



Why Cineplex (TSX:CGX) Stock Has Surged 86% Over the Last Month

Description

This month, **Pfizer** released data that showed its vaccine candidate had achieved 90% effectiveness so far. It is early days, but this promising result still sparked a surge for uneasy global markets. Unfortunately, the vaccine will not come soon enough to rescue many businesses that are about to be devastated by a second round of lockdowns across the western world. Can the vaccine save **Cineplex** ([TSX:CGX](#)) and the struggling movie theatre industry?

Did Cineplex get the miracle it was asking for?

Cineplex stock has climbed 86% month over month as of close on November 19. Its shares have surged over 40% in the past week. In the beginning of this month, I'd suggested that [Cineplex needed a miracle](#) to please its shareholders in 2020. Can a fast-tracked COVID-19 vaccine provide the mana from heaven that this company has so desperately needed in this difficult year?

The company released its third-quarter 2020 results on November 13. Predictably, its earnings were ravaged by the abysmal conditions it has been forced to wrestle with. Fortunately, it did receive help from creditors, which it sorely needed to avoid facing a major crisis. On November 12, the company entered the second Credit Agreement Amendment with its lenders. This provides Cineplex with immediate financial covenant suspension. That will be extended to the second quarter of 2021.

Meanwhile, theatre attendance and total revenues dropped 91% and 85% year over year, respectively. Will the COVID-19 vaccine bring these numbers back to normal?

The end of the pandemic can't save this industry

The movie theatre industry was already facing steep challenges before this cataclysmic event. All the way back in 2017, I'd discussed some of the [existential threats](#) for the traditional cinema. Prolonged closures will have driven even more consumers into the arms of streaming services like **Netflix**, **Amazon**, and **Disney Plus**. Recent reports have indicated that these services have explored bold strokes like bidding for the twice-delayed new Bond release, *No Time to Die*.

If streaming services can begin to vulture blockbuster releases, that would represent a coup for the up and comer. Movie theatres are almost totally reliant on blockbusters to generate revenue in the current era. If this advantage were to evaporate, that could be the point of no return for the cinema. However, so far Hollywood has resisted this temptation. After all, its business model would also be forced to undergo massive changes if streaming services push traditional cinemas to the periphery.

Should you buy Cineplex stock right now?

Cineplex was forced to suspend its dividend payment in the spring. Investors should not expect it to return until the situation stabilizes for the company and its peers. Unfortunately, there is no indication as to when this will be. Investors should not pick up Cineplex unless they are willing to jump on the comeback train.

The Pfizer vaccine news generated a nice pop for Cineplex stock, but investors should not bet on this being a game changer. I'm still staying far away from Cineplex stock this year.

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Date

2025/08/27

Date Created

2020/11/22
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