Air Canada Stock: A Better Recovery Stock Than Cineplex?

Description

Ever since the pandemic began, investors have been looking for all the best opportunities. This has led to **Cineplex** (TSX:CGX) and **Air Canada** (TSX:AC) becoming two of the most popular stocks in large part due to the massive impacts they have faced.

Investors know that whenever the market is moving and companies are being impacted, there will inevitably be opportunities to take advantage of.

When the pandemic first hit, you could find high-quality tech stocks that were benefitting significantly. There were also lots of discounts, especially in stocks seeing little impact from the pandemic, such as those in the utility sector.

And now, as most stocks have now recovered, and we're all looking forward to life after the pandemic, it's time to focus on the stocks with major recovery potential.

So if you're wondering which is the best recovery stock to buy between Cineplex and Air Canada, here's what to consider.

What's the better buy, Air Canada or Cineplex stock?

Despite operating in completely different industries Air Canada and Cineplex stock have both faced a lot of the same challenges. Both businesses have seen their operations and sales fall by over 80% at their worst point.

In addition, each company has been impacted far longer than almost another business in Canada.

Another similarity is that both stocks have had numerous false starts and new waves of the virus hindering their recoveries and causing the stocks to sell back off again. This hasn't worked out well for investors, but it does mean these stocks are still cheap if you're looking to gain exposure today.

With Cineplex, the stock is trading back around $13 a share, giving it a forward enterprise value to EBITDA ratio of just 6.4 times.

And Air Canada stock also continues to trade extremely cheap at roughly $23, right around where it has traded all year and more than 50% below its pre-pandemic price.

So we know both stocks are cheap compared to where they were before the pandemic, but that doesn't necessarily mean they are worth an investment.

When can you expect a recovery?

What will be key to these stocks rallying is not the fact that they are cheap. Rather, they can recover rapidly and produce attractive numbers and margins showing their businesses are back on track.

So finally, after a strong summer where much of Canada's population got vaccinated and travel, as well as capacity restrictions, are slowly being lifted, these stocks started to see a meaningful recovery.

At the end of the third quarter, Air Canada stock recorded sales that exceeded $1 billion for the first time since the pandemic began, and they actually came in above $2 billion, a 177% increase from 2020.

However, the numbers were still more than 50% down from the third quarter in 2019, so Air Canada still recorded a significant net loss, although that was also the smallest it's been since the pandemic began.

Cineplex, on the other hand, grew its revenue by over 300% sequentially, with the stock reporting sales of more than $60 million for the first time since the pandemic began, with the final total being over $240 million. This goes to show what an incredible recovery it's started to see. However, that $240 million was also just 60% of what it did in the third quarter of 2019.

And while the sales Cineplex reported were impressive, the recovery still didn't allow Cineplex to earn a profit, just like Air Canada stock.

Foolish takeaway

If we didn't already know these stocks were recovering as restrictions were lifted, it's quite clear in the numbers. However, what's also clear is that they still have a lot of sales left to recover to reach their pre-pandemic level of revenue.

For now, with Canada's economy progressing well while the pandemic continues to impact other countries around the world, the likelihood of Air Canada stock seeing its operations recover before Cineplex looks slim.

However, while Cineplex looks like the better recovery stock today, amid this environment, it's crucial to keep up to date with all the developments because until the pandemic finally ends, these stocks still come with some considerable risk.

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