



Meme Stock Investors: Could Cineplex Be the Canadian AMC?

Description

Retail investors have discovered a level of influence in the markets that hasn't been seen ever before. Indeed, the faith such investors have placed in certain sectors has created what's become known as "meme stocks." Cinema operators like **AMC Entertainment** ([NYSE:AMC](#)) have made the list.

Why?

Well, these stocks are popular. They're [reopening plays](#). And retail investors have seen an opportunity to potentially squeeze hedge funds. This has provided an intriguing run in cinema stocks — the likes of which I didn't expect coming into this year.

Canadian cinema operator **Cineplex** ([TSX:CGX](#)) and has largely flown under the radar in this regard. However, there remain some investors who believe this stock could be the next AMC. Here's why that's the case.

Hope on the horizon for Cineplex

As the key Canadian theatre chain, Cineplex is a very similar business to that of AMC.

Both companies are highly leveraged to the economic recovery. Additionally, both companies have balance sheets that leave much to be desired.

However, if vaccine rollouts continue to accelerate and pandemic-related restrictions are lifted or relaxed, these stocks could do quite well. This pandemic has kept all of us basically indoors for the past year. There's a tremendous amount of pent-up demand to go out and do, well, anything. Going to see a movie and socialize with friends sounds like a good idea right now. Accordingly, it's no surprise that in certain U.S. States, cinema attendance skyrocketed when restrictions were recently lifted.

Indeed, if restrictions are lifted on cinema attendance, there's indeed the feeling that theatres could once again operate at full capacity — perhaps sooner than later.

In the meantime, Cineplex has been focused on preserving capital. The company's sold off its headquarters. Additionally, Cineplex cut its dividend to preserve capital and lessened the balance sheet burden it would have otherwise faced.

Bottom line

Both Cineplex and AMC are highly risky bets today.

These stocks still have a tremendous amount of meme stock hype driving their stock prices. Accordingly, the potential for a continued selloff remains high with these stocks.

Those who are extremely bullish on the economic outlook in the coming months may want to give these stocks a chance. However, I'm going to remain on the sidelines with these plays right now. I think there's too much volatility likely on the horizon. Pandemic reopening plays are great, but things need to happen perfectly for investors to be rewarded. Right now, I'm not 100% certain this will be the case.

CATEGORY

1. Investing

POST TAG

1. growth
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TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. TSX:CGX (Cineplex Inc.)

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