Could Cineplex (TSX:CGX) Make You Filthy Rich in 2021?

Description

Cineplex (TSX:CGX) stock has been made great again after the slate of good vaccine news earlier last month. While the vaccine is a colossal deal for movie theatre giant Cineplex and its prospects of surviving this horrific crisis, the stock still isn't without its fair share of risks after having more than doubled from $5 to $10 and change before pulling back modestly to around $9.50, where the stock stands at the time of writing.

Cineplex stock could fall under pressure again amid a worsening second wave

Cineplex still has to make it through this second wave. Currently, with COVID-19 cases surging uncontrollably, various localities could go from partial restrictions to a full-blown lockdown. Alberta took its restrictions up a notch on Tuesday, as COVID-19 cases continue to skyrocket, with daily new infection records being broken on the daily. The exponential spread is concerning, and with few other options, Canada may have to go on lockdown, as it did in the first wave.

There's no telling how bad this second wave could get and how much longer it could last. In a worst-case scenario, Cineplex could see its doors be closed for many months. Moreover, I think that the vaccine-driven rally in shares of Cineplex has been a tad overblown. I was pounding the table on the stock back in October when shares were at $5 and change, but after nearly doubling, I'd be more inclined to take profits before the rally has a chance to exhaust itself.

While investors are looking to the 2021 end of this pandemic, there remain considerable logistical challenges with inoculating tens of millions of people from the Rockies to the Bay of Fundy. The first slate of COVID-19 vaccines will be landing in Canada any day now. But there may not be enough vaccine doses for most Canadians by the third quarter of next year.

Curb your recovery expectations

While vaccine news is encouraging, I think Cineplex stock could be in a spot to sell-off, as investors curb their expectations. With the potential for further challenges in administering the vaccine to the average Canadian, we may not reach herd immunity until the fourth quarter of 2021. And that means much more pain could be in the cards for Cineplex, especially if this second wave lasts through March, with a third wave waiting on the other side.

If you're a long-term investor who's willing to stash and forget a name like Cineplex in their portfolio, only then would I encourage you to pick up shares as they continue on the retreat. Shares of Cineplex are down over 15% from their November highs, and they could be headed much lower, as excitement over vaccines dies down at the hands of fear that the prolonged lockdowns could diminish Cineplex's survival prospects.

Cineplex has a steady balance sheet, but it's not the best in the world. So, even with a vaccine rollout on the horizon, investors should not think that bums will be headed back to seats anytime soon. I think sweeping lockdowns are coming and would encourage investors to wait for a further pullback before considering initiating a position.

Foolish takeaway

If you doubled your money after having bought on my prior advice, I certainly wouldn't be against playing with the house's money. Just temper your expectations and be ready for a potentially violent reversal in market sentiment before the next sustained leg up.

Could Cineplex stock make you rich in 2021? You could probably double your money from here. But if you're not willing to hold through the entirety of next year, I'd say the stock could cause you to lose your shirt.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

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
3. Stocks for Beginners

Date
2025/07/31
Date Created
2020/12/11
Author
joefrenette