



Warning: This Simple Decision Could Bankrupt Cineplex Stock!

Description

Movie theatres have been around since the film industry was invented. Ever since films were created, they have been a spectacle enjoyed by people worldwide for many generations. That's why **Cineplex Inc** ([TSX:CGX](#)) has been such a great stock in the past.

While the industry has changed over the years, the gist of it has always been the same. Studios would produce films, and then movie theatres would have exclusive rights to the films when they first came out.

This is what made the theatre business so successful. Consumers or fans of a specific franchise would have to go watch the movie in the theatre when it first came out or wait until it was widely distributed, whether that was VHS 20 years ago or becoming available on blu-ray and streaming platforms today.

However, after how many years of the film industry operating the same, last week we may have finally seen the end of the film business as we know it. Here's what Cineplex investors should know.

The rise of streaming platforms

When streaming platforms first came out with **Netflix** ([NASDAQ:NFLX](#)), the economics weren't great. However, it was always clear that with scale, the idea could be feasible.

While [Netflix](#) has done well by being the first company to do this on a major scale, many feared that other big-name companies bringing competition could hurt.

Rather, I believe it's actually helped streaming in general. While Netflix still has to compete against its competitors, with more of them offering streaming platforms, it's making it a lot easier for consumers to adapt. This means more cable-cutting and consumers signing up for streaming services, sometimes multiple at a time.

The massive increase in popularity for streaming services has changed the game completely for these media companies and content producers, and last week we saw the first consequences of that.

The beginning of the end for Cineplex stock?

Last week, WarnerBros, one of the biggest movie studios in the world, announced that all movies it releases in 2021 would be available on streaming services the same day as they hit theatres.

Already there has been a strong push back from many actors, filmmakers, and other theatre businesses. However, WarnerBros looks like it intends to go forward with its plan to stream all its new releases despite the pushback.

This could be a major blow to Cineplex' [business](#). In the past, theatres had exclusive rights to films for weeks and sometimes months before they were widely distributed.

WarnerBros making this move on its own may not make that much of an impact. However, this will almost certainly create a snowball effect with the rest of its competitors.

Streaming services have been extremely competitive with one another, so if Warner gains an advantage this way, I would expect every other studio ad media company to begin to follow suit.

That could be a disaster for Cineplex. Without having exclusive access to films, there is very little incentive for people to go to the theatres. Of course, there is the movie theatre experience, but that likely won't be enough.

Furthermore, if consumers find themselves subscribing to more streaming services that continue to get more expensive, it may not even be worth it to go to the theatres at all.

Bottom line

It's still too early to tell what effect this will have on Cineplex long-term, but one thing is for sure, it's a major risk to be aware of. The company has already been struggling tremendously through the pandemic. So the last thing it needs is any more bad news.

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Date

2025/07/22

Date Created

2020/12/10

Author

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