Air Canada Stock vs. Cineplex Stock: Which Is the Better Buy Today?

Description

Both **Air Canada** (TSX:AC)(TSX:AC.B) and **Cineplex Inc** (TSX:CGX) are trading at very low prices right now. As of the end of last week, both stocks were down around 60% since the beginning of the year. But price alone shouldn't dictate whether or not investors buy a stock.

As the coronavirus pandemic continues to weigh on the economy, investors also need to consider the risk. After all, there's no use in buying a stock even at a 52-week low if there's no real prospect of it recovering because it's so risky.

So let's take a look at these two stocks to see which one is at greater risk — and whether you should consider buying either one of them today.

Recovery may be inevitable for airlines — but going to the movies may prove a harder sell

Whether for business purposes or people wanting to go on vacations in other parts of the world, air travel isn't going to disappear after the pandemic ends.

With Air Canada being one of the country's major airlines, even if the economy gets dire, it's hard to imagine that the federal government wouldn't find a way to help the company get through the adversity. That's why from a sheer survival standpoint, Air Canada is likely to make it through.

The same may not be said about Cineplex, however. Travelling for leisure or for business in many cases requires people to get on an airplane. But if someone wants to watch a movie, they don't need to go to a movie theatre and can instead stream it online from the comfort of their own home.

Many people, myself included, haven't been to theatres in years. It's hardly essential for many people's daily lives and watching movies at home is one way to practise social distancing.

In the early days after the pandemic, that may be a priority for many people — one that may lead to a permanent change in habits.

Who’s in better shape financially?

When assessing risk, there’s no way to avoid looking at financials as well. And operating income can be a great indicator of a company’s financial performance since it comes before interest and taxes.

In 2019, Cineplex earned $48 million in operating income, which is 2.9% of the $1.7 billion in revenue generated during the year. Meanwhile, Air Canada posted an operating income of $1.7 billion on revenue of $19.1 billion for an operating margin of 8.6%.

Cash is another important consideration, and there too, Air Canada has the edge. At the end of 2019, the airline had more than $2 billion in cash and cash equivalents on its books. Cineplex had just $26 million.

Both companies are slashing costs as much as they can, and having a big buffer like Air Canada does will go a long way in helping the company keep its head above water.

Bottom line

Air Canada is the safer of these two stocks to buy today. Its financials are stronger, putting the company in a much greater position to handle the adversity that it will face as a result of the pandemic.

For long-term investors, Air Canada’s the safer stock to buy — and also the more likely of the two to get back to producing strong numbers once things in the economy returns to normal.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/20

Date Created
2020/04/15
Author
djagielski