



Cineplex (TSX:CGX) Stock Is up 30% in a Month: Should You Buy Today?

Description

Cineplex ([TSX:CGX](#)) owns and operates the bulk of movie theatres across Canada. Shares of Cineplex have surged 29% month over month as of close on August 28. Its stock is still down 69% in 2020.

What is behind this recent bump? Should investors expect this stock to regain some of its long-lost momentum in September? Let's jump in.

Why I've been skeptical of Cineplex in 2020

Times have been tough for movie theatres this year. The COVID-19 pandemic forced cinema owners to halt operations across North America. Cineplex closed its theatres in the middle of March. The cinema was already struggling with the challenge presented by the rise of streaming platforms like **Netflix**. Like other sectors, the COVID-19 pandemic has the potential to accelerate its decline.

In late July, I was [bearish](#) on Cineplex. The company halted its hefty dividend payout. Theatres reopened in Ontario this month, albeit in a limited capacity. Worse, the situation has put Hollywood in a bind. Many big releases have been delayed or moved entirely to streaming platforms. For example, *Mulan* was given a September 4th release date on **Disney** Plus. This angered some movie theatre operators, which are already facing a bare slate. The next installment in the *007* series has been delayed to November 25, 2020.

Cineplex may have reopened its doors across Canada, but it is still facing an uphill climb.

Will theatres be able to fill seats?

There has been one interesting test case for movie theatres during the COVID-19 pandemic. The new Christopher Nolan film *Tenet* was released in theatres over the past weekend. Nolan has been behind blockbusters like *Inception* and the Christian Bale *Batman* series in the past. *Tenet* raked in an estimated \$53 million overseas in 41 markets over the weekend. This included most of Europe, South

Korea, and Canada.

Cinemas do have an advantage in their corner right now. There is a serious lack of entertainment options for consumers. This leaves movie theatres as one of the few outlets for those itching to get out of the house in this pandemic. The strong start for *Tenet* may be a sign of things to come in the second half of 2020. Cinemas will be jam-packed with blockbusters in the fall. This could provide Cineplex and its peers with a much-needed boost.

Has the tide turned at Cineplex?

Earlier this month, I'd discussed whether the [reopening of theatres](#) would propel Cineplex. So far, Canada's largest cinema operator has proven me overly pessimistic. Its entire circuit of theatres will be open for the entire month of September. This will provide a very interesting test case for onlookers, as movie theatres look to draw in consumers.

The momentum over the past month is impressive, but I'm still not sold in Cineplex stock. There will be a cap on its ability to bounce back while capacity is limited. Meanwhile, the pandemic has seen streaming platforms rake in subscriptions. Pandemic or not, this is still an existential threat for the traditional cinema.

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