When Will it Be Time to Buy Cineplex Stock?

Description

By now, most businesses have either recovered fully from the pandemic or figured out ways to operate with the current restrictions in our new normal. One stock that continues to be impacted far more than others is **Cineplex** (TSX:CGX).

Few businesses have been impacted as severely as Cineplex. However, even with Cineplex trading well undervalued, it's still in nowhere near as unfavourable of a position as a stock like **Air Canada** is.

Cineplex still has the ability to recover much of its business in the short term, which is why the stock looks like it can rally soon.

You may be wondering when it will be time to buy Cineplex stock.

Cineplex: The top recovery stock in Canada

A few years ago, Cineplex wanted to diversify the business from movie theatres. Unfortunately for the company, while it's done an incredible job of that, the businesses it invested in — entertainment venues — are essentially all subject to the same restrictions as movie theatres.

So, the stock has seen basically its whole business impacted for several months. Now, however, with Canada's economy recovering rapidly, and our vaccination rates among the highest in the world, it's a different story and one that could be a significant opportunity.

The government is doing everything it can to help the country continue to move forward, despite the threat of more waves in the coming months and years.

Vaccine passports, for example, could be a major positive for a stock like Cineplex, especially if they can help avoid further shutdowns.

While the company will want to operate at full capacity, that may not be feasible. But at least allowing it to operate at all will be a major help to Cineplex and its operations.

For investors, though, despite the stock presenting a compelling opportunity today, it will likely be quite a while before it hits its pre-pandemic price. So, while there is value today, don't expect a massive recovery.

Should you buy the stock today?

As of the most recent earnings report, Cineplex stock is still losing quite a bit of money. However, since the end of June, when those numbers were reported, the economy has continued to progress, and many of Cineplex's locations have remained open the whole time. So, the next earnings should show a jump in revenue for the company.

One thing is for certain: there could be a lot of volatility in Cineplex's stock over the coming months. The company is in a great position to continue to recover. At the same time, though, the Delta variant still poses a serious risk.

What's crucial is that investors try to look past these short-term price movements. Of course, a strong quarter by Cineplex would be ideal and would show the company is on its way to recovery, but it's still only one quarter.

Conversely, another impact on operations by the fourth wave would be unfavourable for Cineplex, but it wouldn't be the end of the world.

Bottom line

The bottom line is that if you're going to invest in Cineplex stock, it's crucial you make sure you're doing so for the long run. The pandemic has shown that it's very difficult to predict what will happen in the short term.

Instead, investors should buy Cineplex stock if they believe that the worst of the pandemic is behind us and the company can continue to recover over the long run, earning major returns in the process.

The stock is still cheap, but it may not stay that way long. So, if you're going to take a position, I'd consider doing so soon.

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