



Cineplex (TSX:CGX) Stock: DEVASTATED by the Pandemic

Description

Cineplex ([TSX:CGX](#)) stock has been absolutely devastated by the COVID-19 pandemic. At its lowest point, it was down 87% for the year. As of this writing, it was still down 72%. In recent weeks, Cineplex saw a massive rally that helped pare the losses considerably. However the stock remains a loser for those who bought at the beginning of the year. In this article, I'll explore why that is the case and whether the company can recover.

COVID-19 destroyed movie theatres

Movie theatres were among the industries hardest hit by the COVID-19 pandemic. Like airlines and hotels, they saw their revenue tank when lockdowns were implemented. Unlike those industries, however, movie theatres weren't able to carve out exemptions. For airlines, special categories like "essential travel" helped keep demand afloat at least somewhat. With movie theatres, there were no such exemptions. The result was an unbelievably rapid decline in revenue.

In the second quarter, Cineplex saw a 95% decline in revenue. That's even worse than what **Air Canada** experienced. While Air Canada's 88% revenue decline was bad, CGX at one point was earning *no* revenue. Early in the lockdowns, it was [forced to close all](#) of its theatres. The fact that the company earned any revenue at all in Q2 was merely due to the re-opening that began later in the quarter.

Vaccine uncertainties loom

Of course, all of the issues facing Cineplex today could be resolved overnight by the arrival of a [COVID-19 vaccine](#). If a vaccine is released and quickly given to the majority of the population, then there'll be no need for further lockdowns. In that scenario, Cineplex would be able to re-open almost all of its theatres overnight. Investors are aware of this, which is probably why CGX rallied more than 100% in the month following **Pfizer's** vaccine announcement.

However, it would be a mistake for an investor to bet everything on the arrival of a COVID-19 vaccine.

Vaccine deployment still has a number of question marks surrounding it, including:

- Possible supply chain issues — like those Pfizer recently confessed to.
- Issues getting the vaccine approved.
- A new mutation of COVID-19 that the vaccine is not effective against.
- People refusing to take the vaccine.
- And many more.

Put simply, there's no guarantee that a vaccine will magically make COVID-19 go away. If it doesn't, then lockdowns remain a long-term possibility.

Foolish takeaway

Cineplex stock is down massively this year, but investors who bought in the last month have actually realized a great return. It would be a mistake, though, to take that one-month rally as indicative of future performance. All it would take is a big delay in vaccine deployment to blow CGX's entire operation. So, the stock remains extremely risky.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/29

Date Created

2020/12/09

Author

andrewbutton

default watermark