Halloween: 2 Scary Stocks to Double Your Money

Description

Are you looking for some spooky adventure around Halloween? If so, you can turn your attention to these two scary stocks that have daunted investors. However, given the right circumstances, they can double your money.

Cineplex stock

A year ago, no one could have guessed that a pandemic would trigger **Cineplex** (TSX:CGX) stock to fall horrendously off a cliff — from $34 to $10 per share in the March market crash.

Seven months later, despite theatre reopenings since Canada Day, the nerve-racking stock unbelievably made its way even lower to the $5 level.

The $34 level is not a realistic price target for Cineplex stock anymore, as, at the time, **Cineworld** was planning to acquire the company. Now that the deal is off the table, and there's a pandemic on the loose, it has become a matter of survival for Cineplex.

In the last reported quarter, Cineplex's current liabilities jumped 2.5 times to almost $1,193 million versus a year ago, while its current assets fell by nearly half to $111 million. With a current ratio of only 0.09, Cineplex will have trouble meeting its short-term obligations — debt that it needs to pay off within the year.

That said, there's a possibility that someone like the government would swoop in to save the company. After all, it's not the company's fault that it is in this predicament. If someone does come to Cineplex's rescue, the stock can survive and climb back to the $10-per-share level.

Cenovus stock

Both **Cenovus Energy** (TSX:CVE)(NYSE:CVE) and **Husky Energy** (TSX:HSE) are integrated energy companies. The two's merger announcement earlier this week captured the attention of avid energy investors.

The deal comes after the energy stocks have fallen more than 60% year to date. Since it'll be an all-stock transaction, shareholders will probably need to wait for the combined company to draw value from the integration. Husky shares will essentially turn into Cenovus shares.

Notably, Cenovus and Husky have overlaps in their businesses that can allow them to cut 20-25% of their combined workforce. Management foresees annual run-rate synergies of $1.2 billion that will be largely achieved within the first year irrespective of commodity prices.

The combined integrated oil and natural gas company is expected to be more resilient. The transaction, which is expected to close in the first quarter of 2021, should be accretive to both Cenovus and Husky shareholders based on cash flow and free funds flow per share.

It anticipates free funds flow break-even at West Texas Intermediate (WTI) pricing of US$36 per barrel next year. The break-even price is set to further improve to less than US$33 per barrel by 2023.

Investing in Cenovus and Husky is not as scary as Cineplex. Both have a better chance of survival than Cineplex based on stronger balance sheets. The merger will just improve their odds to survive!

The Foolish takeaway

With the advent of streaming services like **Netflix**, **Disney**+, and **Amazon** Prime Video, Cineplex's core theatre business is set for a secular decline. However, in a normal operating environment when it has normal foot traffic, the stock wouldn't do so badly, because it would still generate hefty cash flow driven by its premium seating options and concession revenue.

In the worst-case scenario, if no one comes to save Cineplex, it can go bankrupt. However, if it somehow survives through the pandemic, it can double investors' money from a purchase of the stock today.

The marriage of Cenovus and Husky is a good development for shareholders of both companies. Buyers of Cenovus stock here at under $5 per share have a good chance of doubling their money when the operating environment normalizes.

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2. TSX:CGX (Cineplex Inc.)
3. TSX:CVE (Cenovus Energy Inc.)

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