3 Deep-in-the-Red Stocks to Buy Right Now

**Description**

With the strong uptrend in the broader market, the majority of the TSX stocks have recovered most of their lost grounds. However, a few stocks that didn't participate in the recovery rally have started to see shoots of green and offer excellent value for investors with a long-term outlook.

Here are three deep-in-the-red stocks that have the potential to bounce back strongly once the demand comes back to normal.



## Gildan Activewear

Shares of **Gildan Activewear** (TSX:GIL)(NYSE:GIL) lost a significant portion of its value, as the COVID-19 pandemic wiped out the demand for its products. The company's sales in the imprintables channel nosedived and weighed heavily on overall revenues and profitability.

Investors should note that the imprintables segment's products are mainly used in events that require large public gatherings (mostly in the sporting, cultural, or promotional activities). In the absence of these events and store closures, Gildan Activewear's overall revenues plunged about 71% in the June-ending quarter.

While its imprintables channel sales are likely to stay low in 2020, easing of lockdown measures and positive developments around COVID-19 vaccine is driving its stock higher. Gildan Activewear stock has risen more than 21% in one month. Meanwhile, it has increased by about 46% in three months, thus recovering a substantial portion of its lost value.

Gildan Activewear is witnessing improvement in the sell-through trends, as restrictions are eased. The company's financial flexibility should help in navigating the crisis. With its shares still down over 29% year to date, investors should lap up this beaten-down stock right now.

## Air Canada

**Air Canada** (TSX:AC) stock is down over 65% so far this year, as the COVID-19 outbreak grounded its passenger flights. While the resumption of domestic operations came as a breather, negative passenger sentiments amid rising infections and continued cash burn remains a drag.

However, the massive value erosion in Air Canada provides an exceptional opportunity to buy its stock for outsized gains in the long run. Traffic could remain low in the near term, taking a toll on Air Canada's revenues and earnings. However, with the easing of restrictions and positive development on a COVID-19 vaccine, Air Canada's net cash burn could decelerate sequentially.

Air Canada expects its net cash burn to be $15-$17 million per day in Q3 as compared to $19 million in Q2. Net cash burn is likely to improve further, as the company cuts costs and passenger demand increases.

While Air Canada could take two to three years to reach the pre-pandemic levels, its stock is likely to remain highly volatile in the near term. Investors who have a long-term outlook should only buy Air Canada stock to multiply their money.

## Cineplex



With a year-to-date decline of about 73%, **Cineplex** (TSX:CGX) stock took a massive hit from the outbreak of the pandemic. The lockdown measures mandated temporary closure of its LBE venues and theatres. Owing to the closures, its top-line plunged about 95% in the most recent quarter. Meanwhile, the company reported average net cash burn of $15-$20 million per month.

As lockdown measures are eased, its business is likely to reopen gradually. However, traffic is likely to stay low amid the pandemic. Moreover, box office revenues per patron are also expected to remain muted.

While Cineplex recovery could take a lot of time, its strong liquidity and gradual reopening of the business should help it to survive the current crisis. Investors willing to hold its stock for longer duration can buy its stock to benefit from its recovery.

**CATEGORY**

1. Coronavirus
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2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
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