Want to Retire Rich? Avoid These 2 Super Risky Stocks

Description

The airline and entertainment industries are among the hardest hit by the 2020 pandemic. COVID-19 brought massive destruction to the operations of erstwhile viable investments. If you're looking to retire rich, stay clear of **Air Canada** (TSX:AC) and **Cineplex** (TSX:CGX). Both are two super risky stocks because recovery is very uncertain.

Dominant air carrier in distress

The impact of COVID-19 on the airline business is unprecedented. Air Canada investors lost 53% in 2020 after the coronavirus virtually reduced passenger travel demand to zero. Canada's flag carrier's share price as of this writing is $22.92, or 56% lower than a year ago.

In the most recent quarterly report (quarter ended September 30, 2020), Air Canada's total revenue fell sharply by 86% to $757 million. The company also reported a negative EBITDA of $554 million compared to the $1.47 positive EBITDA in Q3 2020.

It's been three consecutive quarters of losses, which negates Air Canada's record of the 27 straight quarters of profits before the pandemic. As part of its recovery plan, management announced in November 2020 the downsizing of aircraft and workforce to mitigate the mounting losses.

Air Canada expects the fleet restructuring and rationalizing to lower capital expenditures in 2020 to 2023 by around $3 billion. Thus far, the $6.79 billion airline company has laid-off 20,000 workers. Analysts forecast the stock to climb by 53% to $35 in the next 12 months, although it hinges how quickly travel demand will return to pre-corona levels.

Former Dividend Aristocrat in oblivion

Cineplex lost its Dividend Aristocrat status after the company suspended dividend payouts in early 2020. The iconic entertainment stock lost 72% last year, which is a bitter pill shallow. Loyal investors were receiving an average 5.97% dividend over the previous five years.

In the nine months ended September 30, 2020, Cineplex's revenue dropped a whopping 70.1%, from $1.2 billion to $365.8 million. Theatre attendance fell 75.2% to 12 million. Net loss for the first nine months of 2020 was $393.6 million versus the $31.8 million net income in the same period in 2019.

The bread-and-butter box office revenue decreased by 91.8% to $14.5 million. Meanwhile, theatre food service revenue also fell significantly (88.1%). The digital commerce segment was the only bright spot as total registered users for the Cineplex Store increased by 41% in Q3 2020 versus Q3 2019.

Cineplex's economic pain began on March 16, 2020, after the World Health Organization (WHO) officially declared COVID-19 as a global pandemic. It was the trigger for the unceremonious business disruption of Canada's beloved entertainment and media company.

This year isn't looking any better for Cineplex. The vaccination campaign will not guarantee movie operations to return to normal. Social distancing measures will remain in place for an extended period. People are not likely to congregate in indoor places for fear of contracting the more lethal COVID strain.

Cineplex has lost its appeal that it wouldn't be wise to purchase even at its current depressed levels. It will take time for the company's core business to generate significant cash flows like before.

Big gamble

Air Canada and Cineplex are among the **TSX'**s cheapest stocks in 2021. However, growth or recovery might not come at all in the near future. It would be a useless expense and a big gamble to initiate positions in either stock.

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