



Cineplex (TSX:CGX) Got More Bad News

Description

It's been a rough year for **Cineplex** ([TSX:CGX](#)). The entertainment company was struggling well before the COVID-19 pandemic forced us all into lockdown. Following a dismal Q2, Cineplex showed signs of recovery in Q3, thanks to a partial reopening of its theatres. The celebration might be a little premature though, as Cineplex got more bad news handed to it recently.

More bad news?

Again, Cineplex was already operating in crisis mode. The company has already seen a steady drop in theatre attendance in recent years. This is alarming because the bulk of Cineplex's earnings stem from the traditional movie-and-popcorn business. That segment is under attack by the growing availability of streaming services. Streaming services offer an easier and cheaper option to watch the latest Hollywood Blockbuster.

Cineplex's efforts at diversifying its revenue stream have focused mostly on opening multi-purpose entertainment venues. Those too are at-risk businesses thanks to the COVID-19 pandemic.

So exactly how could this get worse? Warner Bros. announced this week that it would be releasing its 2020 and some 2021 blockbusters direct to its streaming service, HBO Max. In case you're wondering about what movies that would include, the list is pretty impressive. Wonder Woman 1984- which is one of the most highly anticipated releases of the year will be the first release on December 25. After that, other titles, such as *Dune*, *The Suicide Squad*, *Matrix 4*, and *In the Heights*.

To be fair, adopting a streaming-first model was going to happen to the market eventually. But, as with everything else in 2020, COVID-19 just accelerated that shift. One notable point is that decision only impacts U.S. consumers. Canadians, along with the rest of the world will be left with the theatrical releases in lieu of the direct-to-stream model. Either way, it's more bad news for Cineplex.

If there's any solace in that announcement for Cineplex, it's that HBO Max is still absent to Canadian subscribers.

Is there a reason to still invest in Cineplex?

Let me be clear- the pandemic *will* end. When that happens, people will return to gathering indoors for entertainment, including the theatres and entertainment venues that Cineplex offers. It's just that nobody really knows *when* that will happen.

Also, there's been a flurry of vaccine updates announced in recent weeks. This is all positive, but would-be investors need to consider the time needed to inoculate *everyone*. Beyond that, Cineplex would need time to get all its venues back online and at capacity. To put it another way, you won't be vaccinated on Monday and pop into Cineplex on Tuesday.

Whether that period is six months, a year, or more from now, the answer is the same. Cineplex isn't the best investment option at the moment, especially if you have shorter timelines. That's also assuming Cineplex isn't handed more bad news in the coming quarters.

In other words, there are [far better options](#) on the market to consider at this juncture. Adding to that, many of those other options still offer a [handsome monthly dividend](#).

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