Cineplex Stock: Better Value Than Air Canada?

### Description

**Cineplex** (TSX:CGX) and **Air Canada** (TSX:AC) have been two of the hardest-hit stocks in Canada. Both companies have seen their business impacted severely, so it's not surprising that their stock prices have taken a beating as well.



Because they've been beaten up so badly, savvy investors have watched these stocks for any sign of recovery. This is why both Air Canada and Cineplex stock continue to be some of the most popular stocks in Canada.

And although they are both being impacted and trading undervalued because of the same underlying issue — the coronavirus pandemic — the two companies are in much different positions.

## Which is the better buy: Cineplex or Air Canada stock?

There's no question both stocks offer the potential to rally as they recover. In my view, though, Cineplex is the safer stock for investors today.

Air Canada stock may offer more growth potential as it recovers. Today, though, it's just too risky given all the uncertainty around the pandemic.

Investors can hold Cineplex and bide their time. And while it's not ideal and the company will lose money, it's nowhere as bad as the cash Air Canada is losing every day.

Furthermore, Cineplex has a dominant position in Canada. Plus, there will be tonnes of pent-up demand to get back to a movie theatre when this is all over. The same can be said about pent-up demand for travelling, but Air Canada, while the biggest airline stock in Canada, still faces fierce competition from other airlines. And that competition could only worsen, as low-cost carriers from the U.S. could decide to bring competition north of the border.

**JetBlue Airways** just announced it would be expanding into Canada next year to increase competition in a market that's "dominated by high-fare carriers."

The same can't be said for the type of serious competition that Cineplex faces. That's why it may be the safer stock to play the recovery.

## What do analysts think?

Despite the risk of buying Air Canada stock today, analysts see considerable upside at the moment. Currently, the stock has seven buys and three holds, with an average target price of more than $30.

This represents a potential gain of 25%. That's a decent upside in the short term, in part because the stock sold off after the announcement of its bailout.

That upside is more than Cineplex stock offers, according to analysts. Cineplex stock only has two buys and four holds. And the average target price of Cineplex is just under $13. The 5% difference in Cineplex stock today to its average target price shows that analysts think Air Canada is the stock with more value now.



However, keep in mind these are one-year target prices, and they are consistently updated whenever major news comes out. So, while Air Canada may offer more value today, that may not be the case forever.

That's why getting an idea of how analysts view the stock is important. However, it shouldn't be a major reason for your investment.

At the end of the day, if you're investing for the long term, then what matters most is which of these stocks you think has better long-term potential.

In my view, Cineplex is the safer investment to make today, given the risks I listed with the uncertainty around Air Canada's business. Over the long term, however, Air Canada certainly offers a tonne of potential.

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