



Should Investors Buy Cineplex (TSX:CGX) Stock?

Description

Since the pandemic began over a year ago, just about every business has needed to [adapt and evolve](#). One business that has struggled greatly since the pandemic started is **Cineplex** ([TSX:CGX](#)). Now that the economy is reopening, does this mean that investors should look to buy Cineplex at its discounted price?

Let's try to answer that question.

Cineplex has deep problems, and not just from the pandemic

There are few companies on the market today that were disrupted by the pandemic as much as Cineplex. To illustrate that disruption, recall that the overwhelming majority of Cineplex's revenue is derived from crowding people into enclosed spaces for a set duration of time!

As problematic as that sounds for the resumption of normal operations (more on that in a minute), Cineplex has other, far bigger issues.

In short, even before the pandemic hit, fewer people are going to the movies. While there are multiple reasons for this, the main reason stems from the growing availability of other viewing options. Streaming services offer massive libraries of content, and the cost of a monthly subscription to that library costs less than a single movie ticket.

There's also the growing availability of devices to watch that content on. SmartTVs, phones, and tablets are everywhere. While it may not provide the same experience as watching a blockbuster in a theatre, it is cost-effective and available immediately. That's an option that the brick-and-mortar theatre simply can't compete with.

That doesn't exactly make a case to buy Cineplex, does it?

Cineplex has innovated, but is it enough?

To be fair, Cineplex has been innovating itself for some time now away from its traditional movie-and-popcorn model. Those innovations include recliner-style reserved seating and full-menu ordering in theatres. Cineplex also provided concession delivery service to customers who opted to stream content from home.

Outside of the theatre, Cineplex has focused on two specific areas, the Rec Room and its Digital Media segment.

Rec Room sites feature gaming, music, live performances, and a variety of food options to cater to different tastes. The first Rec Room entertainment venues showed promising results. This led Cineplex to develop additional Rec Rooms across the country. When the pandemic began, several of these locations were under construction.

Turning to Cineplex's Digital media group, that segment is responsible for providing digital menu boards to restaurants and fast-food locations in Canada and abroad.

Should you buy Cineplex?

There's little reason to doubt that the pandemic will end. In fact, the more people that get vaccinated, the closer we will get to that finish line. When that does happen, there will be a return to a new normal for many businesses like Cineplex. It may not resemble a pre-COVID-19 market, but it will be an improvement over Cineplex's current predicament.

But does that warrant investors to buy Cineplex *right now*? In my opinion, probably not. Cineplex will recover, but it could be a long time before the market reopens and Cineplex resumes operating normally. When that recovery does happen, Cineplex will no doubt become the great investment it once was.

Until such time, there are [far better options](#) on the market to invest in, many of which offer a handsome dividend, like Cineplex once did.

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Author

dafxentiou

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