3 Scary Stocks to Avoid on Halloween

Description

Happy Halloween! Not everything that is scary is wearing a costume this Halloween. Some investments that were once viewed as long-time favourite investments by many are now viewed with the same fear as ghouls. Here are several scary stocks to avoid this Halloween.

The show may not go on for much longer…

Cineplex (TSX:CGX) was a long-time favourite investment for many. Canada's largest movie theatre chain is a far cry from where it was last year. Back then, Cineplex was diversifying into new revenue streams, providing investors with a handsome monthly dividend, and full of potential. The pandemic forced the company to shutter most of its theatres and entertainment complexes. The company also suspended its dividend in an effort to save cash.

So, is Cineplex truly a scary stock? In the most recent quarter, Cineplex saw year-over-year sales dropped 95% to $22 million, and theatre attendance comprised 6,000 customers. By way of comparison, in the same quarter last year, Cineplex had 17 million customers in its theatres.

Hopes of a partial recovery this year also appear to be decreasing. A new second wave of COVID-19 is forcing many businesses to reintroduce harsher social-distancing standards and closures. Throw in the growing number of streaming devices and services, and Cineplex is under threat on multiple fronts.

Year to date, Cineplex is down over 80%, making it a very scary stock.

This berry is still stuck in the forest…

BlackBerry (TSX:BB)(NYSE:BB) was the one-time titan of the smartphone market. Unfortunately, the company lost its crown to both iOS and Android, which offered better devices, better apps, and vastly superior experiences. After shuttering its hardware segment, BlackBerry licensed its name to partners to build devices while it focused on reviving its revenue stream.

That was a few years ago. Today, BlackBerry is much healthier, more focused, but ultimately still plagued by the same issues. Unlike Cineplex, BlackBerry's problems aren't made worse by the pandemic, and BlackBerry does have potential. The company's QNX platform could prove to be a game changer for the autonomous vehicle market. Unfortunately, that isn't likely to materialize for several years still, and until then, BlackBerry is left in its current state.

In other words, unless you have the time and money to spare, there are far better options on the market at the moment. Some of those options provide a dividend, and nearly all of them are less risky than BlackBerry. Again, this is a scary stock that is best avoided for a few years.

BlackBerry is down over 20% in 2020.

Is this health company still a scary stock?

One final scary stock to consider is **Bausch Health** (TSX:BHC)(NYSE:BHC). Like the other two companies I mentioned, Bausch has had its fair share of problems in recent years. The company (under a different name) famously saw its stock collapse over 90% several years ago. At that time, a broken business model fueled by debt fell apart and left the company with a staggering amount of debt.

Today, the company is smaller, leaner, and has experienced management at its helm. But does that make Bausch any less of a scary stock? Perhaps when compared with BlackBerry and Cineplex, but not when viewed against the market. So far, Bausch has paid down a whopping $8 billion of its debt. Much of that was financed through selling off non-core assets. This is impressive, and the company continues to improve, but that full recovery will take time.

So far in 2020, Bausch is down over 35%. This could make the stock appealing to discount-seeking investors with long-term agendas, provided they have an appetite for risk. Unfortunately, for most investors, it's just another scary stock.

CATEGORY

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2. NYSE:BHC (Bausch Health Companies Inc.)
3. TSX:BB (BlackBerry)
4. TSX:BHC (Bausch Health Companies Inc.)
5. TSX:CGX (Cineplex Inc.)

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