It Could Be Time to Drop These 2 Stocks

Description

When market volatility hits, investors tend to focus on defensive holdings to offset some of that volatility. As great as that strategy sounds, it's only half of the picture. It's also a great time to pick up some truly great stocks at a discount and to drop some underperformers.

Time to drop Cineplex?

Cineplex (TSX:CGX) is the largest entertainment company in Canada. Up until the pandemic, Cineplex was investing heavily into growth initiatives such as the Rec Room. Incredibly, Cineplex also paid out a handsome monthly dividend at that time.

Fast forward to today, and Cineplex no longer offers a dividend. Cineplex remains committed to its Rec Room business, but growth there remains hindered by the pandemic.

Cineplex's core movie-and-popcorn business is also limited. Fortunately, theatres are opening with greater capacities, and some people are starting to head back. But will it be enough?

In the most recent quarter, Cineplex saw revenues surge and traffic numbers increase. That being said, Cineplex still posted a loss of $249 million for the full year, which includes a $21.7 million net loss in the fourth quarter.

That's a massive improvement over the $629 million net loss reported in fiscal 2020. Unfortunately, Cineplex lost a quarter-billion dollars in fiscal 2021.

Perhaps when theatres are open, and the economy is less concerned with wars and inflation, Cineplex will be a better option. For now, it's time to drop Cineplex. Many other investments still offer juicy dividends.

Remember BlackBerry?

I really want to root for **BlackBerry** (TSX:BB)(NYSE:BB). The company was the one-time smartphone king of the market but failed to innovate quickly enough. Fortunately, BlackBerry has moved on from its small-screen physical keyboard devices.

Today, the company is hyper-focused on cybersecurity services. BlackBerry is also developing core parts of what could become a game-changing autonomous driving system. That system is based on QNX, the secure and modular OS that BlackBerry already has installed in over 150 million vehicles around the world.

Unfortunately, the execution of that initiative to turn into a viable revenue generator for BlackBerry remains to be seen.

Until then, the company is relying to a greater extent on its cybersecurity arm and IoT business, which, while growing, doesn't exactly scream significant long-term growth.

To be fair, BlackBerry *is* improving. The company has seen quarter-over-quarter revenue increases across its segments, save for Licensing, which continues to decline. BlackBerry has also sold off much of its patent portfolio, including a US$600 million transaction earlier this year.

Can BlackBerry return to sustained long-term growth? Possibly. Is it happening anytime soon? In a word, no. There are just too many unknowns and way too much risk. In other words, it's finally time to drop BlackBerry.

There are far better options on the market right now that have considerably less risk than BlackBerry.

CATEGORY

1. Investing

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1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CGX (Cineplex Inc.)

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