



Cineplex Stock: Are the Curtains Drawing, or Is the Show Starting?

Description

Investors in cinema operators such as **Cineplex** ([TSX:CGX](#)) have been on quite the ride the past couple of years. Indeed, Cineplex stock has been on a [downward trajectory](#) prior to the pandemic, and the pandemic has only accelerated losses for investors.

Strict regulations on social distancing and indoor activities all but shut this sector down for more than a year. However, the reopening thesis provides hope that things could get back on track for this movie theatre chain.

Where can Cineplex go from here? Let's take a look.

Impressive performance for Cineplex stock may continue

For those bullish on Cineplex stock, there are reasons to hold onto hope Cineplex stock could go on a run. At least, over the near term.

First of all, this year's results will be on top of a very weak base. In 2020, global box office revenues were down by more than two-thirds. That's a substantial drop. Accordingly, investors and analysts expect to see some pretty strong numbers in the near term.

However, whether Cineplex stock can rebound to 2019 levels, or even hay-day 2016 levels, remains to be seen. Sure, there's a lot of pent-up demand for dinner and a movie. However, investors seem to be polarized with respect to how much structural damage investors think has been done by in-home entertainment options such as streaming and on-demand video.

Bottom line

Cineplex is far from a meme stock domestically. However, Cineplex stock remains one of the most shorted stocks in Canada, and for good reason. There are questions surrounding the ability of Cineplex to not only whether this short-term disruption to business, but eventually get back to thriving as it once

has.

I think this is a stock that can run in the near term. There are a number of factors in favor of Cineplex as a recovery play right now. As more locations reopen, and [numbers improve](#) quarter over quarter, I expect Cineplex stock could indeed see some momentum. The vaccine rollout appears to have worked, and those seeking alternative entertainment options can't go wrong with visiting a Cineplex location.

However, being realistic, there's a limit to how high this stock can go. Trees don't grow to the sky, and neither do equity valuations. Accordingly, investors always need to be wary of what kind of value they're getting with any stock. Right now, Cineplex stock is an intriguing case that requires conviction to go one way or the other on this trade.

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