



## Should You Wait to Buy Cineplex Stock?

### Description

It doesn't get much more contrarian than this. With a second wave looming and further lockdowns potentially on the way, a **Cineplex** ([TSX:CGX](#)) investment may seem counterintuitive. But there is every reason to expect that a vaccine breakthrough could see shares in the country's number one movie exhibitor go through the roof.

### Not a dry eye in the house...

It's been an exceptionally rough year for a vast swathe of the TSX. One of the [worst-hit sectors](#) has been hospitalities, an area that Cineplex abuts with increasing discomfort in 2020. Any enterprise that relies on folk sitting indoors with the general public was always going to suffer in a pandemic. But Cineplex has faced stiffer headwinds than most.

Look at last year, when the content-streaming wars were heating up. Cineplex was a hot commodity, being courted as a takeover target at the centre of a worldwide content binge. But along came the pandemic, and it left that thesis — and that takeover deal — in tatters. And, unfortunately, it seems that things are about to get a whole lot worse for movie exhibitors in the near term.

### Go super-long for a recovery

Cineplex shares will always be on the verge of breaking out so long as the prospect of recovery continues to taunt investors. Investors may want to add the beleaguered entertainer to their portfolios on the basis that a vaccine rally lifts locked-down sectors. However, 2020 is not the right year to try timing the market. Volatility is still too high and will be for some time. Instead of waiting for Cineplex to bottom out, consider [building a position incrementally](#).

In short, don't wait to buy Cineplex, but don't back up the truck either. Investors can take a smaller initial position while shares are still 70% cheaper than this time last year. But the likelihood is that a fresh round of lockdowns could take a bigger bite out of that share price. Shareholders in the market-leading movie exhibitor can then take the opportunity to increase their stake. This also avoids the risk

of going all in when nasty surprises could be in store.

However, it may turn out to be overly simplistic to assume a vaccine breakthrough will be a catalyst for Cineplex improvement. Why? Because any breakthrough by a single pharma outfit will see limited upside. A spike and a trough, and then it's old news. A sustained recovery in Cineplex won't come until the pandemic is squarely in the rear-view mirror. And that could conceivably be a year from now by some estimates.

Moving on: buying shares in Cineplex while they're cheap makes sense. The movie exhibition industry is far from through. Additionally, there has been a pandemic before, and the movie industry got through it that time, too. So, historically speaking, there is a precedent here. Investors bullish on a recovery — and it will come eventually — should see the current weakness in Cineplex shares as a value opportunity and begin building a position.

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## **Category**

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## **Date**

2025/08/18

## **Date Created**

2020/10/01

## **Author**

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