# 3 Cheap Canadian Stocks That Could Deliver Superior Returns Over the Next 3 Years

### Description

Despite the concerns over rising inflations, the Canadian equity markets have shown strong resilience. The benchmark index, the **S&P/TSX Composite Index**, touched a new all-time high yesterday before closing at 19,507.05, representing an 11.9% increase for this year. However, a few Canadian companies failed to participate in the recovery rally and trade at a significant discount from their recent highs. Here are three such companies that can deliver superior returns over the next three years.



## Air Canada

Although **Air Canada's** (TSX:AC) stock price has increased by 13.6% this year, it is still down 46.7% from its January 2020 levels. The persistence of COVID-19 infections and travel restrictions continue to weigh on the company's financials and stock price. In its recently reported first-quarter performance, its revenue declined by 80% to $729 million while incurring an operating loss of $1.05 billion. It also burnt net cash of $1.27 billion at a rate of $14 million per day.

Meanwhile, Air Canada's cargo business is performing well. The company is looking at expanding its cargo-only operations by adding two Boeing 767 aircraft by the end of this year to operate on international routes. Further, the company has taken several cost-cutting initiatives to lower its cash burn and losses. Additionally, the company has received $5.9 billion from the Canadian government, strengthening its balance sheet. Excluding this aid, the company had liquidity of $6.6 billion at the end of the first quarter. So, the company is well capitalized to ride out these turbulent times.

The expansion of the vaccination program could prompt governments worldwide to lift travel restrictions, boosting passenger demand. Air Canada could bounce back quicker than its peers, because of its high market share and strong balance sheet.

## Suncor Energy

Amid the expectation of improvement in economic activities, oil prices have bounced back strongly to pre-pandemic levels. Amid the improvement in oil prices, **Suncor Energy** (TSX:SU)(NYSE:SU) stock has moved up by 32.3% for this year. However, it is still down over 32% from its January 2020 levels, providing an excellent buying opportunity. Its valuation also looks attractive, with its forward price-to-earnings and price-to-book multiples standing at 12.8 and 1.2, respectively.

Industry experts predict oil prices to remain at elevated levels for the rest of this year. The gradual reopening of the economies could increase oil demand, driving its prices higher. Further, Suncor Energy's management projects its production and refinery utilization rate to improve this year, while production costs could decline. Higher realization price and improvement in operating metrics could drive its profits higher and, in turn, boost its stock price.

## Cineplex

**Cineplex** (TSX:CGX) continues to be under pressure due to the pandemic-induced restrictions. In its March-ending quarter, the company's top line declined by 85.4%. Its theatres were either closed or operated under regulation, lowering its theatre attendance by 96.1%. Lower theatre attendance dragged its revenue down. Further, the company reported an adjusted EBITDA loss of $30.1 million compared to $46.5 million of profits in the previous year's quarter.



However, the company has taken initiatives to lower its cash burns and strengthened its liquidity position by raising funds through debt instruments and selling and leasing back its head office in Toronto. The ongoing vaccination drive and reopening of theatres could boost the company's financials and stock price. The company currently trades at a forward price-to-sales multiple of 0.8, offering an excellent buying opportunity.

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2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
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