Better Recovery Stock: Suncor (TSX:SU) or Cineplex (TSX:CGX)?

Description

The next few months will be crucial for some of Canada's most prominent sectors. Today, I want to look at two heavyweights that have been staples in their respective industries. Both have struggled in the face of the COVID-19 pandemic. **Suncor Energy** (TSX:SU)(NYSE:SU) has taken a hit due to lower commodity prices while also forced to adhere to curtailed production in Alberta. **Cineplex** (TSX:CGX) saw its revenues virtually evaporate in the first half of 2020 as the pandemic laid waste to the movie theatre industry. Which has the better chance at recovery in 2020? Let's dive in.

Suncor: Can this energy stock return to form?

Suncor is a Calgary-based integrated energy company. Its shares have dropped 55% in 2020 as of close on September 10. Investors can expect to get a look at its third-quarter 2020 results in October.

In Q2 2020, the company lamented lower demand for crude oil and refined products due to the COVID-19 pandemic. Unfortunately, this combined with a supply increase from OPEC, which drove down commodity prices, generating downward pressure on the Canadian energy sector. Funds from operations came in at $488 million, or $0.32 per share compared to $3.00 billion or $1.92 per share in the prior year.

Last spring, I'd discussed why Suncor was a stock that was worth stashing in a TFSA. The stock last had a favourable price-to-book value of 0.7. Suncor last dropped its quarterly dividend of $0.21 per share, which still represents a solid 4.6% yield.

Why this year and next are so important for Cineplex

Cineplex owns and operates movie theatres across Canada. Its shares have dropped 70% in 2020. However, the stock has climbed 10% over the past month.

Back in August, I'd discussed whether theatre re-openings could propel the stock in the second half of 2020. On August 20, Cineplex announced that all 164 theatres and 10 entertainment venues would open across Canada. However, it will still operate under limited capacity due to COVID-19 restrictions.

In previous articles, I'd discussed the challenges facing Cineplex. The pandemic has thrust even more consumers into the arms of home entertainment providers like **Netflix**. However, Cineplex CEO Jacob Ellis has continued to strike and optimistic tone. **Disney** stirred controversy with its decision to release *Mulan* exclusively on its Disney+ platform.

Ellis argues that theatres are still "the engine that drives the train . . . it's trading dimes for nickels when you go directly to streaming, because you don't have that $40 million worth of revenue from theatrical releases around the world."

Despite his confidence, Disney will also be forced to respond to consumer behaviour. If this leans away from movie theatres, Cineplex will be in more trouble in the years ahead. Shares of Cineplex last had a P/B value of 1.7. It was forced to withdraw its monthly dividend earlier this year.

Verdict: Which is the better buy?

The energy sector should receive a boost as demand picks up in response to the global reopening. On the other hand, the theatre industry will be hamstrung for at least the rest of 2020. For this reason, I'm snatching Suncor for its value and still-solid dividend.

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