



## 2 Reasons I'd Buy Cineplex Stock Today

### Description

The movie theatre industry has faced an [existential crisis](#) since the beginning of the COVID-19 pandemic. **Cineplex** ([TSX:CGX](#)), Canada's top movie theatre operator, was forced to close its doors for most of 2020 and the first half of 2021. Fortunately, Canadian provinces have pursued a broad reopening since the end of the spring. Ontario, the country's most populous province, finally allowed indoor movie theatres to welcome guests in July.

Investors should be skeptical of the movie theatre industry in the current environment. The rise of streaming services already presented a [huge threat](#) to the traditional cinema before the pandemic hit. Now, the crisis may have done irreparable damage. Today, I want to take the contrarian side. I'll be looking at two reasons to snatch up Cineplex stock before October hits.

### Cineplex aims to score a big win in court

**Cineworld** is the world's second-largest cinema chain. It boasts locations across Europe and in some areas of the United States. In December 2019, the British-based company agreed to purchase Cineplex for \$2.8 billion. The deal would include the repayment or refinancing of Cineplex's debt obligations. In mere weeks, the movie theatre industry was plunged into chaos.

The British-based cinema giant opted to pull out of the agreement, citing the threats to the industry. Cineplex has opted to sue Cineworld for withdrawing from the purchase. It claims that industry risks were considered and allocated in the agreement; there, this would not provide grounds for termination. Cineworld claims that the Canadian cinema operator failed to make payments to landlords, film distributors, and other suppliers. This, in its view, provided the basis for pulling out of the agreement.

This ongoing dispute will be worth watching for investors who are monitoring Cineplex and the movie theatre industry at large. Naturally, most will be more interested in how conditions improve on the day-to-day business front. Fortunately, there is some good news.

## Disney's big announcement bodes well for the movie theatre industry

**Disney** took heat from cinema operators when it offered newly releases films on its streaming platform Disney Plus during the pandemic. The multinational mass media and entertainment conglomerate has been a dominant force at the box office over the past decade. Many of the highest-grossing films over this period came from its *Marvel* and *Stars Wars* properties. If it were to share film releases with its streaming platform, that would deal a huge blow to the traditional cinema.

Cineplex and its peers were given some [promising news](#) this month. On September 10, Disney announced that the rest of its 2021 films would debut exclusively in cinemas. These movies will be available on its streaming platform for a minimum of one month following the theatre launch. It stands to reason that it will pursue this formula going forward.

This summer has shown that Disney is still the master at delivering box office success. *Black Widow* and *Shang-Chi and the Legend of the Ten Rings* are the top-grossing films at the box office in 2021. The positive performance of *Jungle Cruise* means that Disney possess three of the top five top-grossing North American films so far this year.

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