Forget AMC (NYSE:AMC)! 2 Stocks to Buy Instead

Description

AMC Entertainment Holdings (NYSE:AMC) has become one of the most publicly traded companies in North America in recent weeks. Many Canadian investors are also considering buying AMC stock because of how popular it has become.

However, if you have been following the movement of meme stocks since they emerged in January 2021, Dogecoin, or any other bubble, you might already know that the inexplicable rally has to come to an end. With no fundamentals to back such incredible growth in its valuation, AMC could be nothing more than a speculative bet.

Most AMC investors are buying the stock and hoping to sell it in a few days to turn a quick profit. Amid all this, the business continues to suffer.

Buying and holding AMC for the long run might no longer be a good decision. The company has taken on a high debt load with minor profit margins at best — something that does not paint a pretty picture for its long-term prospects.

AMC might look like an attractive speculative bet. However, timing the buying and selling moves wrong with the stock could result in you losing a lot of money. I will discuss two Canadian stocks that you could consider instead.

WELL Health Technologies

WELL Health Technologies (TSX:WELL) belongs to the rapidly growing telehealth industry. Telehealth has been around for a few decades, but most people learned about it and WELL Health Technologies last year, as the Canadian stock began rallying amid the pandemic.

The onset of COVID-19 and subsequent lockdowns led to a rising need for telehealth services. WELL Health Technologies plays a critical role in enabling the industry, and the tailwinds caused by the pandemic led to its prolific growth. The stock seems to have fallen out of favour, as the pandemic slowly begins to look like it will subside. However, WELL Health could only be going through a temporary hiccup.

The healthcare industry will continue to grow in the coming years, and services from companies like WELL Health Technologies will only grow in demand. Trading for an almost 15% discount from its all-time high, it could be the right time to pick up the stock.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) is a stock that is up by almost 5,100% at writing since its initial public offering just over six years ago. The stock's performance was unbelievably good in 2020, as the pandemic created the industry tailwinds for Shopify to become increasingly profitable.

The first quarter of fiscal 2021 also saw excellent figures for Shopify. The company's sales were up by 110% from the same period last year. Its gross merchandise volume increased by 114% from Q1 2020. The accelerated shift to the e-commerce industry has continued this year. The e-commerce sector accounted for 14% of all retail sales in the U.S. in 2020 — a massive jump from 4% just nine years ago.

Shopify ended the first quarter with $130 million in free cash flow. As the industry grows, Shopify could still prove to be a better long-term investment than meme stocks like AMC Entertainment Holdings.

Foolish takeaway

If you are a Canadian investor looking for significant profits to grow your wealth, speculative bets like AMC might seem very attractive. However, true wealth growth comes through high-quality companies that can provide you reliable long-term returns.

AMC may no longer possess that quality to provide significant long-term returns on your investment. Shopify and WELL Health Technologies could be far better alternatives for this purpose.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:AMC (AMC Entertainment)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)
4. TSX:WELL (WELL Health Technologies Corp.)

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