2 Stocks to Avoid at All Costs

Description

Something about investing brings out a herd mentality in some people. Perhaps it allows individuals to feel safer about their investments, knowing that many others are invested in the same company. However, this is a recipe for disaster and could leave you wishing you had never started investing.

Here are two companies that I would never invest in, even after the COVID-19 pandemic has given their stocks an attractive valuation.

A dying business

While some will say movie theatres will never go away, that is not enough to entice me to buy into **Cineplex** (TSX:CGX). A company that needs no introduction, you undoubtedly have gone to the movies before. With its state-of-the-art facilities, Cineplex has always been a hot spot among those looking for an affordable activity. However, its outlook does not seem very attractive.

Although anecdotal, Cineplex facilities in my area have seen an incredible decrease in attendance over the past few years. With the COVID-19 pandemic causing a global shut down, it is hard to believe that all these facilities will continue to operate. Even after re-openings, it is tough to imagine the general public becoming excited over the idea of being in an enclosed area with hundreds of other people anytime soon.

If you had invested in the company at its IPO in 2003, you would have more than quadrupled your initial investment by 2017. However, its stock has been falling over the past few years and gives no indication of recovery. The COVID-19 pandemic thrashed the stock significantly, as it saw a 71% decline in just over a week! As **Cineworld** backs out of its acquisition of Cineplex, I will continue to back away from investing in this stock.

Retail investor sentiment is sky-high

This is one company that I was seriously considering investing in before the COVID-19 pandemic, but once it hit, staying away from **Air Canada** (TSX:AC) was my preferred route of action. There is no doubt that, prior to COVID-19, people were flying more than they ever have.

My previous investment thesis was that millennials would push this figure even higher as they continue to explore the corners of the earth. Since Air Canada is the leader in the flight industry in Canada, it was in an excellent position to benefit from the surge in flight demand.

However, my tuned changed significantly as the industry was hit by the global lockdowns. In May 2020, Air Canada was left with no choice but to lay off 20,000 employees in an effort to stay afloat. While some are returning to using this method of transportation, it is very questionable whether the industry will see the same kind of traffic it did previously.

In the United States, it is expected that some airliners will declare bankruptcy. Even though Air Canada is a giant in the country, among other airliners, it is no stranger to bankruptcy issues having filed for bankruptcy in 2003. It should also be noted that after The Great Recession, its stock failed to reach pre-2007 levels until 2017!

If you think it can do better this time around, if we do see a recession, then perhaps this could be a stock for you. I will not be investing in it anytime soon, however.

Foolish takeaway

Investing in companies that are well known can sometimes be a great choice, as blue-chip companies can provide reliability in your portfolio. However, some companies seem like terrible investment decisions, even though many retail investors pour into the stock.

I would take a really long look at the theatre and airline businesses before even considering an investment in those companies. My opinion: stay far away.

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TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:CGX (Cineplex Inc.)

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