2 Breakout Canadian Stocks You Might Want to Buy Right Now

Description

Canada’s primary stock exchange remains in record territory in mid-August 2021. Many companies have yet to recover from the pandemic while the country goes for growth. The restaurant and entertainment industry, in particular, had a scare in 2020 because of shutdowns.

However, two iconic **TSX** stocks seem well-positioned for a breakout. Investors might want to take positions in **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) or RBI and **Cineplex** (TSX:CGX). The respective businesses are good plays as the economy opens.

Faster recovery

The struggle of the top fast-food chains Burger King, Tim Hortons, and Popeyes is over. It was painful to see a nearly 21% drop in systemwide sales in all stores at the height of the emergency crisis. Fortunately, recovery didn’t take long. Fast forward to Q2 2021 and RBI’s consolidated system-wide sales growth is 31.9%.

Total revenue grew 37.2% versus Q2 2020. Notably, adjusted net income ballooned 132.47% to US$358 million. RBI CEO José E. Cil said, “We are encouraged by the momentum across our business and an acceleration in new restaurant openings around the world by our franchisees.”

RBI also announced a $1 billion share buyback over the next two years. Management said it demonstrates confidence in the value creation opportunity ahead. The $25 billion company boasts three iconic brands, a scalable business model, expanding digital strength, and dedicated franchise partners.

At $81.97 per share, the dividend yield is 3.24%. Investors currently enjoy a 6.19% gain. RBI is likely to cement further its leading position in the fast service space, given the quick recovery from pandemic lows.

Far from pre-pandemic operations

Cineplex wasn't prepared for COVID-19 and its impact on box office revenues. Theatre operations virtually stopped because of the pandemic. Cineplex President & CEO Ellis Jacob, said, "The big screen is back!" The entire circuit of theatres and entertainment venues was open since July 17, 2021.

In Q2 2021, Cineplex's total revenues increased 195.3% compared to Q2 2020. Its net loss, however, increased 4.8% to $103.7 million. Another business highlight was the $3 million drop in average monthly net cash burn to $24 million. Thus far, in 2021, the stock is up 48.22% year to date. Some analysts say that Cineplex benefited somehow from the rise of meme stock AMC Entertainment.

Apart from the potential return to shutdowns, the threat to the business is streaming. Meanwhile, Cineplex launched the first of its kind movie subscription program to entice habitual moviegoers and regular patrons. CineClub, the new program, has no expiration date across Cineplex theatres and entertainment venues.

Jacob said, "We are thrilled to provide them with this unique membership opportunity, providing both value and convenience." The signs are positive moving forward, although I think the return to pre-pandemic operations will take longer. Many upcoming movies are the test cases for Cineplex.

Breakouts

Between the two, RBI would break out ahead of Cineplex. Its CEO was correct when he said the company is back to profitability. The financial results confirm his claim. Also, don't worry about the dividends, as the payouts should be safe too.

You can't say the same for Cineplex. It would be an arduous climb to pre-pandemic levels. Likewise, the business outlook isn't as bright as RBI's. The breakout may or may not come.

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