



## Cineplex (TSX:CGX): High Risk, Higher Reward!

### Description

It's been a horrendous past year for **Cineplex** ([TSX:CGX](#)), as it continued to cope with COVID-19 restrictions that have decimated its revenues. While there are few, if any, things to be optimistic about over the medium-term, Cineplex stock will, in due time, recovery from the worst crisis ever to hit its business. Heck, I think the Canadian movie theatre giant could recover at a faster rate than many airlines, even with the continued headwinds brought forth by the video streaming market.

## One of the bigger beneficiaries of the end of COVID-19

Other than the cruise plays, the movie theatre giants arguably have the most to gain from the timely elimination of COVID-19. The painfully slow vaccine rollout and the rise of variants have undoubtedly contributed to stopping Cineplex stock's rally in its tracks. But once the tables inevitably turn and there are enough jabs in arms to reach herd immunity, I think Cineplex could be in for one heck of a recovery.

Despite the growing number of video streaming platforms and the ever-improving quality of straight-to-stream content (think *Mulan* and *Raya and the Last Dragon* on **Disney+** Premier Access), I still think many people are itching to go out and see a movie. It's not just the growing slate of delayed films (like James Bond's *No Time to Die*) that has people wanting to go out; it's their longing for a sense of normalcy. Not to mention that going out to see a movie used to be the top date night idea, even in the era of **Netflix**!

Ultimately, I believe moviegoers will be returning to the local Cineplex — it's just a matter of when it'll be completely safe. That remains the million-dollar question for Cineplex. Until enough people get vaccinated to keep up with the growing number of COVID-19 variants out there, Cineplex will have a hard time filling its seats.

## Cineplex' balance sheet isn't pretty

Today, Cineplex doesn't have the healthiest balance sheet in the world. With brutalized cash flows, Cineplex will remain under considerable financial pressure. Fortunately, I do think investors will

continue scooping up their bonds in this era of near-zero interest rates. As such, I think Cineplex will be able to ride out another year worth of restrictions, lockdowns, and all the sort.

Fellow Fool Chris MacDonald seems to think that Cineplex stock could implode again (perhaps to the single digits) if the company were to “tap the debt or equity” markets once again.

“There’s certainly hope that vaccine rollouts should accelerate, and there’s some potential for a full-fledged reopening early next year. However, for cautious investors, waiting patiently on the sidelines may be a better move right now,” MacDonald [said](#).

## Foolish takeaway

While Cineplex stock is undoubtedly a risky proposition, I think there’s a multitude of [gains](#) to be had by venturesome investors who are willing to go against the grain amid recent COVID-19 setbacks in Canada. We’re in a third wave right now, and if it turns out to be the last, Cineplex stock may prove to be the ultimate turnaround stock.

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