



## Air Canada vs. Cineplex: Which Is the Better Recovery Play?

### Description

The global financial markets are continuing to be on a path of a sharp recovery. The key U.S. indices such as **S&P 500** and **NASDAQ Composite**, are already trading on their all-time high after erasing all their COVID-19 driven losses. At the same time, the **S&P/TSX Composite Index** in Canada also seems to be on its way to approach its all-time high soon. The Canadian index is set to end August on a positive note — making it the fifth consecutive month of recovery.

### Air Canada stock vs. Cineplex stock

While the stock market recovery is on, it doesn't mean much for you if you can't benefit from it. **Air Canada** ([TSX:AC](#)) and **Cineplex** ([TSX:CGX](#)) were among the worst-hit stocks by the pandemic. But both of them have outperformed the broader market by a wide margin in August to become top gainers on the TSX for the month. Air Canada stock has inched up by over 15% this month, while Cineplex has recovered by 23%.

The ongoing recovery in these stocks has the potential to double or even triple your money in the medium-term. Let's take a deeper dive into Air Canada's and Cineplex's recent developments and financials to find out which stock could be the better recovery play right now.

### Here's what's fueling Air Canada stock rally

A recovery in Air Canada stock began after it reported its second-quarter results on July 31. While there was not much in its Q2 financials to be very optimistic about, its revenue of \$527 million managed to beat Bay Street analysts' revenue estimates of \$436 million.

Amid COVID-19 led travel restrictions, Canada's flag carrier [focused](#) on improving its all-cargo flight operations. This helped Air Canada to beat analysts' consensus revenue estimates. Following its Q2 earnings event, most analysts raised their price targets on the airline's stock.

The Air Canada stock recovery accelerated further this week driven primarily driven by several COVID-

19 vaccine-related positive developments and a gradual decline in fresh COVID-19 cases across North America.

## Why Cineplex stock is surging

Cineplex — the Canadian entertainment company — reported its second-quarter results earlier this month on August 14. The results showcased the disastrous impact of the pandemic on its business as it reported an adjusted net loss of about \$99 million in Q2. The loss was much wider as compared to analysts' expectations of \$65 million.

In the previous quarter, Cineplex reported nearly \$5.4 million net loss. Even its efforts to reduce all expenses couldn't stop its losses from rising exponentially. Its Q2 results hurt investors' sentiments and drove its stock price lower by 5.8% on August 15 — a day after its Q2 event.

Nonetheless, Cineplex stock has rallied sharply this week as it [announced](#) on August 20, the reopening of all its 164 theatres across Canada.

## Here's why I would pick Air Canada over Cineplex

Cineplex stock has outperformed Air Canada stock this month so far. I would still pick Air Canada stock over Cineplex as I expect a more consistent recovery in the airline's stock price.

There are two key reasons for my expectations. My first logic might sound pretty basic to you, but it's worth considering. As the pandemic gradually subsides, I expect more people to go out and travel than taking the risk of catching the virus by watching movies in a closed theatre environment.

We must not forget that most good movies that draw the audience to theatres have either been postponed or are releasing video streaming platforms. So, the challenges for Cineplex are likely to continue.

Second, I find Cineplex stock to be highly volatile at the moment, increasing the risks for investors. For example, while its stock has risen by 23% in August, it's not its best monthly performance this year so far. The shares of Cineplex popped 42% in April, but it saw massive losses in the following three months.

I don't see many reasons that support a consistent, sharp recovery in Cineplex stock in the coming months. That's why I would stick to Air Canada stock instead.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

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

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### **Date**

2025/08/30

### **Date Created**

2020/08/28

### **Author**

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