1 TSX Stock to Buy Before it Skyrockets to the Moon

Description

Stock market crashes come with a lot of pain for investors, as the equity markets see devastating price corrections. Millions are lost due to stock devaluation, as investors begin selling off their holdings to cut their losses, catalyzing the crash to deeper declines.

While many investors fear market crashes, investors with an eye for value and long-term gains look at market crashes as an opportunity to make millions. It is true that stock market crashes can bring down the prices for overvalued stocks to more reasonable valuations. However, many equity securities are dealt with too harshly and become oversold.

Value investors know how to find companies that are battered beyond their value and purchase shares of the companies at dirt-cheap prices. The result is substantial profit over the medium to long term, as the stock recovers to its correct valuation when the dust settles.

I will discuss one such stock that you can consider investing in before it skyrockets to the moon.

Beaten-down cinema stock

Cineplex (TSX:CGX) is an entertainment and media company that operates in Canada and worldwide. The $863.86 million market capitalization was struck hard with the onset of COVID-19 and its fallout. The company's revenue streams took a tumble amid the lockdowns mandated to instill the social-distancing measures necessary to curb the spread of the virus.

The lack of substantial income has left the company with increasing debt levels. Cineplex has a debt of $1.99 billion at writing, and it could go deeper into debt with passing time. The stock's valuation on the TSX is 59.64% less than a year ago, because it never managed to truly recover from the pandemic-fueled sell-off in February and March 2020.

Recovery play with risk

With all the bad news regarding the stock's situation, it might seem like an odd choice to mention the stock as a value investment. Despite its troublesome short-term situation, Cineplex is a strong recovery play as the pandemic ends. I will insist that the stock is still a risky asset to consider adding to your portfolio, but there is massive upside potential to it.

Cineplex shareholders could be in for massive long-term gains if there is a bailout for the beaten-down cinema stock. The stock has been under significant pressure that will likely continue until the pandemic subsides. Cineplex does not boast the strongest balance sheet, but it might have just enough to make it to the other side of the global health crisis.

The company has adapted to the situation, and with developments on the COVID-19 vaccine front, it is possible that the company can eventually reopen its locations. Currently, Cineplex is finding new ways to generate revenue, such as food delivery. We could also see the company invest in streaming services as it gets back on its feet.

Foolish takeaway

The closer we get to the end of the pandemic, the more this company's share prices will likely climb. Investors might begin realizing that revenue will start coming in again as locations reopen. Cineplex will gradually pay down its debt with increasing cash flows. If a bailout happens, it will take a lot less time to get back on its feet and send its valuation soaring.

Cineplex has had a tough year, and it could continue to see rough times in the short run. However, investing in the stock right now could provide you with significant long-term returns if it manages to surge in the post-pandemic era.

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