



Cineplex (TSX:CGX) Is a Screaming Buy for the Post-COVID World

Description

Cineplex ([TSX:CGX](#)) has one of the TSX Index's biggest losers in recent years. As you may remember, I called Cineplex's profound fall from grace well before the fact, while shares were hovering near all-time highs back in [the summer of 2017](#). I gave four headwinds that I thought would cause Cineplex stock to crumble like a paper bag. I've been bearish on the name ever since I changed my tune a few weeks ago when the battered stock touched down with \$5.

I went from incredibly bearish to a raging bull, just days before **Pfizer** pulled the curtain on its incredibly effective vaccine. It was the breakthrough that value investors and contrarians were waiting for. With Moderna revealing its own vaccine that was 94.5% effective, shares of firms most impacted by the COVID-19 crisis got the green light to soar.

Cineplex nearly doubled since my buy recommendation that urged investors to load up on the stock at its time of maximum pessimism. Everything that could have gone wrong for Cineplex and the movie theatre industry did go wrong. And with shares trading at bargain-basement valuations, I thought it was time to change my tune on the name, as I thought COVID-19 would be conquered in 2021 and Cineplex would be a survivor, despite its less-than-stellar financial position heading into year's end.

Rougher waters lie ahead, but the end of the storm is now in sight

The next quarter is going to be ugly for Cineplex. There's no arguing that with [surging coronavirus cases](#) that could threaten to send many localities in partial lockdowns. Movie theatre operators are among the most vulnerable to such lockdowns, and revenues are slated to fall towards zero for the time being.

That said, the stock market is a forward-looking entity. And with effective vaccines that could be ready to go as soon within months, the environment in 18 months from now is far brighter than the next two or three months will be. As the economy heals from this crisis, I've noted the possibility of a discretionary spending boom that would propel firms like Cineplex, as consumer sentiment looked to

improve and massive savings piles had a chance to flow back into the economy.

More hope for an ailing industry

On Monday, the broader movie theatre industry got another glimmer of hope, as British cinema play **Cineworld**, a firm that had previously been in talks to scoop up Cineplex, secured a US\$750 million (about £560 million) lifeline to help it weather the coming typhoon of coronavirus cases in the current wave. Cineplex rallied over 3% on the day.

With new vaccine hopes and a potential end to the pandemic now in sight, I think Cineplex will have less trouble securing the additional capital it needs to make it through another wave of shutdowns. I believe the odds of Cineplex's survival are the highest since the pandemic began, with renewed vaccine hopes that I still think are discounted, with Cineplex stock still miles below its all-time highs.

Foolish takeaway on Cineplex stock

The vaccine news is a massive deal for Cineplex. With a potential post-pandemic discretionary spending boom, I think Cineplex has become less of a stock with an options-like risk/reward and more like a solid deep-value investment that could enrich fearless investors willing to bear the high risks involved with one of the worst businesses to be in during a worsening pandemic.

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