



## Is Cineplex Stock a Good Buy in December 2022?

### Description

Is **Cineplex** ([TSX:CGX](#)) stock a good buy in December 2022? That's the question on the minds of [new investors](#) and seasoned investors of the stock. That latter group recalls the juicy monthly [dividend](#) the stock once offered, with strong pre-pandemic theatre attendance fueling growth.

Unfortunately, Cineplex today is a very different stock. Let's see if the company is still a viable investment.

### Meet Cineplex

Cineplex is the largest entertainment company in Canada. The company is best known for its massive network of movie screens, but the film entertainment business isn't all that Cineplex does.

Cineplex also comprises two other (albeit related) segments, which include amusement and leisure as well as a growing media segment.

The media segment includes both cinema media and digital place-based media. While the former can be summed as pre-roll ads shown in theatres, the latter is an intriguing and often underappreciated segment.

In short, Cineplex is one of the major players behind the digital menu screens now appearing in fast-food establishments. It's a unique and profitable idea, but it won't replace the overreliance on the film segment.

## Here's the problem (and, possibly, the solution) to Cineplex's issues

The movie-and-popcorn business model hasn't changed much in a century. You pay an admission, watch a show, and buy some concessions. Cineplex has made those seats more comfortable, offered better (and more expensive) concessions, but there's little else the company can do to tweak it further.

In short, Cineplex is still overly reliant on the quality of content coming out of Hollywood. Additionally, the increasing adoption of streaming platforms (and the exclusive content many now offer) has diluted the exclusivity that the big screen once offered.

Efforts to change that, such as offering a digital streaming service of its own and offering delivery service for its concessions, are just bandages on a larger issue. In other words, consumer tastes are evolving, and Cineplex needs to innovate to meet those changing tastes.

Turning to the stock price, as of the time of writing, Cineplex is down year to date by 30%. That may seem like a discounted opportunity to some investors.

## Is it too little, too late for Cineplex?

To be fair, Cineplex is innovating. The company is trying to both revamp that tried-and-tested classic business model with a few twists. Cineplex's VIP model was one of the first hints at change, which included recliner-style seats and in-theatre dining.

The next update to that is a new offering by Cineplex, called Junxion. That offering still offers recliner-style seating but adds arcade areas, party rooms, as well as live entertainment and dining areas.

At first glance, it appears to be taking the best of Cineplex's VIP offering and its Rec Room concept. The first Junxion site opened last week at Kildonan Place, situated in a Winnipeg mall.

Will Junxion work? It's an intriguing concept, but the core model, and, by extension, issue with that model still exists. Will patrons want to pay a premium to watch a movie that they can stream for considerably less?

The latest box office numbers show that customers are still coming to theatres, albeit for the exclusive blockbusters. *Black Panther: Wakanda Forever* and *Black Adam* are two prime examples of blockbusters grossing over \$200 million at the North American box office. Again, that's impressive but still not pre-pandemic levels.

## Is Cineplex stock a good buy (and not just in December)?

Here's the thing with evaluating if Cineplex stock is a good buy: the stock holds massive amounts of risk. That stems from the lingering effects of the pandemic, getting people back into theatres, and the content churning from Hollywood. More importantly, those are all factors that Cineplex has little if any control over.

There's little reason to doubt that Cineplex will not continue to evolve and diversify away from its core movie-and-popcorn business. The question that remains is, how long that will take?

In my opinion, unless you are looking at a very long-term horizon and have an appetite for risk, there

are far better options to consider at this juncture.

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