3 COVID-Hit Stocks That Still Haven't Recovered

Description

The stock market's rapid recovery from the COVID-19 recession was one of the financial turnaround stories of the millennium. Stocks began crashing on February 21, 2020, resumed climbing on April 7, and were setting new highs by August. It was one of the most rapid recoveries from a +30% crash in stock market history — so much so that it had investors wondering if a new crash was soon to come. Obviously, the COVID-19 recession did hit corporate earnings in a big way. Airlines, retailers, and hotels all took a big hit to their finances. Yet the stock market — led by big tech — pretty much walked it all off.

This brings us to today. In 2021, many industries still haven't gotten their earnings back to 2019 levels, yet their stocks are setting record highs. It certainly looks like at least some of these stocks are overdue for a second correction. Yet many "COVID-hit" stocks that fell during the crash still haven't recovered to their pre-pandemic prices. In this article, I'll explore three such stocks that are worth looking into in July.

Air Canada

Air Canada (TSX:AC) is an airline stock that was trading for as much as $52.7 before the COVID-19 market crash. Today, it trades for just under $26. The decline is pretty easy to understand. Airlines got hit very hard by the pandemic. Air Canada ran a whopping $4.6 billion net loss in 2020, and it's still losing money in 2021. In its most recent quarter, it lost $1.3 billion. Certainly, this company has been beaten down as much as the stock has. But that's exactly why it has so much potential.

The COVID-19 pandemic *will* end sooner or later, and when it does, Air Canada's revenue is going to surge. The only question is how long it's going to take. AC's management forecast last year that it would take three years to get back to 2019 revenue levels. It's been a year since then, so if the forecast still holds, we have two years to go.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is an energy stock that was trading for about $44 before the COVID-19 market crash. Today, it trades for $29. Again, this is largely due to the company's deteriorating fundamentals last year. In 2020, Suncor ran four consecutive net losses, including an unbelievable $3.5 billion loss in *one quarter!* That's enough to spook even the most determined investor, and, in fact, Warren Buffett himself recently gave SU the boot. But the stock's first 2021 quarter showed huge improvement over the same quarter in 2020, and that should continue as oil prices rise.

Cineplex

Cineplex (TSX:CGX) is one stock that got kicked to the curb in 2020. It was trading for $33.81 on February 2020 and declined 86% from there in the ensuing weeks. Today, it trades for $14.9, so it's still not even close to a full recovery.

Why did Cineplex fall so hard?

It's pretty simple. Like airlines, movie theatres were a major casualty of COVID-19, being forced to close due to public health orders. This fact led to CGX's revenue declining by about 80%, along with a string of negative earnings. It was a tough year. But now, COVID-19 restrictions are beginning to be eased, and people are going back to the movies. Just recently, *F9* had the biggest opening day of any movie since the pandemic began. Does that mean that CGX will immediately rocket back to where it was before the pandemic? Hardly. But it's a mildly bullish sign for one severely beaten-down stock.

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