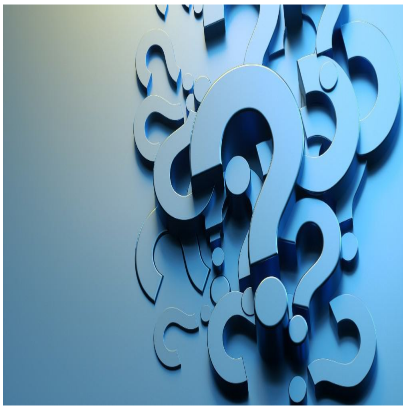

Air Canada vs. Cineplex: Which Is the Better Recovery Stock?

Description

Canada's economic recovery has slowed somewhat in the last months of 2021. Still, industries that were devastated by the COVID-19 pandemic have been able to bounce back. Today, I want to compare **Air Canada** (TSX:AC) and **Cineplex** (TSX:CGX), both of which are heavyweights in their respective domestic sectors. Which stock is the better buy to close out 2021? Let's dive in.

How the COVID-19 pandemic battered the airline and cinema industries

The severity of the COVID-19 pandemic became apparent but March and April of 2020. By early May, Air Canada stated that it would likely take until 2023, at the earliest, to fully recover from the impacts of the pandemic. This April, McKinsey speculated that the pandemic may have shifted consumer habits for many years to come. That could cap growth for airliners over the course of this decade.

Unlike the thriving airline industry, movie theatres were already reeling coming into this decade. The COVID-19 pandemic forced Cineplex to close its doors for most of 2020. It lost out on its merger with **Cineworld** and was forced to sell off its head office in order to build up a cash buffer during the crisis. Movie theatres in Canada were widely open by July this year. In October, cinemas enjoyed their biggest month of revenues since the start of the pandemic. That is a good sign going forward.

Here's why renewed travel interest will put Air Canada back into investors' good graces

Air Canada stock has climbed 5.1% in 2021 as of close on November 24. However, its shares have dipped 5.1% over the past week. In July, I'd discussed why Air Canada could still make investors rich this decade.

The company unveiled its third-quarter 2021 earnings on November 2. Operating revenues nearly tripled from the prior year to $2.10 billion. Meanwhile, net cash flow rose more than half a billion year-over-year to $153 million. Better yet, Air Canada also posted record cargo revenues.

Canada's top airliner was on the ropes in the early part of the 2010s as the sector was punished by the Great Recession. Air Canada boasts a much stronger balance sheet than it did in the worst periods of the previous decade. By the end of the 2010s, Air Canada proved to be one of the top performers on the **TSX.**

The case for Cineplex and movie theatres in the years ahead

Shares of Cineplex have surged 50% in the year-to-date period. This stock has also dipped 5% week-over-week as of close on November 24. Earlier this month, I'd looked at three reasons Cineplex was worth snatching up after its earnings release.

In Q3 2021, the company delivered total revenue growth of 310% to $250 million. Theatre attendance increased 429% year-over-year to 8.3 million customers. Meanwhile, box office and concession revenues per patron were up 22% and 16%, respectively, from the third quarter of 2020.

The October film slate drew promising foot traffic. Cineplex and its peers will aim to carve out a niche as home entertainment alternatives continue to draw more eyeballs.

Which stock is the better buy?

Air Canada may not see a snap back to record revenues in the first half of this decade. Consumer behaviour will take many years to recover after the pandemic. However, travel demand has steadily improved in 2021. Indeed, Thanksgiving travel in the United States is already testing airline capacity.

Cineplex, on the other hand, is still engaged in a losing battle with streaming services in the competition for the entertainment dollar. I'm betting on Air Canada for the long term.

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