These 2 Top TSX Stocks Could Be Value Traps

Description

You might be seeing a bunch of potential investing opportunities after a decent correction of late. Some high-growth tech **TSX** stocks are available at around 30%-50% discounts relative to their all-time highs. However, not all of these opportunities will pay off. Some of them are likely value traps and could continue to trade weak in the short to medium period.

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I think these are two of them.

Cineplex

Cineplex (TSX:CGX) stock has been trading sideways this year. Though it delivered solid Q4 topline growth and potential full re-openings bode well for its recovery, the stock has not seen any encouraging movement.

Cineplex's revenues rose six times to $300 million in Q4 2021, indicating a solid upturn in the making. The top line grew as movie-goers returned to big screens during this period. The footfall at Cineplex theatres increased from 0.8 million in Q4 2020 to 10.2 million in Q4 2021. Notably, it managed to narrow its net loss to $21.8 million in the recently reported quarter from a loss of $230.4 million in Q4 2020.

However, what could concern investors is its debt burden. At the end of the fourth quarter of 2021, Cineplex had total debt of $1.8 billion. Its higher debt burden could impact its growth plans while also eating a significant portion of cash from operations.

Additionally, how quickly the pace of theatre attendance increases going forward remains to be seen. The management has to plug its continued cash burn as well. Though re-openings might drive Cineplex's revenue growth, its huge debt burden could delay its profitability.

BlackBerry

Investor favourite **BlackBerry** (TSX:BB)(NYSE:BB) has broken below its customary range amid the recent sell-off. It is now trading close to $9 and has lost 35% in the last three months.

So, is it a good buy?

A $5 billion BlackBerry saw a notable turnaround from a smartphone maker to become an IoT (Internet of Things) and a cybersecurity company in the last decade.

Though it operates in some of the highest growth areas, its top line has been dwindling at a fast clip. Its revenues have fallen from $2.1 billion in 2016 to $743 million in the last 12 months. Since 2013, the company saw meaningful annual profits only once in 2018.

Although BB stock witnessed a decent correction recently, investors would be waiting for stability on the revenue and earnings front.

BlackBerry Ivy and QNX could drive its growth in the long term, but the stock could take time to unlock value. It contains a huge opportunity cost today.

So, what should investors do? Here is one top TSX stock long-term investors can consider.

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Tourmaline Oil

Oil and gas stocks continue to look attractive despite their vertical run-up. Canada's top natural gas producer, **Tourmaline Oil** (TSX:TOU)(NYSE:TOU), is one of my best picks from the sector.

The company issued a special dividend a couple of times amid rallying energy prices in the last six months. Notably, the company is in a strong cash position to issue another special this year.

TOU stock has returned 20% so far this year and still trades at eight times its earnings. The stock could see more upside as natural gas prices rally and boost the company's earnings.

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1. Dividend Stocks
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1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CGX (Cineplex Inc.)
4. TSX:TOU (Tourmaline Oil Corp.)

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