Cineplex (TSX:CGX) Stock: What Are Investors to Do?

Description

It's been crazy for **Cineplex** (TSX:CGX) investors over the past month. If you'd bought during the drop, you might be ecstatic right now! Shares have finally started climbing upwards again since the huge drop back in March. However, it looks like many investors are also starting to sell shares yet again.

So, what are investors to think?

The climb

There was a slow and then fairly quick climb in Cineplex stock share prices recently for two reasons. First, the company was finally able to open its doors once again. After months of closures due to the pandemic, Cineplex believed it could finally reopen "safely." Over 1.5 million customers visited locations during its re-opening weekend. And so, investors thought perhaps the company could finally start producing revenue again. This includes private showings, where groups can safely watch films with a maximum of 20 people.

Then, of course, there was news of the vaccine. This sent shares soaring, as the company could finally open up to full capacity for good. However, the vaccine is quite a ways away. That leaves plenty of time to even go back into lockdown for much of the country. With cases climbing across the country, this could be quite likely. To be clear, there have been no reported cases of COVID-19 that stem from a Cineplex theatre.

The fall

It was this latter piece of news, where the vaccine could still be another year away, that started sending shares downwards again. Even when it is available, those that will receive it are going to be those most at risk of contracting the virus. That means these people are quite unlikely to be going to the theatre anytime soon.

Then let's say that there is a vaccine. The company now has a whopping $1.9 billion in total debt. That is likely to only increase even with some customers attending theatres again. When the vaccine is readily available, it will still take time for businesses to get back to pre-crash levels — especially with the Canadian government currently taking on more and more debt.

Bottom line

Cineplex stock dropped by 80% during the market crash. It then continued to fall by a further 31% until its recent climb. Since then, it's come back up by 175%, yet that's still a fall of 65% since pre-crash levels. Revenue continues to drop, most recently by 50% year over year.

So, should you avoid Cineplex stock? Or is a great time to buy? It's true that Cineplex isn't likely to go any where. You could buy now and see a strong return over the next several years. However, it could certainly drop again and likely will when further crashes happen over the next few months. So, you have to ask yourself how much risk you're willing to take and how long you're willing to wait to see a return. Bottom line, you can always buy a small stake and see how it performs, and grow it down the line. Take your time, be patient, and stay Foolish.

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alegatewolfe