2 Cheap Stocks I'd Buy Before Cineplex (TSX:CGX) Stock

Description

The economy is reopening, and it has many investors wondering where they can put their cash for superior returns. And I get it. **Cineplex** (TSX:CGX) looks like it could be one of those stocks. But Cineplex stock has even more than a pandemic to worry about in its future.

Cineplex stock

The rising amount of COVID-19 and its variants continue to demolish the entertainment industry. This includes Cineplex stock, which trades 15% lower than March highs, and 25% lower in the last year. Most theatres are still closed, but even those that are opened are at severely reduced capacity. The restrictions make it simply not worth risking the theatre at this point, and the company was already struggling before the pandemic.

With streaming services making it easier to stay home, Cineplex stock has tried offering meal delivery, its Rec Room centres, even high-end meal offerings at your seat. But revenue has still slowed. The sell-off of its stock price may look attractive at 1.9 times sales, but its book value at 33.2 tells a far different picture.

The company took on several cost-cutting measures to reduce cash burn, raising $250 million through debt facilities and $107 million through sale and leaseback of headquarters. However, it still has almost $2 billion in debt to contend with. So, instead of investing in Cineplex stock, I would consider these other cheap stocks.

Enbridge stock

A sure winner, **Enbridge** (TSX:ENB)(NYSE:ENB) is an easy choice for investors over Cineplex stock. The company continues to trade at a far cheaper price than warranted. Enbridge stock has long-term contracts set to see revenue growth for decades. Beyond that, it has several growth projects worth around $10 billion to see revenue soar even higher.

That means even with a shrinking in oil demand, this won't affect Enbridge stock and its bottom line. So, dividend seekers can look forward to the 7.25% dividend yield, and future share growth. Shares of Enbridge stock are already up 21% in the last year alone, with analysts predicting even more growth in the next year or so as the economy rebounds. Shares trade at 2.4 times sales and 1.8 times book value, making it a cheap stock that won't remain that way for long.

AC stock

I would even choose **Air Canada** (TSX:AC) above Cineplex stock today. The immediate future of the airline industry looks similar to entertainment, it's true. AC stock took on billions in debt, and even a federal government aid package of $5.9 billion won't cover it all. But it's the long term that investors should be worried about.

AC stock will rebound to all-time highs again, thanks to the cost-saving measures it make before the pandemic. It repurchased its Aeroplan program, bought up a fleet of fuel-efficient vehicles, and reinvigorated its flight paths. It's now even expanded into cargo, where e-commerce has seen a boom in airline use. So, not only should AC stock rebound, but it should soar even higher with a full economic recovery. That's something Cineplex stock simply cannot claim.

And again, shares trade at much better valuations, with AC stock at five times book value and 1.6 times sales. So, yes, in the near term, there might be some volatility. But long-term investors should hold on knowing one day their shares will reach all-time highs and then some.

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