



Cineplex (TSX:CGX): Is Now the Time to Buy?

Description

The [pandemic is over](#), as far as Canada's largest movie theatre chain operator is concerned. Ellis Jacob, president and CEO of **Cineplex** ([TSX:CGX](#)), said on July 16, 2021, "We opened at 10:30 this morning at theatres like Varsity, and just before that, we were closing in on 100,000 tickets sold in Ontario."

After a nine-month shutdown of operations, the countrywide reopening of Cineplex's movie circuit is here. While capacity per multiplex is limited to 50% capacity, or up to a maximum of 1,000 guests, Canadians can enjoy watching Hollywood flicks on the big screen again.

Because of the positive news and possible recovery, is it time to take a position in the potential [growth stock](#)? Or will meme investors or the army of Reddit traders bring the stock price to the moon, as they did with **AMC Entertainment**?

Theatre reopening is crucial

The reopening in July 2021 includes Cineplex's out-of-home entertainment venues. It's in time with the showing of potential blockbusters. Coming from major studios are *Black Widow*, *Space Jam*, *F9: The Fast Saga*, and *A Quiet Place 2*, among others.

Cineplex's CEO is also the chairman of the National Association of Theatre Owners. He said, "People are tired of being in their homes and on their couches, their cell phones ringing and their kids running around. These are movies people have been waiting to see on the big screen and with big sound."

Nuria Bronfman, the executive director of the association, said in June that reopening theatres is crucial. Operators don't have options like a curbside pickup. They can't produce revenue when movie houses are closed but have to keep paying fixed costs.

Long time coming

In October 2020, the executive committee of the Global Cinema Federation (GCF) wrote a letter to New York Governor Andrew Cuomo urging him to reopen theatres in the state wherever possible. GCF is a worldwide group of major cinema operators representing cinema exhibition's global interests.

The group claims there are no COVID-19 cases linked to movie theatres anywhere in the world. Cineplex's Jacob added, "It's proven to be a safe activity, not only for Canadians but for people around the world." Besides the capacity limit, there are enhanced safety and cleaning measures as well as protections for returning moviegoers.

Jacob says the movie-going experience is inherently safer than other indoor activities. He said, "You have a reserved seat, and there's lots of space around you. There are huge, high ceilings with state-of-the-art ventilation." The Cineplex chief promises the movie experience will be "as effortless as possible."

An end to cash burn

Cineplex, a top-tier Canadian, has suffered enough because of COVID-19 restrictions on movie theatres. Ellis Jacob hopes the massive cash burn (\$26.9 million monthly average) will stop soon.

In Q1 2021 (quarter ended March 31, 2021), total revenue and theatre attendance dropped 85.4% and 96.1% versus Q1 2020. The \$861.4 million company reported a net loss of \$89.7 million. Jacob believes that Cineplex will have the [runway](#) it needs to see through the pandemic recovery period by minimizing cash burn.

Meanwhile, at \$13.60 per share, the stock is up 46.7% year to date. Derek Lessard, an analyst at **Toronto-Dominion Bank**, predicts a massive stock rally with the theaters reopening. His 12-month price target for Cineplex is \$20 (+47.1%).

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