



## Cineplex Stock Could End 2021 Much Higher

### Description

**Cineplex** ([TSX:CGX](#)) stock has been one of the most [volatile](#) Canadian stocks over the past several years. The continued rise of streaming-video-on-demand (SVOD) service providers and the COVID-19 pandemic both acted as big punches to the gut of the entertainment firm.

It's hard to remember the days when Cineplex stock offered both rich dividends and steady capital gains. Although the tides turned heavily against Cineplex in 2020, I do think that things are close to the bottom, and patient investors who stood by the name despite the volatility could be in for that much-anticipated, but elusive big break.

Now, if double-digit percentage moves rattle you, then Cineplex stock will likely never be your cup of tea. If you're a venturesome investor who's willing to put up with pain for at least another 18 months, though, I think there are few Canadian stocks out there that offer comparable upside under a bull-case scenario.

### The bull case on Cineplex

A lot can still go wrong for Cineplex at this juncture. Most notably, the "Delta" COVID-19 variant of concern could trigger a fourth wave in Canada, inducing lockdowns and derailing Cineplex's recovery in its tracks.

Still, one can't help but be optimistic, given Canada now finds itself one of the global leaders on the vaccination front. Over 70% of the population have now received at least one COVID-19 vaccine, with around 50% that have taken both jabs.

Undoubtedly, things haven't looked this bright in the era of the coronavirus.

Yes, things can still go wrong for Cineplex and other lockdown-vulnerable businesses. But I'd argue that things are likelier to get better from here as vaccination numbers continue going up. This begs the question: could Canada be one of the first nations to achieve herd immunity, even as variants continue to spread?

I wouldn't rule out such a scenario, at least not yet. Even if the pandemic doesn't end anytime soon, Canada can still keep COVID-19 in check such that the economy may not have to go into full-blown lockdowns again.

Amid such a semi-normal environment that has a majority of Canadians fully vaccinated, Cineplex could have the golden ticket to finally fill more of its seats with bums, and its revenues could really soar.

## A bright summer for Canada's top reopening plays?

In prior pieces, I stated that it was likely just a matter of time before the company could ramp up in-theatre capacity. Although the occasional bump in the road is to be expected, it's hard to believe that the worst isn't in the rear-view mirror for the beloved movie theatre giant.

In a recent interview conducted by *BNN Bloomberg*, Cineplex CEO Ellis Jacob sounded hopeful that his firm's cash burn is now "behind us," with more Canadian provinces poised to reopen their doors. Ellis was also upbeat over the strong pipeline of theatrical releases for the summer.

Although management commentary is to be taken with a grain of salt, I'd say Ellis is right to be optimistic. Cineplex has many catalysts that will be kicking in over the coming weeks and months. Such catalysts could pave the way for a massive earnings beat that could surpass even the most bullish analyst's expectations.

The big question is will revenues stay elevated? Or will the summer season of relief precede another round of lockdowns? I have no idea. Regardless, I am a fan of the [risk/reward](#) for those who aren't easily startled by choppy moves.

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