



## Cineplex (TSX:CGX) Could Triple on COVID-19 Vaccine News

### Description

**Cineplex** ([TSX:CGX](#)) soared 32% on [Monday](#) on news that **Pfizer** had a COVID-19 vaccine that was reportedly 90% effective. With such a promising vaccine that could be on the way, the rush of optimism swept the stock market, with some of the more beaten-up COVID-hit stocks finally lifting off after many months of treading water.

Don't say you weren't warned to buy the stock before the bounce past \$7, though. Just four days ago, I changed my tune on Cineplex stock, urging investors to back up the truck on the heavily out-of-favour name, noting that the valuation was remarkably attractive and that the potential upside in a vaccine breakthrough could have the potential to send shares soaring over a very brief period of time.

"Everything that could have gone wrong went wrong for Cineplex. But with a somewhat decent liquidity position, I think Cineplex can survive this crisis. The balance sheet is on unstable footing, but I just don't see a scenario where we rise out of this pandemic without a beloved Canadian entertainment company like Cineplex." I wrote in a [prior piece](#). "Few things are more unpredictable than biology. A vaccine breakthrough could happen at any time. And if things aren't as gloomy as most expect, Cineplex stock is one of the names that could easily triple over the course of just a few trading sessions."

### Cineplex's surge may not be over yet

Just four days later and we were dealt with a huge vaccine breakthrough courtesy of Pfizer. Cineplex stock is up big on the day, but I think the big pop is just the start of a sustained rally higher, as investors look to pile into the out-of-favour COVID-hit stocks to bet on the post-pandemic world. Such a post-COVID environment seemed years away just last week.

With the latest breakthrough, investors now see a glimmer of light at the end of the tunnel. Given the unpredictable nature of the virus, I urged investors to balance their portfolio with COVID-hit and COVID-resilient winners as a part of a barbell portfolio. If you're one of many investors who've shied away from COVID risks, now is as good a time as any to punch your ticket to names like Cineplex before they

have a chance to correct to the upside.

## Cineplex stock will remain extremely volatile

Now, Monday's vaccine breakthrough doesn't mean that Cineplex stock is without its share of risks. The company doesn't have the best balance sheet in the world, and with financial covenants looming, the firm could easily find itself in hot water again if it turns out the new vaccine isn't readily available for broad distribution by late 2021 or early 2022. Worse, if the vaccine isn't suitable for all age groups, we could very well see names like Cineplex take a step back over the near term.

With a new hope on a vaccine, though, I'd be inclined to bet that investors are willing to pile into the stock well before Cineplex has a chance to fill its seats with bums in a post-pandemic environment. Remember, the stock market is a lens into the future (around 12-18 months in the future). And right now, the future is starting to look very bright, which bodes well for Cineplex, even though it faces another quarter or two worth of pain.

Moreover, I'm willing to bet that Cineplex will have an easier time raising further liquidity with the latest injection of certainty.

## Foolish takeaway

If you're a young investor with a stomach for volatility and enough room for a COVID-hit stock with ample upside, though, I'd encourage you to continue scaling into a position if you've yet to do so. In my previous piece, I noted that "betting on Cineplex at a time of maximum pessimism isn't all a bad idea, even if the trend suggests that you'll lose money over the short term."

I'm sticking with my original takeaway and would continue to encourage investors to have a second look at Cineplex, because the name could have much more room to run if we are poised to finally conquer COVID-19 next year.

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