



3 Ways Cineplex (TSX:CGX) Stock Can Soar in 2021

Description

Last week, I'd discussed why Canadians may want to [invest in streaming](#) stocks over **Cineplex** ([TSX:CGX](#)), which has struggled mightily in the year-over-year period. The COVID-19 pandemic has been catastrophic for Canada's largest movie theatre operator. It is coming on nearly an entire year in which the company has been unable to operate at full capacity. For most of this stretch, its operations have been shuttered entirely.

Today, I want to look at three ways the company could stage a comeback in 2021. Let's dive in.

Cineplex is getting some back up from an unlikely source

The picture for Cineplex and its North American peers was grim heading into the new year. One of the biggest red flags was Warner Bros.'s decision to release its entire film slate on the HBO Max streaming service. This angered top filmmakers like Christopher Nolan and Denis Villeneuve. Regardless, Warner Bros. opted to move forward with this arrangement.

Cineplex will be spared this headache in 2021, and it has Canadian telecoms to thank. Canadian consumers will not have access to **AT&T**'s HBO Max service, which launched in May 2020. Bell Media, a subsidiary of **BCE**, owns the Canadian Crave subscription service. It offers original programming from HBO, Showtime, Comedy Central, as well as access to a large trove of films and additional series.

Crave will offer the Warner Bros. theatrical slate, but only after their scheduled release in cinemas. This represents a small win for a company that will be starving for box office returns this year.

A spending spree on the horizon?

Canadians have been forced to hunker down for months at a time over the course of this devastating pandemic. The crisis has been very damaging to the broader economy. However, it has also [boosted the savings rates](#) for the average Canadian. When Cineplex, restaurants, and other public gatherings recommence, Canadians will have more cash to burn than usual.

This company will hope that many will choose to reacquaint themselves with the cinema. Many films were subjected to delays, including the next installment in the *James Bond* franchise. This has led to dismal box office numbers in an already challenging environment. However, when there is a reopening, there should be a rush of titillating releases. Cineplex CEO Ellis Jacob is counting on pent-up demand to fuel box office numbers in the months ahead.

Cineplex has stabilized its financial position

North American cinemas have been flirting with financial disaster during the pandemic. In late December, Cineplex announced that it had sold its head office in Toronto for \$57 million to pay down its credit facilities. Moreover, it had secured a \$117 million agreement with **Scotiabank**. This injection of cash should be able to tide Cineplex over until the inevitable reopening.

Shares of Cineplex have increased 11% in 2021 as of close on January 18. That is a solid start for a company that has seen its revenue obliterated during this crisis. I'm not buying Cineplex's star in 2021, but if things break right, the stock could reward the bold this year.

CATEGORY

1. 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. Investing

Date

2025/08/16

Date Created

2021/01/19

Author

aocallaghan

default watermark

default watermark