Should You Buy Cineplex (TSX:CGX) Stock Today?

Description

It has been a long and challenging road, but the world finally appears to be moving into a post-pandemic era. There is some sense of a return to relative normalcy worldwide, and the summer blockbuster season has already started. There is anticipation for an increasing number of people flocking into cinemas again.

Investors who own shares of or are interested in **Cineplex** (TSX:CGX) might be wondering whether it could be a good time to put their faith in it right now. The pandemic and ensuing restrictions weighed heavily on Cineplex stock and its peers worldwide without leaving it with much to recover its losses.

Is it an undervalued stock worth buying right now or should you avoid it? Let's discuss.

Cineplex stock

Cineplex stock is an $802.30 million market capitalization company headquartered in Toronto. It owns and operates the largest network of movie theatres in the country. Movie theatres thrive on higher foot traffic, as moviegoers flood their cinemas. Unfortunately, the pandemic made it impossible for Cineplex and its peers to generate much revenue.

Many sectors of the economy suffered due to restrictions imposed amid the pandemic. However, other businesses managed to find alternative revenue-generation strategies that helped them recover or minimize losses. The theatre industry relies too much on the traditional movie-and-popcorn business model, making them suffer the most.

However, Cineplex has had problems going back beyond the global health crisis and lockdowns. The rise of several streaming services worldwide has already taken a significant chunk of the market share. The ability to watch an unlimited number of titles for a monthly subscription fee instead of a single admission ticket for every movie became increasingly popular years before the pandemic struck.

The pandemic effectively dried up all the revenue for movie theatres due to restrictions, and most major studios pivoted to start their own streaming services. The pandemic catalyzed the shift to a streaming model, and many studios began churning out content exclusive to digital streaming platforms.

Cineplex and its peers cannot do much to capture the lost market share. Cineplex has done well to try and decrease its reliance on moviegoers watching movies with single-admission tickets.

The Rec Room business is an example of how it is divesting its reliance on the theatre business model. As the world slowly moves past the pandemic, the Rec Room segment can grow and contribute more to the company's revenues in the coming months.

Foolish takeaway

The real question is whether Cineplex stock could be worth buying right now. Cineplex stock trades for $12.64 per share at writing, and it is down by 61.69% from its pre-pandemic levels. The company's revenues have started improving of late, fueled by the exclusive-to-theatre release for many of the major blockbusters before their digital releases.

Provided that a growing number of patrons start flocking to movie theatres, Cineplex stock could rise to greater heights again. Whether it can reach its pre-pandemic levels remains to be seen. It could still be a risky bet, unless you are bullish on the theatre industry getting back to full capacity and retaking some of its lost market share from streaming services.

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