



## Could Cineplex (TSX:CGX) Stock Double Again?

### Description

**Cineplex** ([TSX:CGX](#)) doubled in a very concise timeframe. With shares still over 80% below that of their 2017 highs — a time I rang the alarm button on shares — I wouldn't be surprised if Cineplex stock has another 100% bounce up its sleeves, as the world inches closer towards [post-pandemic normalcy](#).

While I think Cineplex still has a lot of upside potential, investors should not discount the risks involved with the name. With vaccines that could inoculate the masses next year, Cineplex is nowhere close to as risky as it was when there was no telling how long we'd be stuck in this pandemic.

Fast forward to today, and there's clarity on a vaccine timeline. The pandemic's end is now in sight, and the stock market has raced to new all-time highs, with COVID-19 recovery plays that led the upward charge in November. Cineplex enriched many investors with the courage to go against the grain, as I'd suggested just days before **Pfizer** revealed efficacy data on its vaccine breakthrough. With **Moderna** following up with a 95% effective vaccine of its own, hope has become almost palpable.

## Cineplex: Another double coming?

With another few quarters to get through before Cineplex can clock in epic recovery numbers, though, I consider Cineplex to be a less timely investment and would urge those with the fear of missing out (FOMO) to wait for the dust to settle before initiating a position in shares of Cineplex, which are now in the process of retracing. The stock is down 9% from its November high and is at risk of rolling over once this vaccine-driven rally begins to run out of steam and investors await evidence of a sustained recovery before pounding the table.

Once the pandemic ends and Cineplex is still standing, don't expect bums to return to seats immediately. Even before the pandemic gut-punched Cineplex stock, the name had been under pressure over the continued rise of video-streaming platforms. This pandemic has only strengthened streamers. As such, I continue to believe that Cineplex will be on the receiving end of a secular trend that'll see its customer base slowly evaporate in the years and decades following any post-pandemic recovery.

Despite long-lived headwinds and the risk of permanent loss in demand for Cineplex's offering in a post-pandemic world, some Cineplex bulls are encouraged by creative efforts that could stand to ease such pressures. Fellow Fool Ambrose O'Callaghan thinks that [Cineplex stock will "explode" in 2021](#), noting that its exploration of "new ways of doing business" could help it win over the interest of Canadians.

"Cineplex and its peers could explore new ways of doing business to drum up interest as we look to close the book on a brutal 2020. This month, the company announced 'Private Movie Nights' that allowed up to 20 guests per theatre. The option is available at all hours. Cinemas should look to expand on these offerings in the years ahead." wrote O'Callaghan.

I don't think "Private Movie Nights" will do much, if anything, to move the needle on the stock, as streamers grow hungrier for the cinema operator's lunch. The key to Cineplex's recovery, I believe, will be investments in its amusements business to diversify away from the big screen. Unfortunately, the pandemic has slowed such diversification efforts.

Regardless, I don't think diversification efforts are required for Cineplex stock to double again at this juncture. Doubling up would still leave the stock a country mile away from its highs, after all! If Cineplex can offer returning viewers a deal they can't refuse (perhaps heavily discounted concession and movie tickets), I do not doubt that moviegoers will return once it's safe to do so, even if the 2022 movie slate is un compelling.

## Foolish takeaway

A pandemic lasting through 2022 would have been the final nail in the coffin for ailing Cineplex. But the company is still alive, and it could come roaring back in 2021.

So, could Cineplex double again?

I think it could easily, but I'd urge investors to consider the risks and encourage dollar-cost averaging into the name, rather than backing up the truck, as it's going to be a bumpy ride.

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**Date**

2025/08/29

**Date Created**

2020/12/03

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