



Cineplex (TSX:CGX) Stock: Should You Buy in 2021?

Description

Few spaces have been hit harder than movie theatres during the COVID-19 pandemic. **Cineplex** ([TSX:CGX](#)) boasts a monopoly on the traditional cinema business in Canada. Its shares have plunged 72% in 2020 as of close on December 29. Today, I want to explore how Cineplex and its peers got to this point this late in the year. Moreover, we'll determine whether the stock is worth a look in the New Year. Let's dive in.

Why Cineplex stock sank in 2020

Cineplex was forced to close its doors to its customers in March 2020 as the severity of the COVID-19 outbreak became apparent in Canada. Movie theatres were about to face the most [difficult challenge in decades](#). This Canadian staple and its North American peers have been backed into a corner.

This company last released its third-quarter 2020 results on November 13. Predictably, the picture was grim. It reopened in the third quarter but has since been forced to close its doors across most of the country once again. In Q3 2020, Cineplex saw theatre attendance drop 91% year over year to 1.6 million. Total revenues plunged 85% to \$61 million. These numbers are devastating, but the company's hands were largely tied in 2020.

Is there hope for movie theatres in the New Year?

Cineplex and peers like **AMC Entertainment** have been able to raise the sums of cash required to move forward into the New Year. On the other hand, 2021 will bring new struggles that will test the cinema business. No one knows when restrictions on everyday life will be in the rear-view mirror. We do know that the streaming business will continue to apply pressure on movie theatres and their ability to draw customers.

In December, movie theatres across North America [received more bad news](#). Warner Bros. announced that it would release its entire film slate on HBO Max in 2021. This means that top theatre draws like the fourth *Matrix* installment, *Dune*, *Godzilla vs. Kong*, and others will be released on the streaming

service the same day they are released to theatres. This drew the ire of top directors like Christopher Nolan and Denis Villeneuve, but Warner Bros. has failed to budge on its decision.

If this emerges as a trend, it could transform not only movie theatres, but also the entire business of film.

Should you buy the stock today?

In the 2010s, Cineplex and its peers were launched into direct competition with streaming services like **Netflix**. As we enter the second year of this new decade, we may see streaming services begin to widen the gap and capture many more customers. Moreover, movie theatres are already heavily reliant on blockbusters. If streaming services can eat into this advantage, the influence of the traditional cinema will quickly erode.

Cineplex no longer offers an attractive monthly dividend. Moreover, the stock looks very risky as we look ahead to the New Year. I'm staying far away from Cineplex stock moving forward.

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Author

aocallaghan

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