



Is Cineplex Stock a Buy in February 2023?

Description

Cineplex ([TSX:CGX](#)) stock has been one of this market's biggest losers over the past few years. The situation went from bad to worse when the [pandemic](#) struck. Now, with a recession closing in, things have gotten that much uglier for the long-time Canadian cinema and entertainment firm.

Undoubtedly, the box office has changed forever with the rise of streamers. Nowadays, there are a large number of streamers to choose from. Still, nothing replaces the experience of enjoying the latest action film on the big screen, especially with IMAX, 4D, or ScreenX.

Indeed, IMAX is an experience like no other. While 4D is an intriguing concept that combines elemental and motion factors, it's not for everyone or every theatrical release. Without hesitation, ScreenX is one of the newer concepts that I personally find is worth the added price of admission.

For those unfamiliar with ScreenX, it boasts 270 degrees of viewing, with a screen in the middle (as usual) combined with a partial screen on the walls. Sure, not every scene makes use of the wall screens, but for the intense action scenes, they really do help with the immersion factor.

Cineplex: The road ahead seems quite bright

For now, ScreenX is quite limited but could grow to contribute a larger portion of the revenue pie 10 years down the road. The biggest issue for movie theatre chains is competition with the streamers. It's just more economical to stay home, eat a home-cooked dinner, and watch a film on one's own television. With Cinepass (a monthly subscription), Cineplex has hit back at the streamers. Still, the company can't do much about limited content slates. Fortunately, the company has made deals (like the recent one with Lionsgate) to bring new hits to Cineplex theatres.

As new hit films come out for the summer, I expect moviegoers will follow. The recent bounce in the stock off 52-week lows is encouraging and is thanks in part to recent earnings that helped power the stock to a sudden 12% gain.

Finally, Cineplex could begin to ramp up its diversification efforts again. Rec Room, [video gaming platform](#)

Playdium, and other intriguing concepts always make for great nights out. As Cineplex improves upon its balance sheet, I do think it will begin to get aggressive as it looks to diversify beyond the box office and concession. With the Scene+ loyalty program that works across Cineplex offerings, I do think the firm has set the stage for its comeback.

Now, it won't be a smooth comeback, as the box office still tends to be lumpy, with periods of time in which there aren't as many must-see hits. In any case, I'd be willing to bet that the path ahead of the firm is much smoother and brighter than the road behind it.

The bottom line on shares of CGX

Cineplex stock isn't a holding for everybody. It's volatile, with a 2.8 beta (that means shares are way choppier, like a D-Box chair, than the broader TSX Index or S&P 500), but it's [cheap](#), with upside potential.

Further, the balance sheet isn't the best in the world. Though it has been getting better with time and should continue to improve as more bums get put in seats! At \$8 and change, I view CGX stock as a [great buy](#), but only for those who know what they're in for before they punch their ticket.

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