Cineplex vs. Air Canada Stock: A Look at the Numbers

Description

Cineplex (TSX:CGX) and **Air Canada** (TSX:AC) are two of the hardest impacted stocks on the **TSX**.

Many investors are eager to buy these stocks when they can recover, but so far, each company is still trading far less than they were before the pandemic.

So if you're trying to decide which stock you want to buy, here is a look at some key numbers which can help paint a clearer picture.

How cheap are Air Canada and Cineplex stocks today?

One of the main reasons why these two stocks are some of the most popular among investors is that they trade so far below their pre-pandemic prices.

For instance, Cineplex stock is down roughly 65% from its pre-pandemic high of $34. Meanwhile, Air Canada stock is down about 60% from its pre-pandemic high of $52 a share.

Few stocks are still down even 20% of their pre-pandemic price, let alone more than 50%. So it's understandable why investors think there could be some significant opportunities.

How badly are the businesses still being impacted?

The best way to look at how badly these companies are still being impacted is to compare their revenue today to their revenue in 2019, before the pandemic.

And as of the most recent quarter, Cineplex's revenue stood at just 15% of what it was before the pandemic. However, with the economy opening up almost fully over the last few months, the quarter that's currently ongoing should be a big recovery for Cineplex stock.

At the same time, Air Canada's revenue is also only about 15% of what it was before the pandemic. So both companies are still being heavily impacted.

How much value have Air Canada and Cineplex stocks lost?

Because these businesses have been so badly impacted, they have been losing money for some time. This will ultimately weigh on how much recovery potential they have, so it's crucial to understand the value these businesses have lost.

For example, so far in the six quarters since the pandemic began, Air Canada stock has lost nearly $24 of earnings per share. Today its book value sits at just $1.61 per share.

Meanwhile, Cineplex stock has lost a fair amount of value too, at nearly $13 of earnings per share since the pandemic started.

Both stocks are fairly similar here, and all this shows is how badly they've been impacted. It also shows the risk of buying these stocks too early.

A final look at each stocks' value today

One of the best ways for investors to analyze a company's worth is by looking at its enterprise value. Looking at a stock's enterprise value (EV) is ideal because it shows a much clearer picture of what the investor has to pay to buy the company.

Back at the end of 2019, the last quarter before the pandemic, Cineplex's EV was $4.1 billion. That figure consisted of its market cap, which was $2.1 billion as well as its net debt of $2 billion.

By the end of the first quarter of 2020, when the pandemic had first hit, Cineplex's EV fell to $2.5 billion. Today the market cap of Cineplex is about $850 million, and with debt at $1.9 billion, Cineplex stock has an EV of $2.75 billion, about 33% down from where it was prior to the pandemic.

On the other hand, Air Canada stock had an EV of $15.1 billion, with a market cap of $11.8 billion, and $3.35 billion of net debt at the end of 2019.

By the first quarter of 2020, that had fallen to $9.2 billion. Today, though, its EV is actually more than where it was before the pandemic, now at $15.9 billion.

While its market cap is just $8.3 billion, down from $11.8 billion at the start of the pandemic, Air Canada's net debt has increased massively. Its net debt now stands at $7.65 billion, more than double its pre-pandemic level of $3.35 billion.

This shows just how much Air Canada stock has been impacted. Even though the stock is down 55% from its pre-pandemic price, its EV is actually more today.

Bottom line

Looking at various numbers will help investors to paint a clearer picture of what's going on with potential investments you’re thinking of making.

These numbers clearly show Cineplex stock is the better buy today. However, they also show that both these stocks will be in trouble if they can’t recover soon.

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