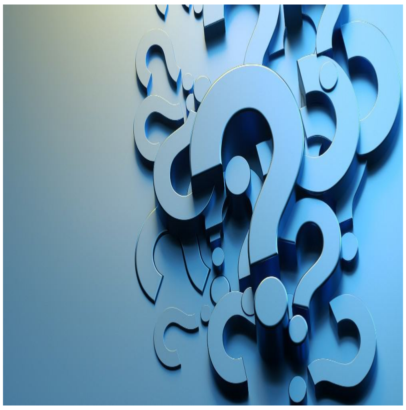

Cineplex Stock vs. Air Canada Stock: Which Is a Better Buy Today?

Description

The coronavirus pandemic has impacted tonnes of businesses for better or for worse. However, it has been the most unkind to businesses like **Cineplex** (TSX:CGX) and **Air Canada** (TSX:AC).

Cineplex stock

Cineplex's last 12-month revenue is down 81%! With a ridiculous reduction in revenue, there's no way its earnings could be good. Indeed, in the period, Cineplex booked a net loss of $545 million.

Thankfully, there's light at the end of the tunnel. Its second-quarter (Q2) results showed a strong rebound versus a year ago from economic reopenings and reduced restrictions. This could be the start of the recovery of its fundamentals.

In Q2, Cineplex witnessed revenues jumping a whopping 195%, but that was compared to a low base in Q2 2020 during the onset of the pandemic. The entertainment company's Q2 2021 revenues of nearly $65 million is about 15% of its Q2 2019 revenue of $439 million — let's call that the normalized revenue.

It's unfortunate, but the coronavirus has crippled Cineplex's balance sheet. The company's debt-to-asset ratio at the end of Q2 was overextended at 108%. Consequently, it had negative shareholders' equity. The stock has shown signs of weakness lately, pulling back to the $12-per-share level.

Notably, Cineplex stock fell to as low as about $5 per share in late 2020. That gives you an idea of how low it could fall if things were to turn south but you expect the company to survive.

Because of the highly uncertain outlook and its poor balance sheet, Cineplex is, at best, a speculative stock that could deliver near-term upside potential of about 20% from current levels.

Air Canada stock

Air Canada's last 12-month revenue declined 78%! With a big cut in revenues, Air Canada booked a massive net loss of $4.3 billion. Thankfully, Q2 could be the start of a turnaround of its fundamentals thanks to economic reopenings and loosened restrictions.

For the quarter, Air Canada saw revenues jumping 59% year over year. However, that was compared to a low base in Q2 2020 during the onset of the pandemic. The airline's Q2 2021 revenues of $837 million is but about 18% of its Q2 2019 revenue of $4.7 billion, which is an assumption of a more normalized amount.

It's too bad the coronavirus has damaged Air Canada's balance sheet. The company's debt-to-equity ratio is awfully high at 2,209%, while its debt-to-asset ratio is a whopping 98%. The stock has pulled back lately to the $23-per-share level.

Investors should note Air Canada stock fell to as low as about $12.50 per share in late 2020. This gives you an idea of how much it could fall if things were to turn south but you expect the company to survive.

Because of an uncertain outlook and a weakened balance sheet, Air Canada is, at best, a speculative stock that could appreciate about 30% in the near term.

The Foolish investor takeaway

Despite their recent dips, both Cineplex stock and Air Canada stock have recovered significantly from their pandemic market crash lows. If I had to place my bets in the speculative stocks today, I would consider Air Canada over Cineplex, as the former appears to have greater upside potential and lower downside risk. That said, it could be an even better idea to invest in these other Canadian growth stocks.

CATEGORY

1. Coronavirus
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Date
2025/08/27
Date Created
2021/08/20
Author
kayng