1 Best Stock to Buy Right Now in Canada

Description

Will the summer of 2021 be the breakout period for **Cineplex** (TSX:CGX) following the market downturn last year? The country's largest movie theatre operator hopes that pandemic restrictions ease up in most provinces this July. Its CEO, Ellis Jacob, said the company is ready to move forward as he sees the light at the end of the tunnel, which means a return to business.

If Jacob's optimism pans out, Cineplex could be **TSX**'s blockbuster stock in the second half of the year. However, danger lurks on the sidelines as streaming giants **Netflix** and **Disney+** remain threats to the top-tier Canadian brand.

Stalled revenue growth

Notwithstanding the invasion by streaming services, Cineplex's 2019 revenue grew by 3.6% versus 2018. Unfortunately, coronavirus shut down the business last year. The $943.74 million entertainment and media company closed out the year with an 88% drop in revenue compared to full-year 2019. Its net loss ballooned to $230.4 million from a net income of $3.5 million.

Cineworld Group was supposed to acquire Cineplex but scrapped the plan in mid-June 2020. The deal would have made the British firm the largest cinema operator in North America. Cineplex filed a lawsuit against Cineworld for walking out, and the court tussle is ongoing.

Call for a better plan

In late May, Jacob urged federal and provincial leaders to draft a better plan to support Canada's distressed movie exhibitors. He called on health officials nationwide to agree to "be consistent and move forward" as the summer movie season begins.

Cineplex's CEO points to the inconsistency and different approaches by the provincial governments in Ontario and Quebec. The majority of movie theatres in Quebec are open, and audience capacity is higher than theatres elsewhere. Province-owned movie theaters also received $3.9 million for the 2021-

2022 financial year. Cineplex didn't get assistance because it's not Quebec-based.

Financial support

Nearly 90% of movie theatres remain closed due to COVID-19 restrictions. According to Nuria Bronfman, Executive Director of the Movie Theatre Association of Canada, Canadian cinemas have been shut down longer than those in any other G7 nation. MTAC is an advocacy organization that represents independent theatre owners and larger chains.

Bronfman adds that the federal government has set aside a recovery fund worth $300 million over two years to rebuild the arts and culture sector. Bronfman said, "We're always the first to get shut down and the last to be allowed to reopen.

Healthy gains in 2021

The stock's performance belies the continuing struggle of Cineplex. Current investors enjoy a 61% year-to-date gain thus far in 2021. As of June 30, 2021, the share price is $14.90, although it has gone up to as high as $16.39 on June 11, 2021. However, the gain pales compared to **AMC Entertainment**, the meme stock sensation. Reddit traders are swarming on the American stock and raising its price to the moon.

More challenging times are ahead for movie theater operations, but you can't dismiss a mighty pop for Cineplex's share in the summer. Many people were already consuming media at home in pre-pandemic through streaming services.

Still, avid moviegoers yearn for the big screen, especially in the summer, because the cinematic experience is better.

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