Forget Cineplex Stock: Here's Where There's Value!

Description

Investors seem to get confused when it comes to what makes a stock valuable. It's not just a cheap share price, and that's the problem with investing in **Cineplex Inc.** (TSX:CGX) today. It may have a cheap share price relative to where it was before, but that does not make it valuable.

Value stocks come from strong fundamentals, strong future growth, and strong past growth. Yet the share price does not reflect this future performance. In the case of Cineplex, its share price reflects the ongoing COVID-19 pandemic. Unfortunately, unless you're incredibly patient it's going to be a while before Cineplex gets back to those higher share prices.

For the patient investor

Say you want to buy Cineplex stock today and stick with it. Fine. Here's what you have to look forward to. The company may now be back up and running, but at an incredibly limited capacity. Next to airlines this industry has severely struggled to bring back customers, looking for any way to bring in revenue.

But while Cineplex may be scaling back some aspects, it's not exactly closing up locations. This means it's haemorrhaging cash for rent when hardly anyone is visiting these locations. The company continues to remain around $2 billion in debt. That's debt that was around even before the pandemic as the company simply has fallen behind.

But sure. Shares trade at about $11.50 as of writing. If these shares go back to all-time highs, that's an increase of about 200%! So if you really believe in this company's future path to greatness, by all means invest. But definitely find some less risky value stocks to help diversify your portfolio.

Follow the money

If you want to find some strong value stocks these days, follow the money. Literally. Financial institutions like advisors and banks will be right on top of how to get back to greatness. However, many are still worried these same institutions will sink during another market crash, if that happens. Whether it does or not, these companies are where you want to keep your long-term cash.

By choosing financial institutions, it's like investing in an index fund. The company's professionals choose a slew of diversified investments to get shareholders backing it again. Take **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC). Manulife stock is up almost 100% from the March 2020 crash, with the bull run only continuing where other industries have pulled back.

As the economy continues to recovery, it will likely continue to fuel the growth in Manulife stock. The insurance provider is a necessity, and long-term holders will see some massive growth as interest rates continue to rise. Yet the company is still completely cheap with a price-to-sales (P/S) ratio of 0.7 and a price-to-book (P/B) ratio of 1.1! And on top of all that you can lock in a solid 4.18% dividend yield.

Foolish takeaway

There is certainly room in any portfolio to pick up a risky stock and see if you get lucky. However, make sure it's not where you're putting all your cash. By investing in solid value stocks like Manulife Financial, you'll give your overall returns a strong chance of seeing superior returns. And it will help you sleep at night as the economy continues to recover.

CATEGORY

1. Coronavirus
2. Investing
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1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:CGX (Cineplex Inc.)
3. TSX:MFC (Manulife Financial Corporation)

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