



Will Cineplex (TSX:CGX) Double or Go to \$0?

Description

Cineplex ([TSX:CGX](#)) stock had an incredible run off its \$5 lows, a time when I encouraged contrarians to back up the truck on the back of **Pfizer's** vaccine breakthrough announced back in November. Cineplex stock more than tripled before pulling back modestly to just shy of \$12, where the stock stands today. That's 159% worth of gains over just a few months.

With Cineplex stock recently pulling back over 20% over third-wave jitters, does it still make sense to ride the roller-coaster ride of emotions? Or should you take profits while they still exist?

The COVID-19 vaccine rollout has gone quite smoothly [south of the border](#). In Canada, it's been pretty rough, with various provinces, like British Columbia, putting forth new restrictions. Other provinces, like Ontario, just went back into lockdown.

Sure, it's nice to be optimistic, as weather conditions improve, but with various variants now causing outbreaks, things could get far worse before they get any better. There's a real chance that other provinces will follow in the footsteps of Ontario right back into a full-blown lockdown to curb variant-driven outbreaks exacerbated by a bad case pandemic fatigue.

A third wave of lockdowns to sweep through Canada?

I think it's more than likely. That could mean more pressure for those ailing shares of Cineplex, which are back on the retreat in recent weeks.

While I wouldn't reach for Cineplex stock, as it falls deeper into bear market territory, I would look to nibble into a starter position should the panic-selling really start to pick up again and people start panicking about the possibility of bankruptcy.

Cineplex is in a fragile state right now, with its revenues depressed to near-zero and a balance sheet that doesn't leave much in the way of wiggle room. While mounting pressures will probably bring forth more headlines about Cineplex's demise, I think it's a mistake to think Cineplex will be headed to zero.

The beloved Canadian company looks to have just enough liquidity to make it through another wave of the coronavirus typhoon. And if it needs additional relief, I think it'll have few problems getting it, either through the federal government or additional bond offerings.

When should you buy Cineplex stock?

As widespread lockdowns sweep the nation in April, we could see investors rotate out of recovery plays and back into the pandemic-resilient plays the led the way last spring. I'd look to the \$9-10 level of support as an entry point — a level that's likely to be put to the test over the coming weeks.

Ultimately, I think any third-wave-induced rotation out of reopening plays will be short-lived, providing contrarians with a great opportunity to get a low price of admission ahead of what could be a massive reopening in late 2021. It's going to be a dark spring, but the summer season is right around the corner. And it's [likely to be bright](#), as vaccines look to pull ahead of variants.

The Foolish takeaway on Cineplex stock

Over the long haul, I think Cineplex is a terrific buy. Over the short to medium term, however, the movie theatre remains a risky proposition, as variants look to gain the leg-up over Canada's vaccine progress.

In any case, I suspect relief will be there for Cineplex should it need it, making the chances of CGX stock falling to \$0 next to nil. That makes CGX stock a great speculative buy for venturesome investors aware of the high stakes.

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