Cineplex (TSX:CGX) Stock Could Realistically Double in 2021

Description

Don't bet against the battered movie theatre giants like **Cineplex** (TSX:CGX). Cinema short-sellers learned this the hard way on Wednesday after shares of American movie theatre giant **AMC Entertainment**, an obvious short amid a worsening pandemic, skyrocketed over 300% in a single day.

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Cineplex could surge without a moment's notice

Although the movie theatre giants are sitting at ground zero of COVID-induced shutdowns, I think it's dangerous to bet against them, especially now that we have more clarity with the national vaccine rollout plan. Sure, there will be bumps in the road en route to post-pandemic normalcy, and while Cineplex's balance sheet isn't the best in the world to navigate through another few waves of the COVID storm, I still think Cineplex could be one of the TSX Index's most dangerous shorts.

Why? Cineplex stock is already beyond battered at today's levels. At the time of writing, shares are down nearly 80% since my original sell call back in 2017, when Cineplex was a dividend darling near its all-time highs.

Shares have fallen endlessly into the abyss over the years. The COVID-19 pandemic only acted as salt in the wounds of an already hurting company. While many of my prior bear points are still in effect today, most notably the secular decline of the movies in favour of the up-and-coming movie streamers, one has to draw the line somewhere with the battered stock.

Cineplex faces an uphill battle

COVID-19 headwinds have undoubtedly made my gloomy thesis on shares of CGX that much worse. With the threat of full lockdowns, the company can't get bums in its seats even if it tried. Even without lockdowns, pricey cinema tickets are a tough sell, especially given the growing value proposition to be had with the streamers.

Moreover, Cineplex's efforts to diversify its business away from the box office and towards amusements has been derailed for the time being due to financial pressures. The horrific pandemic has caused a considerable amount of business erosion. While diversification initiatives have taken a backseat for now, I think the company can get back on its feet sooner than most expect if it's able to make it through this crisis under its own footing.

As someone wise once said, every stock can be a buy if the price is right. Although there are a plethora of reasons to short the stock with the belief that it's headed for bankruptcy, I'd encourage investors to consider the more promising post-pandemic world that lies ahead and the potential for momentum traders to back up the truck on shares once CGX stock can pick up meaningful traction.

Like with **BlackBerry** stock, I suspect a bit of good news will be a major needle mover for battered shares of Cineplex. As we inch closer to the post-pandemic world, with a potential discretionary spending boom, I wouldn't be surprised if the stock takes off on little (or no) new developments.

Foolish takeaway

Shares of Cineplex are too cheap here. And they may be the target of deep-value investors within the next few months. If you're extremely bearish on the stock, enjoy the show from the sidelines; just don't initiate a short position, because I think there's a high chance that you be squeezed in an AMC-like fashion.

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