



Better COVID Recovery Stock: Cineplex (TSX:CGX) or Air Canada (TSX:AC)

Description

Renewed COVID-19 vaccine hopes injected a tonne of [optimism](#) into the broader market this month. **Air Canada** ([TSX:AC](#)) and **Cineplex** ([TSX:CGX](#)) are two firms that have been feeling the greatest impact from the crisis. While effective vaccines could end the pandemic as soon as next year, with the U.S. and the U.K. just weeks away from their initial vaccine rollout, uncertainties with regard to Canada's vaccine timeline remains a cause for concern.

Prime Minister Justin Trudeau stated that it's "premature" to say when various localities will get vaccines. With little clarity on the Canadian vaccine timeline and little in the way of specifics, Canada may have to put up with a few more months worth of pain versus the likes of the U.S. That could mean Canada may lag the states by a few months when it comes to herd immunity.

Regardless, Air Canada and Cineplex still have the green light to soar, as investors look to punch their ticket to top [COVID recovery](#) plays before the vaccine has a chance to be administered to the masses.

The stock market is forward-looking, and although we're in for a dark winter, investors who can stomach the volatility should look to buy and hold through the next 13 months if they seek a shot to score outsized capital gains in battered plays like Cineplex and Air Canada. With more vaccine clarity, both names, I believe, are less risky and are worthy bets for any young investors' portfolio at this juncture.

But which is the better buy? Let's have a closer look at each name.

Cineplex

Cineplex ([TSX:CGX](#)) stock nearly doubled just days after I changed my tune on the name, urging investors to buy at a time of maximum pessimism. Cineplex faced a high risk of insolvency, as the firm looked to collide with financial covenants amid a worsening second wave of COVID-19 cases.

Back in October, when CGX stock was trading at \$5 and change, Cineplex was a dangerously risky play, given the timely advent of a safe and effective vaccine wasn't guaranteed.

Today, with a handful of vaccine rates with efficacy rates above 90% (far higher than what many expected in the spooky month of October), Cineplex is a rocket ship that's blasted off well before people longing for a sense of social connection and normalcy are even thinking about returning to the cinemas.

Amid further partial lockdowns conducted at the provincial level, Cineplex faces an ugly winter. But given how battered the stock is, the name deserves a free pass for the next two quarters, given the potential for a V-shaped recovery that's likely lying on the other side of this pandemic.

Air Canada

Air Canada is another firm that's in for another brutal quarter or two but is deserving of a free pass by investors for its recovery prospects beyond Q2 2021. Bill Gates seems to think that business travel will take a permanent hit after this pandemic concludes. I couldn't disagree more.

While there's likely to be a slower recovery in business travel initially, business travel will witness a relatively abrupt reversion to that of pre-pandemic mean levels.

Although Air Canada has already surged, there are uncertainties regarding how quickly the air travel industry will recover from this crisis. Many investors are severely discounting the recovery, and I would encourage those who believe things will be right back to normal in a post-pandemic world to load up on shares before they have a chance to climb back to their pre-pandemic highs.

Air Canada stock is too cheap, given its profitability prospects in 2022 and beyond. As such, I'd look to start buying aggressively on any dips between now and year-end.

Better buy?

Air Canada is, by far, the better buy. Not only does the firm have a better liquidity position, but it was flying high before the pandemic struck, while Cineplex was already under pressure amid the rise in video streamers.

The upside to be had in Cineplex is profound, but the overall risk/reward, I believe, is more favourable for Air Canada.

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Date

2025/08/01

Date Created

2020/11/26

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