Halloween: 3 Spooky Stocks to Avoid in November

Description

With Halloween just around the corner, it could be a good time to take a closer look at your portfolio and weed out any jump scares. With an ongoing pandemic and historic economic crisis, some sectors are starting to look downright terrifying. Some of the companies in these sectors could be at risk of layoffs, dividend cuts, or something much worse.

Here are the top three spooky stocks you need to ditch right away.

Horror movies

Cineplex's (TSX:CGX) balance sheet is going to look like a slasher flick this year. Theatres have been shut for months. The only major blockbuster that's been released since the lockdown, *Tenet*, didn't perform too well at the box office. That's discouraged every major movie studio to postpone their releases until late 2021.

While movie studios and producers can wait this crisis out, Cineplex isn't so lucky. It's running low on cash and struggling under a terrifying debt burden. The stock has dropped 85%, while revenue has plunged 95% this year. There's $6.5 in debt for every dollar in equity on the company's books.

The company desperately needed a rescue from British rival Cineworld, but the deal fell through earlier this year. If it's still lurking in your portfolio, it could be time to cut your losses and run.

Ghosts of the oil patch

Canada's oil patch has been through incredibly difficult months. Just a few months ago, the price of a barrel of oil was *negative.* Although the market has since recovered, it's nowhere near its peak. Experts predict many more years of pain ahead.

While some oil and gas giants can survive this, **Vermilion Energy** (TSX:VET)(NYSE:VET) clearly isn't one of them. The business is in clear peril, as its cost of production remains far higher than the current market price of oil. Unsurprisingly, the stock was viciously beaten down during the crisis. At one point in March, the stock price had declined so far that the dividend yield was pushed to an astonishing 74.8%!

Of course, Vermilion suspended its dividend right away. The stock has lost 82.8% of its value year to date. In short, it’s best to avoid this oil patch horror show.

Drive to nowhere

The crisis has all but ended ride hailing across the world. Not many people are keen on sharing cars with strangers. That puts **Facedrive** (TSXV:FD) in a vulnerable position.

Unlike other stocks on this list, Facedrive has actually had a great year. The stock price is up 276% year to date. At one point, in July, it was up 960%. This multibagger has made many early investors fabulously wealthy.

However, the company could see its growth rate decline, as people work remotely and avoid all forms of shared or public transport. With a second wave of COVID-19 cases upon us and no vaccine in sight, Facedrive could struggle to gain traction in 2021. Meanwhile, the company’s valuation clearly remains elevated.

Facedrive stock is trading at a ludicrous enterprise value-to-revenue ratio of 848.36. Its market capitalization ($926 million) is 90 times greater than the value of cash and cash equivalents on its balance sheet. The company will clearly need to raise funds, either through debt or equity, to keep itself afloat while it burns cash for the next few (difficult) years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:CGX (Cineplex Inc.)
3. TSX:VET (Vermilion Energy Inc.)
4. TSXV:STER (Facedrive Inc.)

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