2 TSX Stocks I'd Buy Instead of Cineplex

Description

Many Canadians were hopeful that 2021 would bring good news with the promise of vaccines and declining cases. Instead, this year is shaping up to be even more disastrous than the last. Ontario just entered its third lockdown and is wrestling with devastatingly high case counts. The movie theatre industry, already reeling from being essentially unable to operate in 2020, will sustain more injury. Today, I want to discuss the prospects for **Cineplex** (TSX:CGX) right now and look at two TSX stocks I'd buy over the cinema chain. Let's dive in.

Why Cineplex is in for a rough 2021

In late March, I'd discussed why I was staying far away from Cineplex. Cineplex is Canada's largest movie theatre operator. Its shares have climbed 48% in 2021 as of early afternoon trading on April 16. However, the stock is only up marginally from the prior year. Regardless, its recovery since the March 2020 market crash has been impressive.

Movie theatres are unlikely to get back up to full operation in Ontario until the late summer, and that's the best-case scenario. Roughly 20% of Canadians have received at least one vaccine dose, and only 2% are fully inoculated. Ontario is dealing with its most intense wave since the beginning of the pandemic. Cinemas are not going to be raking in revenues in Canada's most populous province anytime soon.

This TSX stock has soared over the past year

Canadians have been forced to pursue solitary hobbies during the pandemic. The video game industry was already on the rise coming into the 2020s. **Enthusiast Gaming** (TSX:EGLX) is one TSX stock I'd suggest over Cineplex right now. I'd also discussed why I liked Enthusiast over **GameStop**, a video game retailer that benefited from a social media storm earlier this year.

The company is engaged in the media, content, entertainment, and esports businesses in North America and around the world. Its shares have surged 118% in 2021. The TSX stock is up 516% year over year. Revenue in the fourth quarter increased 34% from the previous quarter to $42.5 million. Meanwhile, direct sales jumped 230% quarter over quarter to $3.3 million.

Canadians should look away from the declining movie theatre industry and instead focus on thriving sectors like the video game space.

Cineplex is losing out to streamers: Buy this TSX stock

Traditional cinemas were in trouble before the pandemic. The rise of streaming services had eaten into the consumer base for Cineplex and its peers. **WildBrain** (TSX:WILD) is one TSX stock to watch in this space. The company develops, produces, and distributes film and television programs around the world. Its streaming channel is geared to the children's demographic and has enjoyed significant growth in engagement in recent quarters.

Revenue rose 17% from the prior year to $142 million in the second quarter of fiscal 2021. Meanwhile, adjusted EBITDA climbed 14% to $29.1 million. WildBrain Spark, its streaming channel, saw revenue rise 74% to $15.5 million. Audience engagement increased 15% to 59.7 billion minutes of videos watched on its network.

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2. TSX:EGLX (Enthusiast Gaming Holdings Inc.)
3. TSX:WILD (WildBrain Ltd.)

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