If You Own These 3 Stocks, Buy More

Description

I was at a party recently, and two of the guests cornered me to get my opinion about **Cineplex Inc.** (TSX:CGX). Both were owners of Canada's biggest entertainment stock and wondered if they should sell.

Their frustration about the stock's performance over the past year — it's lost 37% in the last 52 weeks — was obvious. Here we are in the middle of a reasonably solid economy, and Cineplex's business is going to the dogs.

I get it. This wasn't what you signed up for.

Bad content kills

My quick answer: don't sell, and although I don't believe in trying to catch a falling knife, Cineplex's business is in good shape. Yes, it's had less-than-stellar earnings in recent quarters — something Fool.ca contributor Joey Frenette discussed January 20 — but that was due in large part to the terrible movies getting made in Hollywood these days.

Frenette sees Cineplex's business in a completely different light than I do; we will continue to disagree about this, because my perspective is a lot different than his, having grown up in the theatre business. I've seen the boom and bust too many times to count.

The latest friction seems to be **Netflix Inc.** taking over the world. Great quarterly results aside, investors might want to remember that Netflix has no content if movies and TV shows don't get made.

In November, I'd suggested that when there's blood in the water, that's the time to be buying stock. Well, in Cineplex's case, it appears to be bleeding out. If you own Cineplex stock and can afford to hold for the next three to five years, you ought to be buying more, because its business is going to look a lot different in 2022 than it does today.

The other two dogs on the TSX

Portfolio manager Sean Pugliese recently discussed 19 dividend-paying stocks on the TSX that had a negative return of 10% or more over the past 52 weeks. Bloodied but not bowed, Pugliese was suggesting that these “dogs” of the TSX in 2017 could be the “stars” of the TSX in 2018.

One of those on the list was Cineplex.

To make the list, a stock had to have a negative total return, paid a dividend, generated positive earnings, and possessed a reasonably low debt-to-equity ratio.

Two others that made Pugliese’s list that I like are **Intertape Polymer Group Inc.** (TSX:ITP) and **Dorel Industries Inc.** (TSX:DII.B), whose stocks have lost 12% and 16%, respectively, over the past 52 weeks.

Intertape Polymer makes duct tape and other useful products from its home base in Montreal. Up until 2017, it had been on quite the run, something I alluded to when I recommended ITP stock in January 2017. Dropping to $18 in October, its shares have since recovered to $22 on solid Q3 2017 earnings.

I’d be shocked if this dog didn’t recover in 2018.

As for Dorel Industries, it’s been a disappointment for longer than a year, generating an abysmal 4.7% annualized total return over the past decade, worse than the TSX Composite at 5.4%, which has had to deal with a protracted slump in oil prices and lower energy stock prices.

Dorel operates in three segments: bikes; juvenile products, such as car seats and strollers; and home furnishings. In November, it reported quarterly results that were good in two of three operating segments. Unfortunately, the global bike business is going through real difficulties at the moment.

If I had to rate Cineplex, Intertape Polymer, and Dorel regarding the likelihood of their respective stocks rebounding in 2018, ITP would be the most likely of the trio, followed by Cineplex at highly likely, followed by Dorel, which has a 50/50 chance of rebounding.

They were all dogs in 2017. I expect at least two of them to reverse course in the months ahead.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:DII.B (Dorel Industries Inc.)
4. TSX:ITP (Intertape Polymer Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/20
Date Created
2018/01/26
Author
washworth