Investors: 2 Risky Stocks You Need to Avoid

Description

Today's market still offers a lot of opportunity for investors. But while there are some stocks that remain cheap, these companies might be cheap for a good reason. Today, I'm going to look at two stocks investors might be eyeing, and why, in my opinion, they remain too risky and should be avoided — at least for now.

Cineplex stock

First, the obvious. **Cineplex** (TSX:CGX) remains an investment choice that many are interested in. The stock keeps having rebounds occur again and again with news of COVID-19 vaccine distribution. It has many people believing that the world will soon be back to normal. But there are two wrenches in that chain of thought.

First, there is going to be an entirely new normal after this. Just look at the airline industry, which is far more likely to see normalcy before movie theatres. Analysts predict it will be 2023 before airline companies see anything close to normal passenger levels again and longer before making up revenue. So, it will be years at least before Cineplex can make up losses.

And those losses are huge. Revenue was down 51% during the latest earnings report, with debt still holding just shy of $2 billion. And it's not like this wasn't around before. The company had major expansion projects with its The Rec Room. Even then, investors worried about what would happen with streaming services offering everything, including new release. In fact, **Netflix** announced there would be a new blockbuster hit each and every month of 2021. So, how is Cineplex to compete? In short: it can't. Despite a share bump of 27% in the last month, it's still down 65% in the last year and likely to stay there for some time.

Facedrive stock

If there's one thing investors should watch out for, it's share dilution. Yet it looks like that is exactly what you're set up for with **Facedrive** (TSXV:FD). Sure, the company had a great initial public offering

(IPO), offering an eco-friendly option to rival huge competitors in the ride-share market. But there's one thing the company severely lacks: cash.

That doesn't seem to stop it from announcing expansion opportunities, however. The company isn't just focusing on one area of ride sharing, but all of it. It wants to deliver food, medical equipment, merchandise, and, of course, people. But it simply doesn't have the cash on hand to do any real damage to competition. As of writing, it has $9 million in debt and $7 million in cash. Meanwhile, its price-to-book ratio is at a whopping 156.8.

Bottom line

There are plenty of opportunities right now, but if you're a long-term investor, you want less risk, not more. Sure, you could miss out on some opportunities, but you could also lose everything. In the case of these two stocks, the risk far outweighs the reward. Instead, talk to your advisor about your goals to come up with a solution that makes sense for you. Then you're sure to still come out with huge returns, and not on the back of sleepless nights.

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alegatewolfe