# 3 Reasons to Buy Cineplex Stock Today

## Description

The reopening in the United States has given a glimpse of how things could shake out for the movie theatre industry in Canada. Two horror movies hit cinemas in North America these past two weeks: *The Conjuring: The Devil Made Me Do It* and *A Quiet Place II*. These sequels follow highly profitable originals. That made them an interesting test case this weekend. *A Quiet Place II* debuted last week to an impressive US$48 million opening. It raked in $58 million in the first five days of its release. Things slowed down this weekend, as it was beaten out by the third installment in *The Conjuring* series, which pulled in US$24 million in ticket sales. Does this bode well for **Cineplex** (TSX:CGX) in the months ahead?



Today, I want to look at three reasons to snatch up Canada's top cinema operator, as the country steps up its own reopening plans.

## Canada's reopening holds promise for movie theatres

All eyes were on Ontario as it wrestled with the timing of the first phase of its reopening. On Monday, June 7, reports indicated that provincial leaders had moved ahead the first phase of the reopening to Friday, June 11. Cineplex CEO Ellis Jacob has been critical of Ontario's approach, which has left many business owners locked out for months on end.

Unfortunately, this still means that indoor theatres are not set to open until mid- to late July in phase three. Brian Allen, president of Toronto-based Premier Theatres, called the restrictions "absolutely unacceptable." The company will hope that Ontario will revise these restrictions for the struggling industry.

The push forward is a small silver lining for movie theatre operators. Cineplex will look to gear up for an active summer movie season.

## Cineplex managed to weather a challenging year

Last week, I'd discussed the momentum for **AMC Entertainment** stock, the top cinema operator in the United States. This may portend a promising future for Cineplex. Indeed, Cineplex stock has already performed very well in 2021 in the face of continuing restrictions and lockdowns. The company has managed to stay afloat financially with some deft maneuvers.

In late December, Cineplex revealed that it sold its Toronto head office for $57 million to raise cash and pay down its credit facilities. Moreover, it announced in February that it had restated a credit agreement with its lenders. The company will be eager to kick off operations in the summer. Will it be able to attract a surge in customers?

## The top competition for the cinema is growing cluttered

Cineplex and its peers were already threatened by the rise of the streaming space over the past decade. However, the space has shown some signs of oversaturation. Subscriber growth at streaming giants like **Netflix** and **Disney** Plus has slowed in recent months. Savings rates for Canadians spiked during the pandemic, which means that many consumers will have disposable income to treat themselves. Could the traditional cinema have a resurgence?

Canada's top cinema operator is worth a look as Canada aims for a fully reopening by the middle of the summer.



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**Date**
2025/08/15
**Date Created**
2021/06/08
**Author**
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