



Cineplex (TSX:CGX) Reopens: Will its Stock Rebound?

Description

Last month, I'd discussed whether **Cineplex** ([TSX:CGX](#)) was [headed toward bankruptcy](#). The COVID-19 pandemic forced theatres across North America to close their doors for the entirety of the spring season. When the summer arrived, theatre companies were forced to adjust to [chaotic conditions and take a regional approach](#). Shares of Cineplex, the largest movie theatre operator in Canada, have plunged 76% in 2020 as of close on August 7.

Today, I want to look at how conditions may change for Cineplex for the rest of 2020.

Cineplex has started its phased reopening

In July, Ontario allowed for most regions to enter phase three of its reopening plan. Unfortunately, movie theatres were still left in a precarious position. The province stipulated that theatres could only allow up to 50 patrons per individual screen. Cineplex and other operators argued that this was not financially feasible. The company hoped to lobby the government for an exception for this industry.

On July 31, Cineplex unveiled its own phased reopening. This began with 25 locations opening on July 31, each adhering to the 50 individuals per screen regulation. The company expects that most its locations will open in the next several weeks. Ontario, Canada's most populous province, was the last to reopen theatres to the public.

Will this be enough to give Cineplex a boost in the latter half of 2020?

How will North American theatres move forward?

AMC Entertainment, the largest cinema operator in the United States, has faced similar challenges to Cineplex. Its stock has dropped 33% so far this year. However, recent events have pushed shares up 17% over the past week. AMC expects to open all international theatres before the end of August.

Last week, AMC CEO Adam Aron declared that the company had "survived the Corona crisis." This

came after a quarterly report that showed AMC lost over half a billion with a 99% drop in revenue. Investors should expect to see similarly rough results for Cineplex as its operations were almost entirely shelved during Q2 2020.

The uphill climb of reopening is not the only issue for movie theatres. Traditional cinema was already facing a crisis before the COVID-19 pandemic hit. Home entertainment has become the preferred source of movie consumption for a substantial segment of the population. The last few months have likely led to more conversions in this arena. It will be a long road ahead for theatre companies to challenge the customer traffic of the past. Moreover, film production for many top studios is also in limbo. Release dates have been pushed back, or, in the case of **Disney's** *Mulan*, moved entirely to an online offering.

Should you buy Cineplex today?

Cineplex and its peers will be severely limited in August and likely for the remainder of 2020. This will put a low ceiling on a potential comeback. With no dividend to speak of, shareholders will be reliant on Cineplex's capital growth. As an enthusiast for the cinema, I will be rooting for their rebound. However, I'm not willing to jump in on Cineplex stock right now.

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