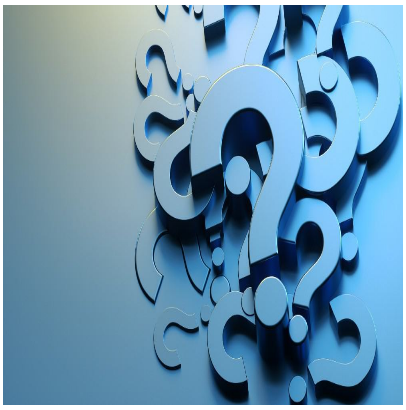

Cineplex Stock (TSX:CGX): A Full Rebound?

Description

Cineplex (TSX:CGX) remains one of the top stocks of interest among Motley Fool investors and it's easy to see why. The economy is in recovery mode. Doors are opening once more. And that includes the doors to theatres. Even more than that, some of the peers of Cineplex stock have seen a surge in not just revenues but also share price.

True, a lot of that was fuelled by the retail or meme stock craze, leaving some Motley Fool investors wondering whether they should get in before shares possibly surge.

So let's take a look at where Cineplex stock lies today and what it would take to see shares fully recover.

A long path to profits

Back in 2017, Cineplex stock was on top of the world. Quite literally, in its own world. Shares of the company surpassed the $50 mark. It was one of the top dividend stocks you could buy! But then, revenues started to dwindle. Streaming services edged in. And just as the company started to find other revenue streams through its Rec Room initiatives and others, the pandemic hit.

Shares plummeted to the single digits. Today, Cineplex stock is at just $13 per share for Motley Fool investors. That's a loss of 75% from its peak. True, the company has been edging back toward normalcy. Since March 2020, the company has held about two million guests — far below its pre-pandemic norms.

Unfortunately, it's not just up to the theatres when it comes to opening. A major problem persists with the release of films in the first place. It's become normal for filmmakers not only to push back theatre release dates, but also to completely forgo them or at least have them coincide with a streaming service release.

So, Cineplex stock did the next obvious thing: it raised ticket prices. Of course, you also get access to its CineClub and those benefits, but safety is still the primary concern. Especially as the Delta variant surges.

So what would it take for Cineplex stock to become a sure thing for Motley Fool investors to buy?

Stand up to streamers

If you can't beat them, join them. In the case of Cineplex stock, this is the only thing it can do to fight back in today's environment. Being able to pick up theatre popcorn through meal delivery services and even limiting cash burn simply won't cut it. Pre-pandemic, revenue hit $1.6 billion in 2019's second quarter. There is zero chance the company can do that today with streaming competitors on hand.

The key to this would be a partnership with a Canadian company — one that could see Cineplex stock as a chance to expand its reach beyond Canada through a streaming service. There have been a number of examples of these in other companies, such as BritBox.

For Cineplex stock, this would be an entirely new venture. And indeed it would be costly at first, so it may need to still sell some of its theatres to achieve this. And honestly, an entirely new venture may scare off investors at first.

However, if you're a long-term holder at Motley Fool, as many of you are, there's only one thing that matters: long-term returns. In the case of Cineplex stock, you might want to change course or fall victim to the pandemic.

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