



COVID-19 Crisis: Can Cineplex (TSX:CGX) Stock Rebound in 2020?

Description

The entertainment sector has been hit hard in several areas due to the COVID-19 pandemic. **Disney**, which looked like an unstoppable juggernaut in the entertainment sector to kick off 2020, is facing a massive slide in revenues.

One forecast suggested that Disney could absorb a \$1 billion hit every month that its parks remained closed. Movie theatres have also remained closed across North America for two months, hurting Disney and movie theatre companies like **Cineplex** ([TSX:CGX](#)).

Today, I want to discuss how Cineplex is looking in the month of May.

Is there any reason to have faith in Cineplex and the movie theatre business at large as we look ahead to the summer of 2020? Let's dive in.

The story for Cineplex stock so far

Shares of Cineplex have dropped 58% in 2020 as of close on May 13. The stock did manage to latch onto the [April rebound](#) and increased 16% over the past month. Investors are going to have to wait a little longer than usual to digest the company's first quarter 2020 results.

In early May, Cineplex announced the deferral of its first quarter filing. It announced that it will report its Q1 2020 results no later than June 29, 2020, giving the company some breathing room to plot a course forward. While Canadian provinces have laid out plans to reopen, progress has been very slow.

Cineplex had established itself as one of the top targets for income investors over the past several years. Like its peers, the COVID-19 crisis put its dividend at risk. Investors cannot rely on its payout in this uncertain time.

When will theatres return to business as usual?

The long-term survival of the traditional theatre was already in question before the COVID-19 pandemic. Now, there are fears that this crisis may [accelerate its decline](#). In April, I discussed the crisis at **AMC Entertainment**.

Similar to Cineplex, AMC enjoyed a bounce back in the previous month. However, there are still huge questions about its financial future. First, when will theatres reopen?

Cineplex has said that it will take several steps to comply with new pandemic restrictions as Canada aims for a reopening. This will include limited seating, staggering showtimes, and adjusting operating hours “to reflect market-specific attendance and visitation levels.” The exact date for the reopening of its digital projectors is still unknown.

In truth, theatres are unlikely to see a return to normalcy this year. Provincial governments are taking an extremely cautious approach to reopening. Moreover, this historic crisis will push more consumers into the arms of home entertainment.

Subscriptions to streaming platforms like **Netflix**, **Amazon Prime**, and Disney Plus have exploded over the course of this pandemic.

Should you buy Cineplex today?

The future of the movie theatre industry is in question. Theatres will eventually return in some capacity, but it is likely that they will be significantly degraded.

Like brick-and-mortar retailers, traditional theatres may be forced to scale back in the years to come. Cineplex still boasts a monopoly in Canada, but there is too much uncertainty to bet on a comeback in 2020.

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