Here’s Why I’m Buying Cineplex (TSX:CGX) Stock Today

Description

The global cinema industry faced its greatest challenge in a generation in the form of the COVID-19 pandemic. **Cineplex** (TSX:CGX), the largest cinema operator in Canada, was no different. It was forced to shutter its operations in March 2020. Cineplex bled cash in the months that followed. The company was not able to resume full operations until the summer of 2021. Even then, it faced capacity issues due to restrictions launched to circumvent the rise of the Omicron variant.

Today, I want to discuss whether this top TSX stock is still worth buying. Let’s jump in.

Why Cineplex has failed to gather momentum in 2022

Shares of Cineplex have climbed 1.5% in 2022 as of close on March 25. The stock is now up 12% in the year-over-year period. It looked like the stock was on the ropes in the fall of 2020, but Cineplex managed to stage an impressive comeback in the months that followed.

In the fall of 2021, I’d discussed a surprise move from **Disney** that would give Cineplex and its peers a boost going forward. Disney announced that its forthcoming film releases would play in cinemas for a minimum of a month before hitting its streaming platform. This was worth celebrating, as Disney’s powerhouse properties like Marvel and Star Wars had dominated the box office over the past decade.

That domination has waned somewhat. *Spider-Man: No Way Home* grossed over $800 million in North America after its mid-December debut. It is worth noting that the rights to Spider-Man are shared by Disney and Sony Pictures. Meanwhile, Warner Bros’s *The Batman* has taken the 2022 crown so far with over $300 million grossed since its March 4th release.

Should investors be excited about the future?

Back in November 2021, I’d looked at three reasons investors should snatch up Canada’s top cinema operator. The company unveiled its fourth-quarter and full-year 2021 earnings on February 11, 2022.

Management celebrated its improved earnings, as Canadians have enjoyed a return to normalcy. Total revenues shot up 471% year over year to $300 million in the fourth quarter of 2021. Meanwhile, theatre attendance rose back to 10.2 million. It delivered adjusted EBITDA of $58.3 million compared to a $32.1 million loss in the previous year.

For the full year, Cineplex revenue increased 57% to $656 million. Theatre attendance climbed 53% to 20.1 million. Investors should be encouraged by its return to profitability in 2021. Moreover, box office and concession revenues per patron rose 15% and 13%, respectively, from the prior year.

Cineplex: Buy, sell, or hold?

There are some encouraging signs for the cinema industry after two years of turmoil. However, this space still has its work cut out for it in competing with the strengthened streaming titans. The spring will see many big releases, including the latest installment in the *Doctor Strange* franchise, *Top Gun: Maverick*, *Jurassic World Dominion*, and the *Toy Story* spinoff *Lightyear*.

Shares of Cineplex are trading in solid territory compared to its industry peers. This is worth a look for investors who want exposure to an industry that is rebounding.

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