Trading Under $12, Is Cineplex Stock a Buy Right Now?

Description

Cineplex (TSX:CGX) stock has seen its share of ups and downs during the pandemic. Shares traded below $5 in October of last year, but recently, the stock has been rising, trading above $14 just a few weeks ago.

With shares of Cineplex trading at $11.84 as of this writing, is this stock a buy right now?

The vaccine offers hope

There is hope that the COVID-19 pandemic that has plagued the entire movie industry may be nearing its end.

According to the latest data from Health Canada, Canada has administered at least 1.4 million more doses of the COVID-19 vaccine during the past week. This brings the country's new inoculations to a total of approximately 4.8 million.

Prime Minister Justin Trudeau has pledged that every Canadian who wants to be vaccinated will be able to do so by the end of September. To meet this goal, the country has ramped up its imports of vaccines. **Pfizer**, one of the makers of the vaccines on the market, has begun delivery of one million COVID-19 vaccine doses every week until May 10.

The goal of vaccinating all Canadians by September seems realistic, despite the country's suspension of the use of the AstraZeneca vaccine for people under 55. Canada's National Advisory Committee on Immunization made the recommendation to halt AstraZeneca vaccine distributions due to concerns that the shot could cause blood clots.

Cineplex quarterly results

As expected, the latest earnings release from Cineplex, as reported in mid-February, was abysmal. Total revenue fell 88% from 2019 to $52.5 million in 2020. Box office revenue per customer fell 14%.

The company reported an adjusted EBITDA loss of $32.1 million.

While streaming services posed a threat to movie chains prior to the pandemic, the lockdowns and theatre closures during COVID-19 exacerbated the situation. **Netflix**, **Amazon** Prime, **Disney**+, **Apple** TV+, and a host of other streaming services have gained in popularity during the stay-at-home orders.

The big question is whether the public's appetite for the large-screen movie experience will return once the pandemic wanes.

The travel industry is already showing some signs of life, with bookings accelerating. This bodes well for experience-driven entertainment, like going to the movies.

Indeed, during the earnings call, Cineplex said it expects to return to normal operating levels in the second quarter.

To bridge the gap until normal operations return, Cineplex has taken several cost-cutting initiatives. The company has renegotiated some rent payments with its landlords and taken several measures to downsize the company, including the selling and leasing of its head office.

The bottom line

While shares of Cineplex may experience increased short-term volatility, long-term investors should consider buying Cineplex.

This short-term volatility would likely be caused by more setbacks in the vaccine distribution, like the one experienced by AstraZeneca. There also is a reported potential third wave of the virus that could cause disruption. This wave is caused my new strains of the virus and it is yet to be determined if the vaccine offers full protection against these variants.

Still, with Canada ramping up its vaccine efforts and the country beginning to fully reopen, a light at the end of the tunnel can be seen. And a prosperous return to the movies by the end of 2021 looks promising.

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