This would represent a CAGR of 20.4% from 2020 to the end of the forecast period. This spells more trouble for Cineplex and its peers.

Foolish investors are certainly already familiar with streaming giant **Netflix** and some of its top competitors, like **Amazon**, **Apple**, and Disney. Earlier this year, I'd discussed a [small Canadian company](#) that was also operating in this space. **WildBrain** ([TSX:WILD](#)) is a streaming alternative that investors can look to as Cineplex struggles.

Why you should take a chance on WildBrain

The company has pushed hard to maximize its streaming service to the point of re-organizing its business and re-naming the company after WildBrain. Shares of WildBrain have shot up 72% month over month as of close on May 22. It released its third-quarter fiscal 2020 results on May 13.

Operating cash flow in the year-to-date period increased to \$78.3 million in FY 2020 compared to \$15.3 million at the same time in the prior year. Adjusted EBITDA in the first three quarters of this year also increased to \$63.1 million over \$59.4 million in FY 2019. WildBrain Spark views posted growth of 19% to over 10.3 billion in the third quarter. In the year-to-date period, views have surged 42% to 59.1 billion.

WildBrain CEO Eric Elenbogen said that the company's new \$25 million financing would be used exclusively to fund "strategic, accreditive transactions." Moreover, it would include "a special focus on our AVOD business, WildBrain Spark." The company has gone all-in on its streaming approach, which should pique the interest of investors who want exposure to this sector.

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