3 Reasons I'm Not Buying Cineplex Stock (TSX:CGX) Today

Description

It looks like the world is finally starting to reopen again. That's great news — not just for those wanting life to return to normal. It's also great news for businesses. As Canadians continue to receive COVID-19 vaccines, many are looking for a way to spend their money. And it's why some are starting to look at **Cineplex** (TSX:CGX) as a strong investment. But is Cineplex stock worth it today?

Let's look at the numbers

There are a few numbers to look at to see why investors are interested in Cineplex stock. The primary reason is the rebound in American stocks in the cinema sector. **AMC**, for one, saw shares rise an incredible 927% in the last year — up 371% in the last month! But there is an issue here. A lot of this has been fed by Reddit, with "meme stocks" leading the charge. So, while AMC stock looks like a good investment for huge gains on the surface, don't be fooled. This could very well be a pump-and-dump scheme.

Second, there are the numbers related to films themselves. It wasn't the most promising of opening weekends in the United States recently. Even with fully vaccinated individuals being able to go to the movies, the numbers weren't great. Opening weekend for *A Quiet Place Part II* achieved just over US$47 million. Compared to the first film, that sequel achieved US$50 million. And there were others, like *Cruella*, making just US$21.5 million opening weekend, and *The Conjuring: The Devil Made Me Do It*, making US$24 million.

It's simply not going to be the summer of blockbusters to support any return to normalcy for Cineplex stock. I mean, *Spiderman: Far from Home* alone made US$92 million when it opened before the pandemic. That's double the highest box office hit today.

Canada's reopening "plan"

So, that's in the United States. What about Canada? In Ontario, provincial leaders stated they could start phase one of the reopening plan on June 11. Cineplex stock and its management hopes to finally be able to start moving away from the incessant lockdowns that has left the business struggling.

But this means that we are still far, *far* away from being able to attend the movies — in Ontario, at least. It may not be July or even August before we enter phase three and be able to go to the theatres. That means Cineplex stock could be entirely without a summer movie season.

This is all on top of an incredibly challenging year. While the company managed to stay afloat, it was just barely. It sold its Toronto head office for $57 million in cash to pay down credit. It has since restarted its credit agreement with lenders hoping to enter the summer strong. But that doesn't look to be the case any longer.

The original problems remain

Then there's the biggest issue: streaming services. There are now a bunch of streaming services to choose from — all of them offering far cheaper prices than what Cineplex stock offers. Even with the company stating you can rent a film and order movie popcorn through meal delivery institutions, it's not going to do the trick. As streamers continue to rise, Cineplex stock is just likely to continue to fall.

Even with consumers having disposable income, it doesn't look like Cineplex stock will rise any time soon. I would continue to hold off on this volatile stock until there is a complete economic recovery. Shares are only up 13% in the last year after all. Unfortunately, Cineplex stock may soon have to downsize, offering far fewer opportunities for investors to take advantage of this stock.

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