Suncor or Cineplex: What's the Better Recovery Stock to Buy Now?

Description

There aren't many, but stocks like **Suncor Energy Inc** (TSX:SU)(NYSE:SU) and **Cineplex Inc** (TSX:CGX) continue to trade undervalued as investors look for more progress in the global recovery. This has many investors wondering which is the best stock to buy now.

We are well on our way to recovering from the pandemic, with more than 30% of Canadians now having received at least their first dose of a vaccine. Despite this progress, we are also amidst a third wave, both here and in many other countries worldwide.

And while most stocks have recovered by now, there are some stocks and some industries still being impacted.

For Cineplex stock, its main businesses are unfortunately going to be some of the last to open up, and investors know that.

For Suncor, the stock is much more reliant on oil prices and energy demand, which has a lot of impact from coronavirus worldwide, such as the major surge that's ongoing in India.

So which is the better stock to buy now?

Is Cineplex the best stock to buy now?

Cineplex offers some serious potential, however, not the way you may think. Most investors are focused on Cineplex stock for its recovery potential as the pandemic finally ends.

Rather than considering it for its recovery potential, though, investors may want to consider it for the long-term.

Cineplex was building an impressive business before the pandemic, with a strong digital media segment as well as its popular Playdium and The Rec Room locations.

The stock was even being taken over for more than $30 a share. So the fact that the stock is currently trading more than 60% below its pre-pandemic price, it's one of the best stocks to buy now if you're willing to wait a few years for it to recover fully. It could even offer more long-term potential than Suncor stock.

However, as a recovery play, Cineplex may have to wait a while to open back up fully. So expecting an increase in the share price short-term may be a little optimistic. That's why analysts that cover it aren't that bullish on it at the moment. Currently, the average target price is just $13. That's less than 10% upside from Thursday's closing price.

So the stock doesn't look like it offers that much upside over the next six to 12 months. However, if you like Cineplex stock for its long-term potential, you may want to buy it soon. Otherwise, if the stock ends up recovering sooner than expected, you may miss out on the discount altogether.

How much upside does Suncor stock offer?

On the other hand, Suncor looks like it may offer more potential in the short term as it's one of the cheapest stocks in Canada. Oil has been rallying for most of the year. It has bumps in the road over worries of coronavirus picking back up again, most notably in India at the moment.

For the most part, though, the world economy is recovering, and that goes for energy demand too. So commodities prices such as oil should have a long runway for growth benefitting energy stocks like Suncor.

Suncor is especially attractive because it's one of the top Canadian energy stocks you can buy. The company has solid operations and is vertically integrated. This keeps the stock robust while the industry is struggling and allows Suncor to outperform as the industry recovers, like we're seeing today.

Not only does Suncor trade at a more than 25% discount to its pre-pandemic price, but analysts think that it can recover most of its ground within the next year. That's why it might be a better buy than Cineplex stock today.

Of the 11 analysts that cover Suncor, nine have it rated a buy, with the other two rating it a hold. Plus, the average target price among analysts is over $34, roughly a 23% premium to Thursday's closing price.

So if you're looking for a top stock to buy now, Suncor offers both the ability to recover rapidly in the short-term, as well as years of long-term growth potential.

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Date
2025/08/27
Date Created
2021/05/07
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