Cineplex (TSX:CGX) Stock: Buy or Sell at $10?

Description

Cineplex (TSX:CGX) stock has been through a lot in 2020, as the coronavirus took us hostage. Cineplex was, in fact, one of the hardest-hit stocks. Nine months after the TSX market crash, it remains in the dumps. So, what should investors do with Cineplex stock now?

Surely, 2021 won't be like 2020 and the coronavirus vaccine will make it a drastically different year. Every hospital, company, and person will feel this difference. So, without further ado, let's take a closer look at the best course of action for Cineplex stock.

The decision to buy or sell

Whenever we think about what to do with a stock, we often think we have three options: buy, sell, or hold. Notice in the title of this article that I don't mention hold. This is by design. "Hold" is a misleading course of action. It's almost a way to avoid the question. It's a call to do nothing.

But if we recommend a hold, aren't we saying the stock is a buy? Maybe it's a way to call it a buy, while also reflecting our uncertainty. But we need an actionable recommendation. The better way to think about it is as follows: If you didn't own the stock, would you buy it? If you own the stock, will you sell it?

Should you buy or sell Cineplex stock?

Cineplex stock is down 70% since March. Unlike many other stocks, it has not recovered at all in 2020. But it's 2021 now. This will be a year of rebuilding. It will probably take many of us by surprise. And that's okay, because it's naturally difficult to see through all the pain. The health and economic distress continue to build at this time.

In order to make a decision on Cineplex, we need to try to see through this second wave of the coronavirus. And now we can reasonably do this. The coronavirus vaccine is being rolled out. Every day that goes by, we are getting closer and closer to the end of the crisis.

The good news with regard to Cineplex stock is simple. It's not pricing in anything related to a recovery. The bar is low. Expectations are low. Investors may be counting it out as a goner. But Cineplex is backed by a lot. Its brand and loyalty program. Its online businesses. And its share of Canada's entertainment industry.

Cineplex stock is trading below $10. At this price, the movie exhibition industry doesn't need to go back to what is was for investors to make a solid return.

Motley Fool: The bottom line

Cineplex stock sure presents investors with a dilemma. On the one hand, it's clearly heading for bankruptcy, right? On the other hand, it has had a lot of staying power through this crisis. With the help of the government and cost cuts, maybe Cineplex can make it. And if it does make it, Cineplex stock will provide investors with very lucrative returns.

So, the choice is clear. Only investors who have extra money to invest in a such risky venture should buy Cineplex stock. Those who buy will likely benefit from a 2021 comeback, as the coronavirus vaccine leads an economic recovery.

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