



## Disney CEO: Stocks Like Cineplex Could Plummet

### Description

**Cineplex Inc.** ([TSX:CGX](#)) is a stock that's absolutely soaring of late. Over the past month alone, shares are up 30% at the time of writing.

That's a pretty significant increase for any stock. Indeed, it appears investors are more optimistic than ever about the cinema space right now. With all the retail buzz from the Reddit crowd around American peer **AMC Entertainment**, this isn't surprising.

However, I'm going to discuss why there's reason to be cautious with this stock right now.

### First, the good news

There's a lot going right for Cineplex stock right now. Shares are up dramatically from their pandemic lows of last year. Investors of all sorts appear to be piling into rebound trades right now. In particular, highly cyclical plays have caught a bid.

Additionally, Cineplex recently [announced](#) a significant, oversubscribed bond issuance to the market at a lower yield than many thought would be possible. This has shored up the company's balance sheet significantly. It now appears the company has sufficient capital to make it through the pandemic. Accordingly, any bankruptcy risk that previously existed has been diminished significantly.

Furthermore, investors are more bullish than ever about how this sector could recover post-pandemic. With an accelerated vaccination timeline in the U.S. spurring hope the Canadian government can get its act together soon, there's a tonne of room for optimism for Cineplex investors right now.

### Now, for the bad news

All that said, it's important to keep things in perspective. Recent comments from **Walt Disney** CEO Bob Chapek have poured some cold water on these bullish ideas.

Chapek recent was quoted as saying, "The consumer is probably more impatient than they've ever been before, particularly since now they've had the luxury of an entire year of getting titles at home pretty much when they want them," Chapek said Monday at a Morgan Stanley media and technology conference.

Indeed, streaming platforms are likely to be cause for long-term concern for this sector. I think there's the real potential we could be in the early innings of a secular decline in Cineplex's core business. I think as a short-term trade, Cineplex might make sense right now. However, when the dust settles, things might not look as rosy as they do now coming out of this pandemic.

In my view, investors looking to put hard-earned capital to work over the long-term should look elsewhere. There's plenty of value in the **TSX** right now, and Cineplex could be a rebound trap over the medium to long term.

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