Meme Stock Update: AMC (NYSE:AMC) Is up a Staggering 2,613%

Description

2020 was a challenging year for many companies worldwide due to the pandemic. Some industries were struck harder than others, and movie theatres had it bad. **AMC Entertainment** (NYSE:AMC), one of the biggest names in the industry, was on the verge of collapse by the end of 2020, and its management had no choice but to file for bankruptcy.

With its operations shut down amid lockdown measures to curb the spread of the virus and a staggering US$5 billion debt from before the pandemic, it was the only logical solution.

The company's management had been making efforts to improve its liquidity and find more ways to increase attendance while renegotiating its debts. The start of June 2021 has been a surprising revival for cinema.

Reddit-fueled revival

AMC shares climbed 95.22% in one day on June 2, 2021. While its share price is down by 12% three days after the meteoric rise, its valuation of US$55 per share at writing reflects a staggering appreciation of over 2,600% in 2021.

AMC is not out of trouble yet. The company faces the massive challenge of raising at least US$750 million to fund its requirements for the year fully. The company was allowed to sell 50 million additional shares through an at-the-market stock listing towards the end of last year. Reddit traders came to the rescue for AMC, helping it climb from US$4.96 to US19.90 as January 2021 ended.

AMC effectively became one of the meme stocks targeted by short-sellers who bet that it will fail. Reddit traders began buying up AMC stock in droves, forcing hedge funds to buy more shares to cover their positions and cut losses, subsequently boosting the stock's valuation higher.

A Canadian counterpart

Cineplex (TSX:CGX) is the Canadian counterpart that also suffered massive losses due to the pandemic and ensuing lockdowns shutting down its operations. Unlike its U.S.-based counterpart, Cineplex is recovering without the help of retail investors uniting on forums on Reddit.

The pandemic was not easy for the company. Canada's premier cinema company had to burn an average of $15-$20 million each month during 2020 because of closures for almost all theatres and location-based entertainment venues.

The company's management successfully mitigated several expenses like counter lost theatre occupancy and theatre payroll. Cineplex managed to limit its costs and improve its financial position, despite the challenges. CEO Ellis Jacob said that the company is well positioned to meet the pent-up demand for social experiences once the government lifts restrictions.

Foolish takeaway

Cineplex is trading for $16.15 per share at writing, reflecting 85.63% year-to-date gains. The Canadian cinema stock has not gone through the same meteoric growth as its U.S.-based counterpart. However, it seems like a far more attractive investment to consider. Unlike AMC, Cineplex has managed to pull through the worst period of the pandemic without the backing of retail investors.

Cineplex is trading for an almost 70% discount from its valuation five years ago at its current valuation. As things slowly return to relative normalcy, Cineplex stock could add substantial upside potential to your investment portfolio.

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