



AMC vs. Cineplex Stock: Which Is the Better Buy?

Description

While many investors wrote off the entertainment industry during the pandemic, shares of theatre chains **AMC Entertainment** ([NYSE:AMC](#)) and **Cineplex** ([TSX:CGX](#)) are making a comeback.

AMC

Shares of AMC have [soared over 2,600%](#) in the past six months. To put this in context, a \$10,000 investment in AMC at the beginning of this year would now be worth approximately \$275,000.

Like **GameStop**, AMC has benefited from activist investors on Reddit's r/wallstreetbets board. The gains at AMC, however, have now surpassed GameStop's gains from earlier this year.

Most of the company's theatres were completely shuttered during the COVID-19 pandemic. The company lost an adjusted US\$1.4 billion in 2021. This loss is an improvement over last year's jaw-dropping loss of US\$1.9 billion in 2020.

AMC is committed to aggressively attacking its long-term debt of US\$5.4 billion. The company has taken advantage of the soaring stock price to sell an additional US\$230 million worth of shares.

The cash will help the company slash its debt and invest in its properties.

As major blockbusters, such as *A Quiet Place 2*, open, the long-term prospects for AMC are looking bright. *A Quiet Place 2* became the first release to top the [\\$100 million domestic box office](#) mark in the post-pandemic period. Other potential blockbusters, such as the latest *Fast and Furious* entry into the franchise, *Black Widow*, and *The Suicide Squad* are slated to open soon.

Cineplex

Cineplex has also had an impressive run so far this year, although not nearly as astonishing as AMC's. Shares of Cineplex have climbed over [70% in 2021](#). The stock is up approximately 50% from the prior

year.

Unfortunately, Canada is not enjoying the wide reopening of its theatres, like its southern neighbor.

Stage two of Ontario's plan allows outdoor theatres to reopen at limited capacity on June 30, but indoor theatres cannot open until stage three. Saskatchewan, Alberta, and British Columbia opened theatres just a few weeks ago. And although theatres in Quebec have been open since late February, food and drink sales were prohibited.

As expected, Cineplex CEO Ellis Jacob has been critical of Ontario's reopening plan. Jacob told *CBC News* that while Ontario's three-step reopening plan was a positive development, he was hoping for an earlier opening date.

As Canada's largest movie theatre operator, most of Cineplex's locations have been shuttered since March 2020. Like AMC, Cineplex has resorted to creative solutions to stay afloat during this disastrous year.

The bottom line

Investors in Cineplex are counting on a quick reopening of its theatres throughout the provinces. With the vaccine rollout in Canada finally gaining some momentum, it should not be long before all Canadians are allowed to enter theatres once again.

As shown from the response to *A Quiet Place 2*, pent-up demand is clearly making Americans hungry to watch movies on the big screen. And streaming service subscriber growth has slowed for companies like **Netflix**, which may indicate some consumer fatigue with stay-at-home entertainment. This pent-up demand should bode well for long-term investors in Cineplex.

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