



## Coronavirus: 1 TSX Stock Being Impacted by Rising U.S. Cases

### Description

Since the beginning of the coronavirus pandemic, almost every **TSX** stock has been impacted to one degree or another.

Some stocks have been affected by a global slowdown in economic activity. Most TSX stocks are being affected by the cases in Canada. However, some businesses are being affected by what's going on in the United States.

This is highly concerning, as the United States has still not gotten the virus under control. Add to that the large [uncertainty](#) around the duration of the pandemic and the uncertainty about political policy, and it becomes extremely difficult to get an idea of how things may play out.

Most of these TSX stocks have operations in the U.S., so they can alter their strategy depending on what developments take place.

A stock like **Cineplex** ([TSX:CGX](#)), however, has no operations in the states. Yet one could argue the company is just as impacted by what's going on south of the border as it is by what's happening in Canada.

### Domestic coronavirus cases

First off, Cineplex has a tonne of issues affecting it in the short term in Canada.

Theatres, when they've been allowed to open, have had to do so under strict measures, which will most importantly restrict capacity. This could have a major impact on business.

Furthermore, theatres are some of the last businesses to reopen. Not only are theatres not essential, but they are indoor spaces where crowds of people gather for long durations. So, there's no doubt that these businesses will be struggling as long as coronavirus cases persist in Canada.

Unfortunately, that's not the only issue impacting Cineplex.

## U.S. coronavirus cases

The theatre business relies heavily on a continuous cycle of high-quality movie releases to keep capacity as high as possible and bring back customers as many times as it can in a year.

In fact, most theatres make the majority of their revenue off a movie within the first three weeks of it hitting theatres. So, there must be a constant stream of new content for the theatres to show.

However, due to the pandemic, movie releases are being continuously pushed back. Not only is some filming being delayed, but even movies ready to be released are being pushed back by studios, which don't want to release films in North America with the United States in as bad a condition as it is.

So, without a lot of movie releases or continued delays, even if Cineplex can open its theatres and operate, if there are no good movies out, people won't go.

This makes it highly important to watch the trends of coronavirus cases across the United States.

## Cineplex stock today

[Cineplex](#) is in a tough spot. It continues to be largely impacted by the pandemic. It's not just its theatre businesses, either. Before the coronavirus pandemic, Cineplex had done a great job diversifying away from the theatre business. It achieved this by building its ancillary businesses, such as its Rec Room facilities.

Unfortunately, these businesses are being impacted in the same way as the theatre business, limiting the benefits of diversification.

The company has already suspended its dividend. Plus, it will have to be cautious when it comes to capital expenditures over the next few years. This is the price of survival for Cineplex, and it could limit its growth for years to come.

This increased financial pressure could also force Cineplex to sell some of its non-core theatres to raise cash.

So, while there will likely be a significant recovery in shares at some point, it could be years before Cineplex sees earnings levels like it did in 2019.

## Bottom line

When analyzing a business, it's crucial investors take a holistic view of the company, especially during the coronavirus pandemic.

Cineplex has its issues with coronavirus in Canada. However, even if we continue to make progress flattening the curve, other factors, such as rising U.S. cases, could be what impacts business the most.

Understanding all risks of a stock will help you to estimate the value of the stock better.

That way, you'll know whether it's worth it or not to buy the stock from a risk-to-reward perspective.

## **CATEGORY**

1. Coronavirus
2. Investing

## **TICKERS GLOBAL**

1. TSX:CGX (Cineplex Inc.)

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
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