



AMC (NYSE:AMC) Stock: Can ANYTHING Stop This Train?

Description

AMC Entertainment Holdings ([NYSE:AMC](#)) has come a long way in just six short months. Starting off the year at just \$2, it traded for \$55.86 earlier today. That's a truly mind-blowing 2,700% gain. If you'd invested \$1,000 in AMC at the start of the year, you'd be sitting on a \$28,000 position now.

The question is how long this can go on. AMC is already trading at a higher price than it was ever at in recent memory. In 2019, AMC's revenue was nearly five times higher than it was in 2020, yet the stock is just barely off an all-time high.

It certainly seems like this stock has to come down to earth sooner or later. But bulls beg to differ. There is currently an enormous number of short bets against AMC, and as their losses grow, they may be forced to cover, particularly if prime lenders raise interest rates on the borrowed amounts. If short sellers are forced to cover soon, then we may see yet another rally to as yet un-seen prices.

AMC's business will recover

One important thing to note about AMC is that its business *will* recover. Yes, its revenue collapsed from \$5.4 billion to \$1.2 billion last year. But that was completely artificial. The COVID-19 pandemic forced movie theatres to close. Once the pandemic is finally over, they'll be able to operate normally, which should result in an extremely rapid revenue spike for AMC. The question is how long it will take to happen. There are a number of factors that could delay AMC's return to business as usual, including:

- A new COVID-19 variant that necessitates new lockdowns.
- A dearth of new Hollywood blockbusters.
- Individual moviegoers being wary of entering theaters even while masked.

Any of these factors could delay AMC's return to normal conditions well beyond 2021. The possibility of a new, vaccine-resistant COVID variant is very real, and the delaying of many Hollywood projects is a confirmed fact. Ultimately nobody knows how all of this will affect AMC's recovery—if it does at all. But it seems pretty clear that it will take until well beyond this year before AMC returns to its 2019 revenue level and grows from there.

A historically high price

All of the above needs to be considered alongside one key fact:

AMC's historically high stock price.

AMC stock is currently higher than at any point in 2019 when it was doing \$5.2 billion in revenue. Yet its revenue collapsed to \$1.2 billion last year and the number of shares in the float more than quadrupled. This doesn't *guarantee* that AMC is overvalued, or anything like that.

It could be that investors in 2019 were just severely undervaluing the stock. But when you consider that AMC is [already trading at 23 times sales](#), it doesn't appear particularly likely.

Foolish takeaway

AMC stock has massively rewarded its investors this year. So much so that we have to wonder how much longer the party can go on. Yes, Reddit has a lot of influence, and yes, another short squeeze could happen. But at this point, AMC stock has [become quite a gamble](#).

As with the Canadian meme stock **BlackBerry**, which is already coming down to earth, the best might just be behind it.

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