Why Cineplex (TSX:CGX) Stock Soared 37% in the Last Month

Description

Cineplex (TSX:CGX) is a leading Canadian entertainment and media company. It has built a brand that is second to none in Canada and an increasingly diversified business. Cineplex is best known for its dominant position in the movie exhibition industry, with an over 80% market share.

Many have written off Cineplex with the belief that movie theatres are a dying business. Today, the stock trades at just over $9 — a mere fraction of its 2020 highs. And this is totally understandable, as the coronavirus crisis has kept theatres closed for months now. But in the last month, Cineplex stock has soared 37%. This has me wondering what's going on. Is this a sucker's rally or a sign of things to come?

Without further ado, let's look into why Cineplex stock is up so significantly.

Cineplex opens all theatres across Canada

It sure seems like forever ago that I last enjoyed a V.I.P. movie night. While some of us probably don't think twice about it, others are longing for the return of a night at movies. Whatever camp you fall under, it may interest you to know that movie theatres are officially open again.

As of last Friday, all 164 Cineplex theatres and 1.687 screens across Canada are officially open. It has been a long road for Cineplex, but now the curtains are rising. After this ordeal, many things have changed, but some things remain the same. Most notable is the fact that Cineplex remains a leading media and entertainment brand, just as it was before the crisis. Cineplex remains in an industry that is reeling from the emergence of other options for movie watching, such as **Netflix**. The list really goes on and on here.

But at the end of the day, is there really a replacement for a good night out at the movie theatre? This remains to be seen. I, for one, think that the movie theatre experience is not one that will completely die out. While the movie-going market may not recover to what is once was, I think it still has a place in our arsenal of entertainment options.

Cineplex stock trades at rock-bottom valuations due to the coronavirus crisis

And with Cineplex stock trading at a mere $9.18 at the time of writing, the upside is clear. In 2019, Cineplex reported EPS of $0.74. It was not a great year for the company. If Cineplex earned the same in 2021, the stock would be trading at a multiple of 12 times off 2021 earnings. But even if Cineplex earned half of that in 2021, say $0.37, the stock would still be attractively valued today.

But, of course, this all depends on our assumptions about the return of movie goers. Canada has done a fine job of dealing with the coronavirus crisis. As schools reopen and things slowly return to normal, we will see if this continues. And we will see if, when, and how movie goers return. There is still a lot of uncertainty. But expectations are so low for the company that the odds that they will be beat are pretty good.

Foolish bottom line

Cineplex stock has sure been one of the hardest-hit stocks due to the coronavirus crisis. But with movie theatres opening once again, we now have hope that things will slowly improve. Cineplex has taken steps to survive the crisis. And now the stock is rallying, because the company has survived and maybe will start to thrive again. I do not believe that things will go back to pre-coronavirus levels so easily, but there is hope again. And I believe that there is significant value in Cineplex stock today.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/31

Date Created
2020/08/26
Author
karenjennifer