



Is Cineplex a Millionaire-Maker Stock?

Description

Cases of COVID-19 continue to climb across Canada. The virus had already put limits on businesses across the country, but many have opened doors once again. Many, but not **Cineplex** ([TSX:CGX](#)). The fear of COVID-19 is still very much alive for a business that depends on people attending its locations across the country.

Even though cases are climbing, there is the real possibility of both easier testing and even a vaccine in the near future. So, with this becoming a reality, is it enough to think Cineplex could make a millionaire-level recovery?

Still room to sink lower for Cineplex

Cineplex stock had a strong decade. The stock climbed higher and higher, reaching peak prices back in 2017. But since then the stock started to slump. There has been increasing pressure from the streaming industry for Cineplex to change. However, the stock still had an incredibly high [dividend yield](#) to at least keep investors interested.

Then came the crash and COVID-19. Seemingly overnight, Cineplex stock tumbled to lows not seen since 2009! Since those highs back in 2017, the stock has sunk by 82% to where it trades now around \$8 per share. Unfortunately for Cineplex, things could still get worse before they get better.

Other companies and indeed industries have rebounded since the March crash. However, the future is incredibly unclear for a company like Cineplex. Cineplex stock instead continues to shrink lower and lower, coming down 75% in the last six months since the market crash.

Turbulent times still ahead for Cineplex stock

Let's say a miracle happens and a vaccine is both created and released tomorrow. Everyone receives the vaccine, and people are free to go about their business. That still wouldn't be the end of it for Cineplex stock. The company is now wracked in even more debt — debt that needs to be paid off for

its massive expansion projects and opening theatres.

More than likely, we won't see a vaccine tomorrow. Instead, even with more testing, and even if the business can open with limited capacity, people simply won't want to attend the theatre. The risk is still too great.

Instead, the only real option Cineplex stock has is to start making some very difficult choices to get back to where it once was, and fast. The company will have to start paying off its almost \$1.5 billion in debt, and revenue is only shrinking. Most recently, revenue reported a year-over-year decrease of 27.9%. What's the easiest way to pay down that debt and get back to black? Real estate.

If the company wants to keep its new Rec Rooms, by all means. In fact, it seems these could be the main source of revenue in the COVID-19 future. However, it would be relatively easy to look at poorly performing cinemas and start closing the doors. Cineplex has a presence in practically every city across the country. Closing those massive locations would certainly bring in quick cash. In cities with multiple locations and higher rent (think Toronto, Vancouver and Calgary for example), it would be prudent to close those locations first.

Bottom line: Long-term turnaround

The bottom line here is that there is likely to eventually be [quite the turnaround](#) for this stock, but it's for long-term investors. This stock could sink lower, so unless you have patience and blinders on, maybe don't go for this stock. However, if the company manages to sell locations and get back to black, you could be looking at a huge turnaround for this company.

On top of this, should Cineplex finally find a way to get into streaming, that would be enormous for investors. Cineplex stock could shoot back up overnight if this were to happen with a reasonable strategy. So, don't give up on the stock yet. It could be years before it rebounds, but when it does, you could certainly come out of it as a millionaire.

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