



Buy Cineplex (TSX:CGX) Now or You'll Probably Kick Yourself Later

Description

It's off to the races for **Cineplex** ([TSX:CGX](#)) stock, which surged another 12.1% on Wednesday, bucking the trend on what was a big down day for the broader markets. With impeccable timing, I pounded the table on Cineplex stock back on November 5.

"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." I [wrote](#), encouraging investors to buy Cineplex stock while it was trading at \$5 and change.

Just two weeks later and Cineplex shares are now up over 82% on news of two coronavirus vaccines with efficacy rates in excess of 90%. As it turned out, buying Cineplex at a time of maximum pessimism turned out to be a pretty good idea.

With surging coronavirus cases that could stand to shutter movie theatres for another few months, Cineplex is going to have yet another brutal quarter that'll be coming up. As investors focus on profitability prospects beyond 2021, though, I think the bar will be low enough to keep Cineplex's current strength alive until the pandemic is finally over.

The timely call

Now, I didn't know that Pfizer would release an effective vaccine in the same week that I pounded the table on Cineplex. However, I acknowledged that such a vaccine breakthrough was possible at any time and that investors should be invested in oversold COVID-hit stocks before such a breakthrough, which I thought was just a matter of time, had a chance to happen.

Moreover, despite the questionable state of Cineplex's balance sheet, I also noted that I didn't foresee a scenario where the company would go insolvent, leaving Canadians without the beloved entertainment company.

With more clarity on the vaccine timeline, Cineplex will have fewer issues as its financial covenants

come due. Moreover, it'll likely have an easier time raising more cash to improve its odds of survival drastically now that the pandemic's end is starting to come into sight.

With shares flirting in the double digits, I'd still encourage investors to continue accumulating Cineplex shares, as I think the rally is just getting started. The positive vaccine news is just the start of the road towards normalcy. If we are due for the end of the pandemic at some point next summer, Cineplex is going to have little trouble getting bums back in seats.

A 2021 return to normalcy could send Cineplex stock much higher

A suite of good movies will be on tap, and people itching for some sense of [normalcy](#) will be back in the company of friends. Such an environment could pave the way for the best quarter ever for Cineplex, as it looks to make up for time lost during the pandemic.

While CGX stock at \$40 still seems wildly far-fetched, even with two effective vaccine breakthroughs in the books, I'd argue that it's the likeliest scenario when we look beyond the current COVID-19 to the potential post-pandemic discretionary spending boom that may be up ahead.

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