



Why Cineplex (TSX:CGX) Stock Popped 23% on Wednesday

Description

What happened?

The shares of **Cineplex** ([TSX:CGX](#)) rose by well more than 20% on Wednesday morning to as high as \$14.48 per share. While CGX stock erased some of these gains later during the session, it was still hovering near \$13.33 per share with about 13% advances from its previous day's closing price. With this, Cineplex stock is now trading with solid 45% year-to-date gains.

So what?

If you don't already know, Cineplex is a Toronto-based entertainment company with a market cap of about \$850 million. The company operates a circuit of more than 170 movie theatres and location-based entertainment venues.

Today's massive rally in CGX stock came a day after the Canadian entertainment firm received a favourable decision from the Ontario Superior Court of Justice in its legal battle against the international movie theatre company **Cineworld Group**. In June this year, Cineworld aborted a deal worth nearly \$2.8 billion to acquire Cineplex. Following this, Cineplex sued Cineworld for backing out of the deal, seeking damages.

In its latest press release, Cineplex's management [revealed](#) that "the court found Cineplex acted properly" and "denied Cineworld's counterclaim against Cineplex." In its decision, "the court awarded damages for breach of contract to Cineplex in the amount of \$1.24 billion," it added.

Now what?

This legal victory over Cineworld means a lot for Cineplex at the moment as it continues to go through a tough business environment. After settling at \$33.85 per share at the end of 2019, the COVID-19-related woes and restrictions triggered a massive [selloff](#) in its stock, as it tanked by about 73% last

year to just \$9.27 per share. While CGX stock has recovered sharply this year amid gradually easing restrictions, it's still down about 60% from its 2019 closing level.

Over \$1 billion in damages, which it's expected to receive from Cineworld after this ruling, could financially help Cineplex in reviving its business in the near term.

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