2 Stocks To Avoid Like the Plague During This Pandemic

Description

Most of my Foolish commentary centres on excellent long positions on high-quality Canadian companies. There are tons of examples of such opportunities. In this article, I am going to discuss two companies I believe are compelling long-term short plays on the **TSX**. These companies have the potential to implode over this decade.

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Cineplex

I have been bearish on **Cineplex Inc.** (TSX:CGX) for years. I have taken this position based on what I view as an unstoppable secular shift toward stay-at-home entertainment. The thesis here is so utterly simple, it does not warrant much explanation.

The bulls on Cineplex believe the relationship between cinemas and home entertainment will be one of coexistence. In other words, a cinema is a laptop and home entertainment is a smartphone. We may use a smartphone more than a laptop, but laptop sales won't die off because of a complete replacement via increased smartphone sales.

However, I view cinemas as the pager to smartphones. Pagers are a service which has already become obsolete for many. This is largely due to the quality of streaming content being released and the success of video on demand releases we saw during the COVID-19 pandemic.

No one can kick your seat when you watch a movie at home. The body odour of the guy sitting next to you and the bad overpriced popcorn are replaced by one-on-one time with your significant other and home dining (which, as a result of being locked at home, we discovered could be quite good and costs a fraction of the price).

Indeed, 4k televisions are available in ridiculously large sizes. Surround systems and the lazy boy remove many of the reasons one may choose to go to the movies for the experience.

With extremely high fixed costs and razor thin margins, Cineplex is now on the ropes. The company's business model is very recession-prone, I argue, due to a lack of perception as a low cost form of entertainment. The last time I went to a movie, two tickets, two meals and some snacks cost more than $60. This price may not make sense for the millions of Canadians now on EI benefits or the CERB.

Bombardier

Recent news that plane maker **Bombardier, Inc.** (TSX:BBD.B) is being delisted from the blue chip TSX index speaks for itself. The company has fallen on hard times due to mismanagement and a debt load, which is ridiculous for a company its size.

Bombardier has been burning the furniture to keep the house warm, selling off its best assets to pay down the debt it recklessly acquired over the years. There is absolutely no reason any investor should buy Bombardier stock. It is a company I view as already having one foot in the grave.

The company's business jet division, its only real operating business today, is under extreme pressure for obvious reasons. Corporate orders of jets at a time like this would look ridiculous.

The worst part is the bailouts Canadian taxpayers have consistently given this company over decades. As I have stated in the past, Bombardier was — and perhaps still is — the easiest short on the TSX right now.

Stay Foolish, my friends.

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