



Is Cineplex (TSX:CGX) Doomed in 2021?

Description

The COVID-19 pandemic has been a disaster for the film industry and the traditional cinema. Movie theatres have appealed to creditors to stave off financial ruin this year. However, the industry is in danger of being put out to pasture by its long-time partner. Will these developments spell doom for **Cineplex** ([TSX:CGX](#)) and its peers in 2021? Let's dive in and find out.

Did Warner Bros. just bury Cineplex and its peers?

Earlier this month, I'd discussed why the recent decision by Warner Bros. was [very bad news](#) for Cineplex and its peers. It elected to release its entire 2021 film slate on the streaming service HBO Max. This means big future releases like the fourth *Matrix* installment, *Dune*, and others will be available on the streaming service at the same time they are in cinemas. Creative talents in the film industry were quick to voice their displeasure.

Christopher Nolan, who gambled big on his release of *Tenet* in the summer of 2020, accused Warner Bros. of a breach of ethics with the move. Denis Villeneuve, the visionary Canadian director behind *Dune*, *Prisoners*, and *Blade Runner 2049*, said the move showed "No love for cinema, nor the audience here." Judd Apatow, the director of comedy hits like *Knocked Up* and *Trainwreck*, said that the decision showed "disrespect" to filmmakers.

It is rare for a slew of creatives to bite the hand that feeds in quick succession. However, Warner Bros. has given little indication that it will budge.

Is there any hope for the cinema?

Shares of Cineplex have dropped 72% in 2020 as of close on December 15. The stock is down 3.8% week over week. **AMC Entertainment**, the top United States movie theatre operator, has seen its stock plunge 28% over the past week.

More than three years ago, I'd explained why the [future was uncertain](#) for the traditional cinema. At the

time, it looked like it would be a slow and steady decline for movie theatres as streaming services gradually poached loyal consumers. Unfortunately, that process may hasten after the pandemic.

If streaming services like HBO Max, **Netflix**, **Amazon**, and others can start to steal away top blockbusters from movie theatres, there is little hope for the cinema's business model. Moreover, there is no guarantee that cinemas will be able to return to business-as-usual quickly in 2021. Vaccines are being rolled out, but restrictions will not be lifted overnight.

Forget Cineplex: Buy this streaming stock instead

Cineplex and its peers may no longer be able to rely on blockbusters to drive their business going forward. It will be hard for investors to justify jumping in on the stock in its current state. Instead, Canadians should be on the hunt for streaming-focused equities.

WildBrain ([TSX:WILD](#)) is a Halifax-based company that develops, produces, and distributes film and television programs around the world. It changed its name from DHX Media to WildBrain, illustrating its focus shift to the online streaming platform. Shares of WildBrain have climbed 34% month-over-month as of close on December 15.

In Q1 2021, WildBrain Spark revenue was \$8.9 million – up \$6.5 million from the prior quarter. Total minutes watched were up 14% year over year. Canada does not boast a streaming giant like Netflix or HBO Max, but WildBrain is trending in the right direction.

Moreover, there is great room for growth in the area of digital children's entertainment. WildBrain is a much better gamble than Cineplex stock right now.

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