Disney Jabs Cineplex on the Chin: Why I'd Buy CGX Stock Anyway

Description

The wild ride for shares of **Cineplex** (TSX:CGX) continues, with the Canadian movie theatre stock now fresh off a 22% plunge, thanks in part to **Disney** (NYSE:DIS) and its latest streaming plan that will introduce more incredible big-budget content like *Black Widow* straight to its streaming platform Disney+.

If you didn't listen to my original recommendation to buy Cineplex stock at $5 and change, there's no sense in kicking yourself. I think this latest pullback is not only a second chance for investors to get in, but I also view the risk/reward as being far more favourable than back in the dark days of October when there was a haze of smoke clouding the vaccine timeline.

Indeed, **Pfizer**'s vaccine breakthrough was a scientific marvel. After the breakthrough, CGX stock was no longer looking like an imminent zero.

All of a sudden, things were looking up, and Cineplex stock blasted off to around $15 and change before pulling back just below the $12 mark, where CGX shares currently sit today. While Cineplex shares could soon find themselves flirting with single-digit territory again over the coming weeks, I'd argue that the $10 range is a fantastic entry point for hungry investors who have their sight sets on the great economic reopening. But let's first take a look at the headwinds up ahead.

Disney delivers a big jab to Cineplex with streaming plan

With Disney's beefed-up streaming plans, the late 2021 theatrical movie slate, which would have been magnificent, could thin by the time Cineplex is ready to fill its seats with bums. Such streaming plans could act as yet another gut punch to those ailing shares of Cineplex.

That said, I can't say I'm at all impressed by the success of Disney's "premier access" model. I'd say the straight-to-stream move with *Mulan* and *Raya and the Last Dragon* was a success, given the circumstances. In a post-pandemic environment, I don't think virtual tickets will be nearly as successful.

To pass up a theatrical release is to not squeeze all of the juice of an orange. While it's comforting to have the option to watch at home or going out to see a movie, I think that a majority of people, especially those with large families, will opt for the latter once we reach herd immunity and it's completely safe enough to head to the local Cineplex, without having to wear a mask while you're enjoying a flick on the big screen.

Cineplex: More second-quarter headwinds dead ahead!

As we move into the second quarter, things could have the potential to get bumpy for CGX stock, as COVID-19 variants of concern threaten to send provinces right back into lockdown. Ontario just entered its slated to enter a four-week shutdown tomorrow, as the province looks to pull curb the spread of the insidious coronavirus, which is filling up ICU beds once again.

Through the eyes of many investors, it's the same thing over again. More infectious and virulent variants of COVID-19 are undoubtedly a real risk to firms that stand to have their revenues pushed to (near) zero. Cineplex is arguably one of the most at-risk firms of another round or two of reopening rollbacks and shutdowns that may be in the cards for a rough Q2.

While there could be more pain up ahead, I would look at any further pullbacks as nothing more than a great long-term buying opportunity for those looking to profitability prospects beyond 2022.

Foolish takeaway on CGX stock

There are major headwinds up ahead, but I think they're already baked into CGX stock here. Should shares fall to $10, I'd get ready to buy, because after a potential Q2 storm could come a rainbow.

Stay Foolish, my friends.

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