



Could the Delta Variant Kill Cineplex's Comeback?

Description

Cineplex ([TSX:CGX](#)) is Canada's largest movie theatre operator. Late last month, I'd [discussed](#) whether investors should look to buy or sell the top cinema company. Shares of Cineplex have climbed 42% in the year-to-date period as of late-morning trading on August 3. However, the stock is [down 22%](#) month over month.

Today, I want to look at the Delta variant and its potential to torpedo the domestic and global recovery. Cineplex just reopened in Ontario after a long wait. A setback now may be a back breaker. Let's jump in.

Will the Delta variant jeopardize Canada's reopening?

Canadian officials have remained confident that high vaccination rates will prevent any major disruptions due to the Delta variant. Public health chief Theresa Tam recently suggested that we are on the cusp of a "fourth wave." She did warn that the vaccination uptake must increase among the younger population to avoid a strain on healthcare system capacities.

Fortunately, Canada's vaccination rates have risen to some of the highest in the world since the middle of the spring. Dr. Gerald Evans, chair of the Division of Infectious Diseases at Queen's University, said that Canada's fourth wave will not compare to previous waves due to these high rates. That should spur some optimism for investors going forward.

How does Cineplex look at this stage?

Cineplex finally got its wish in the middle of July, as indoor theatres were permitted to resume operations in the province of Ontario. This was later than hoped but still provided some solid opportunities to take advantage of the latter half of the summer film slate.

CEO Ellis Jacob appeared confident that the company would be able to bounce back in a big way after months of virtual stasis. He was pleased with the company's first weekend of operations in Ontario.

"We were happy with our numbers," Jacob said. "Close to half a million people on opening weekend and 900,000 in the first week." This is still down from the previous year, but it offers some hope for Cineplex going forward.

Jacob also aimed to dispel concerns that the long hiatus would extinguish demand. *Black Widow*, which was simultaneously released on the **Disney** Plus streaming platform, saw solid numbers at the box office. This illustrates a desire among consumers to head to the movie theatre. Still, streaming options have grown more plentiful since the start of the COVID-19 pandemic.

Should you buy or sell Cineplex today?

One **TD Bank** analyst boosted Cineplex's price target after it reopened in Ontario. The note expected the company's attendance to dramatically improve in the second half of 2021. There are also hopes that pent-up demand will drive consumers back into the arms of the traditional cinema in the months ahead.

In late July, I'd discussed why **Air Canada** was [still undervalued](#) in this environment. Cineplex is also in a great position to see a surge in activity, especially considering the back-loaded film schedule in 2021.

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