2 Entertainment and Travel Stocks to Buy in September

Description

Uncertainty still lies ahead of us when it comes to COVID-19. We do not know when the global health crisis will subside, but we are recovering the economic losses. All equity indices have recovered sharply from the March bottom thanks to a staggering amount of government spending. However, a few stocks continue to trade at massive discounts from pre-pandemic levels.

I will discuss **Cineplex Inc.** (TSX:CGX) and **Air Canada** (TSX:AC) today. Both companies took the brunt of the impact of the coronavirus. Cineplex and Air Canada are down 71.50% and 64.10%, respectively, since the beginning of 2020. I think that the stocks could be attractive recovery bets for investors with contrarian tendencies.

The expectation of medical breakthroughs that can help deal with the coronavirus and reopening economies could make both companies' shares valuable.

Cineplex

We still don't know when a viable vaccine for COVID-19 will enter mass production. The steep decline in Cineplex stock makes it look attractive. The spread of COVID-19 and subsequent lockdowns resulted in a temporary closure of its locations. The lockdown halted its revenue generation, and its profits nosedived to the ground.

In its most recent quarter, Cineplex reported a 95% drop in its top line. To make matters worse, the company burned through almost $54 million during the quarter. However, as the lockdown measures ease up, Cineplex could see the business return to relative normalcy. The traffic will likely stay low for several months. However, recovering consumer demand can bring the stock back strong.

Even as operations resume, movie-goers will likely be wary of stuffing cinemas. Social distancing measures will take time to give way for normal traffic. Theatrical releases might not be as profitable for Cineplex as pre-pandemic times. However, the company can gradually recover from all the economic losses.

Air Canada

COVID-19 outright clipped the wings of the already struggling airline. Travel restrictions, high net cash burn, increasing debt, and deep capacity reductions cut down a significant portion of its value.

Despite the devastating situation, Air Canada remains the leading company in Canada's airline sector. It has strong liquidity, which indicates that it is in a better position compared to its peers. If any airline can recover in Canada, it is Air Canada. As restrictions ease up, a resumption of domestic and international flights can relieve pressure on its bottom line.

Air Canada has also increased its capacity for all-cargo flights to regain some profitability. It might not be an ideal short-term bet, but Air Canada could provide investors with substantial capital gains.

Foolish takeaway

The entertainment and travel stocks have taken massive beatings amid the pandemic. The nature of the virus has made recovery a slow task for Air Canada and Cineplex than the rest of the economy. However, allocating some funds that you can afford to lose to these two companies could fetch substantial long-term gains.

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