



## Should You Buy Cineplex (TSX:CGX)?

### Description

It's time to face the facts when it comes to **Cineplex** ([TSX:CGX](#)). Canada's largest entertainment company has been hard-hit as a result of the pandemic. The once profitable and lucrative investment option is now a shadow of its former self, albeit a discounted one. So should you buy Cineplex now?

Let's try to answer that question.

### Here's why you should buy (or at least hold) Cineplex

The primary reason for potential investors to look at Cineplex at this point is for long-term growth. The stock was completely decimated during the pandemic. That has led some investors to buy up shares of Cineplex and await the eventual return to business.

Speaking of the stock, Cineplex has soared in 2021, recording a solid 70% gain over where it started in January. Incredibly, that still represents a whopping discount over its pre-pandemic price, and it is here where [prospective investors](#) should be focused on.

Further to this, with the eventual return to normal coming soon, Cineplex opening its theatres up to generate revenue could be just around the corner.

Additionally, Cineplex's other ventures, specifically the Rec Room will continue to see solid growth once normal business resumes. Prior to the pandemic, Cineplex had already stated its desire to open additional Rec Rooms across the country.

So then should you buy Cineplex based on the above? First, let's look at the other side of the story.

### Why you should sell or run away from Cineplex

The pandemic may have decimated Cineplex's business, but to be clear, Cineplex was in trouble far before COVID-19 forced theatres to close.

The truth is that customers have been shifting away from the traditional movie-and-popcorn model for several years now. The widespread adoption of streaming-capable devices, as well as streaming services, has rendered the movie theatre a relic of a prior era. There will always be big blockbusters that customers flock to the big screen, but that won't sustain a network of hundreds of screens alone.

Customers have already shown they are willing to stream the latest Hollywood can offer from their TVs, tablets, and even phones from the comfort of their homes. The monthly cost of subscribing to a streaming service is still far less than a single movie admission cost. That hardly paints a positive picture for the future of the movie-and-popcorn business.

Turning back to a post-pandemic recovery, Cineplex could see *some* growth over its current level in the future. But unlike other businesses that will roar back to business when closures end, Cineplex's business may take considerably longer.

Specifically, sitting closely together in an enclosed space for a few hours may be uncomfortable for many after a year or more in isolation. This is a personal decision that is dependent on each customer, and therefore yet another risk.

I'm not saying Cineplex won't recover, just that any recovery will take much longer than most will expect. Cineplex is not alone in that regard. Airlines and cruise ships will have this same risk. Further to this, worth noting is the fact that unlike in the U.S., Canada still hasn't come anywhere near to reopening its theatres.

## Time to face the facts — should you buy Cineplex?

No investment is without risk, but some stocks carry considerably more risk than others. The pandemic brought just about every stock down, including Cineplex. That being said, the market has made a tremendous recovery in the past year, but Cineplex's gains aren't fueled by a resumption of business.

The stock could tread higher, and this might represent a buying option for some investors, but that potential carries a massive risk.

Cineplex no longer offers its once great monthly dividend, and the return to normalcy that we all long for will not mean that customers will flock back into theatres once they are able to.

Should you buy Cineplex? In my opinion, the risks are just too great, at least for now. Additionally, prospective investors should note that there are [far better options](#) to consider right now. Many of those other options also provide a healthy dividend.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

## **Category**

1. Investing

## **Date**

2025/07/22

## **Date Created**

2021/06/20

## **Author**

dafxentiou

default watermark

default watermark