



AMC Is Surging: Should You Buy Cineplex Today?

Description

The movie theatre industry faced an [existential threat](#) in the form of the COVID-19 pandemic. **AMC Entertainment** is the largest movie theatre operator in North America. Its shares fell below the US\$3 price mark in the spring of 2020. The company has battled adversity and has been forced to seek financing over the past year, but the picture has brightened in early 2021. Today, I want to discuss the momentum at AMC and whether it will mean good things for Canada's movie theatre titan; **Cineplex** ([TSX:CGX](#)).

Why AMC Entertainment has gained momentum in June

Shares of AMC have shot up 64% week-over-week as of mid-afternoon trading on June 4. The stock has benefited from a resurgence in the "meme stock" frenzy that rocked the investing world in the beginning of the year. AMC shares have now increased 2,467% so far this year.

Activist investors have their eyes on a short squeeze, but the side effects of the frenzy have proven lucrative for the company. AMC sold 8.5 million shares at US\$27.12 a piece earlier this week, quickly raising \$230 million in cash. This is a smart move as the company aims to reopen movie theatres across the country and pay down the debt it has accrued during the pandemic.

The rise in AMC's stock price flies in the face of fundamentals. Of course, that is nothing new for those familiar with the previous meme stock frenzy in January and February of 2021. Does the resurgence for AMC portend a bright future for Cineplex?

How does Cineplex look ahead of Ontario's reopening?

Cineplex CEO Ellis Jacob has criticized Ontario's reopening plan in recent weeks. He is not alone. Canada's most populous province has been under one of the longest lockdown regimes on the planet. Premier Doug Ford laid out a cautious three-phase reopening plan in late May. However, there are signs that the province may move to push the reopening forward a few days. Unfortunately, indoor cinemas will not be permitted to reopen until phase 2 of the plan. This will arrive in July at the earliest.

In November 2020, I'd discussed why Cineplex stock could stage a [big comeback](#) in 2021. Indeed, its shares have climbed 82% this year at the time of this writing.

The company will eagerly await its shot to reopen in the summer. AMC Entertainment is already benefiting from a U.S. economy that has quickly shed restrictions on the back of an aggressive vaccine rollout. Cineplex and its peers will hope to make up serious ground on the back of summer releases like *The Suicide Squad*, *Space Jam: A New Legacy*, and *Black Widow*.

Should you buy Cineplex stock right now?

Shares of Cineplex last had an RSI of 73. This puts the movie theatre-focused stock in technically overbought territory. Ontario's reopening plan holds promise for a return to normal for the industry. However, the stock looks overvalued at the time of this writing. Investors should await a more attractive entry point in 2021.

Moreover, shareholders will hope that Cineplex will be able to reintroduce its dividend payment as business returns to normal in the months ahead.

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