Cineplex Is 1 Tumbling Canadian Stock Worth Buying

Description

The **TSX Index** looks unstoppable right now, with considerable momentum built up in the first half of the year. Undoubtedly, the rally could come to a correcting halt. But it doesn't have to. That's why I'm a fan of investing systematically over time, with the odd buy, regardless of what the broader markets are doing at any given time.

You see, you're not going to be to tell what's up next for markets. That's impossible. Corrections are unpredictable beasts. While they tend to occur annually with an average downside of 12-15%, it's worth noting that markets have historically gone many years without corrections (a 10% drop), and when it did finally correct, the downside wasn't necessarily far larger than the average drawdown.

Don't time the next market correction

Indeed, the next correction could hit by year-end, with 10-15% downside. Or it could occur after another 30-40% rise in the markets. If the latter happens, you'll stand to miss out by attempting to time the markets. I hope I've convinced you not to hoard cash with the intention of putting it to work after the next 10% pullback. There are upside risks (opportunity costs) and downside risks, both of which should be considered. And to mitigate both risks, one should look to spread their bets across a wider range of potential scenarios.

In this market, that means buying a bit now, with enough cash on hand to buy once that 10-20% pullback does hit. If you seek a correction today, there are places within the TSX to look if you're so keen on snagging a bargain that may be mispriced to the downside. When Mr. Market corrects his mistakes, he tends to overcompensate, whether to the upside or downside.

In this piece, we'll look at one freshly corrected stock worth buying here. At the end of the day, it's about paying a market price that's below its intrinsic value range, not about using the macro to time markets over the near term — a difficult feat that's unlikely to result in meaningful alpha for your portfolio.

Cineplex has already suffered a correction off those 52-week highs — buy it!

Cineplex (TSX:CGX) is a Canadian movie theatre company that made significant strides to diversify its portfolio away from box office before the pandemic. Undoubtedly, the amusements and entertainment business took a left hook to the chin alongside the box office amid the pandemic. As the economy reopens, all of Cineplex's segments will breathe a huge sigh of relief. And while pandemic uncertainties have dampened Cineplex's growth ambitions, I think that the valuation more than reflects such.

I view Cineplex as the ultimate reopening play. The recently announced CineClub subscription service, which is aimed at bringing moviegoers back with an incredible value offering, I believe, could accelerate the company's rise out of its funk. It's not just the monthly movie ticket from the subscription that has me pounding the table; it's the discounts in Cineplex's amusements offerings like Rec Room.

I'm a huge fan of the subscription service and think the stock is a bargain after falling more than 25% from its 52-week high.

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