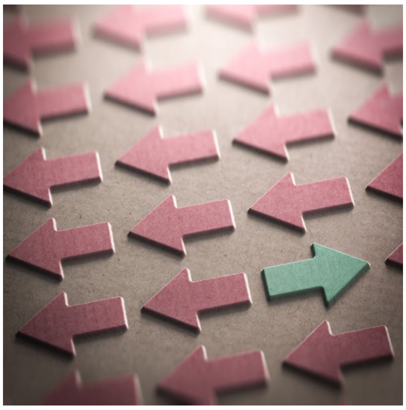

This Unloved TSX Stock Is Perfect for Long-Term Investors

Description

The coronavirus pandemic has had a massive influence on **TSX** stocks. After the markets crashed initially in early and mid-March, the ensuing market rally has been rapid.

Investors who saw the value and had a long-term mindset made a fortune picking up some of the highest-quality stocks on the TSX.

Now, with the TSX trading just 15% off its pre-pandemic highs, a lot of the highest-quality stocks have been bid up. That means that most of the stocks that remain discounted are priced that way for a reason.

One main reason could be their business is seeing a major impact, such as **Air Canada**. Another reason could be that investors are waiting to see the full impacts on business, such as in the case of **Corus Entertainment**.

And while a lot of these stocks will be high risk and likely struggle, some will be able to overcome this. So, for long-term investors who can recognize the best TSX stocks, this may be the perfect opportunity for a long-term investment.

One stock that recently became a buy for investors is **Cineplex** (TSX:CGX).

TSX stock just became a buy

Cineplex has long been an interesting stock on the TSX. The stock had been struggling the last few years, as investors saw the movie business as a maturing industry.

Cineplex, however, was addressing this well. Not only was it managing to increase revenue per patron, which helped keep its revenue from movie theatres strong. The stock was also growing out other segments and ancillary businesses.

Locations for more Rec Rooms and a strong digital media business all contribute to making Cineplex a high-quality and diversified TSX stock.

To me, all that looked promising, which is why I recommended it to investors back in November of last year.

Less than a month later, a deal was made to buy it out, and investors who owned the stock earned a 42% premium. That should have been it for Cineplex, but before the deal could close, coronavirus hit.

After lengthy anticipation by the market, due to coronavirus, the deal is off, and Cineplex is now back to trading on its own; it's down more than 55% from its trading price before the takeover bid.

Cineplex going forward

The TSX stock will definitely be impacted, but I believe that it has the strength to weather the pandemic. So, at a share price of just over $10, the stock looks like a steal.

There are several things that Cineplex can do to drive traffic. Furthermore, unlike other businesses, theatres traditionally operate with peak capacity at around 20-30%. This means that Cineplex may have an easier time mitigating reduced capacity rules, unlike restaurants.

Obviously, that low range is averaged across an entire week. This means one of the main things Cineplex can do to drive traffic is incentivize people to come during traditionally slower days.

Another thing that should help drive traffic is a strong summer of movie releases that have been delayed so far. Not only are theatre reopenings big for those companies, but they are also significant for studios, so that should help drive traffic upon reopening.

The TSX stock has already trimmed the dividend to conserve cash in the short term. Furthermore, it also has over $150 million of liquidity.

Bottom line

While there is still considerable uncertainty for Cineplex, I believe the company is in a much better position to handle the pandemic than a restaurant or airline.

The turnaround may be long, but at this ultra-low share price, it's the perfect TSX stock for long-term investors.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

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