



Should You Buy Cineplex After its Legal Win?

Description

Cineplex ([TSX:CGX](#)) is the largest movie theatre operator in Canada. Its shares were up 11% in early afternoon trading on December 15. Today, I want to discuss why Cineplex stock has spiked in the middle of December. Can you trust the stock to build momentum into the new year? Let's dive in.

Why Cineplex stock has surged today

Shares of Cineplex had [slipped sharply](#) from the beginning of November onward. The stock has spiked today after reports revealed a resolution in its ongoing dispute with **Cineworld**. This was the culmination of a saga that stemmed from what was set up as an acquisition before the COVID-19 pandemic erupted. Cineworld pulled out of the deal, leaving Cineplex in a tough position.

Should investors celebrate its big win against Cineworld?

Cineplex was awarded \$1.24 billion in damages over the torpedoed deal with the U.K.-based Cineworld. The Ontario Superior Court of Justice ruled that Cineworld "wrongfully repudiated" the proposed \$21.8 billion deal. Moreover, the court denied Cineworld's \$54.8 million counterclaim.

"We are pleased that the court found Cineplex acted properly throughout this difficult period in our history," Cineplex CEO Ellis Jacob said in a statement on December 14. Cineworld stated that it would seek to appeal the decision.

The proposed deal valued Cineplex at \$34 per share at the time, representing a gigantic premium. Its shares are trading just over \$13 at the time of this writing. The decision will provide a boost to Cineplex, which has bled cash since the beginning of the pandemic.

Is Cineplex stock worth buying before the new year?

Back in November, I'd [looked](#) at three reasons Cineplex was worth snatching up after its earnings

release. Total revenues surged 310% year over year to \$250 million in the third quarter of 2021. Cineplex was finally able to re-open its doors in the middle of this summer. Regardless, cinemas have still struggled to attract customer traffic.

Disney [provided a ray of hope](#) for cinemas with its September decision to run its film releases in movie theatres for a minimum of one month. It will then offer these movies on its streaming platform. The October and November North American box office showed some promise in recent months. However, the emergent Omicron COVID-19 variant threatens to blow up that momentum.

Canadian provinces are already exploring increased restrictions in the face of the rising Omicron variant. This could kill the slight momentum that Cineplex has built since the middle of the summer. It remains to be seen whether business leaders will be able to apply the pressure necessary to keep their doors open as the pandemic lingers on. A fresh set of restrictions and potential closures could deal a serious blow to Cineplex's prospects in the near term. This should concern prospective buyers.

Why I'm taking a wait-and-see approach to Cineplex

The rise of the Omicron variant poses a huge risk to the movie theatre business in Canada. Investors should be patient and wait to see how governments react even after this big legal win for Cineplex.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aocallaghan
2. kduncombe

Category

1. Investing

Date

2025/08/25

Date Created

2021/12/15

Author

aocallaghan

default watermark

default watermark