



Forget AMC: This Entertainment Stock Has Short-Squeeze Potential

Description

Hopes are riding high for **AMC Entertainment Holdings** ([NYSE:AMC](#)) stock. The company has an army of admirers on Reddit and **Twitter** who are holding on long term, hoping to get rich in a future [short squeeze](#), where shorts have to cover their positions at extreme losses. If this happens while AMC's stock price remains close to where it is now, then many AMC shareholders will indeed be able to realize a big gain. But if, however, AMC collapses to, say, \$10 before shorts cover, then investors who got in late won't do well at all.

It's undeniably true that stocks with high short interest can produce huge, quick returns. If longs hold the line, then shorts will have to cover at high prices, and that will produce the increase in demand that creates the squeeze. In this article, I'll explore one entertainment stock similar to AMC that may have that happen to it in the year ahead.

Cineplex

Cineplex ([TSX:CGX](#)) is a movie theatre chain like AMC. It suffered much the same fate that AMC did in 2020: revenue collapsed by about 80% and earnings, and equity both turned negative. That resulted in the stock price falling dramatically. From top to bottom, it fell about 86% in the February/March 2020 period. It has risen 241% since then.

So, the similarities with AMC are easy to spot. It's a movie theatre chain that got hit hard by COVID-19, that is about to see [revenue spike from the economic reopening](#) and is rallying hard on the expectation. The key difference is the gains. While AMC has rallied 2,100% for the year, Cineplex is "only" up 80%. As a result, CGX trades at much lower multiples than AMC. So, its stock does not have to "defy gravity" as much as AMC does prior to shorts covering in order to deliver the squeeze investors are hoping for.

Cineplex's short interest

One thing that adds to the thesis that Cineplex could be a short-squeeze contender is the fact that it

has very high short interest.

According to shortdata.ca, about [33% of CGX shares traded on June 30](#) were being sold short. That's a very high percentage of volume being shorted. If the numbers keep up like that for a while and shorts have to cover, then we could see a short squeeze play out.

Arguably, it's more likely to happen with CGX than it is with AMC. AMC's current stock price depends heavily on the social media hype it has received. It has been the most mentioned stock on Reddit for most of this year and is huge on Twitter as well. If that interest dries up, then AMC investors will likely sell, and shorts will be able to cover at low prices. In that scenario there will be no big benefit to people who bought at today's prices.

With CGX, however, there is no social media hype that has to be maintained for the stock to keep rising. CGX is up mainly because of its expected improved performance in its business, so its stock price gains are more "organic." Therefore, they may last long enough for a short squeeze to occur — even if shorts hold out for a year or more.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. TSX:CGX (Cineplex Inc.)

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