2 Top TSX Stocks That Tumbled Big on Omicron Fears

Description

Global equities continued to feel the heat last week, as market participants realize the severity of the new COVID variant. Canadian markets are now down 5% from the top, while consumer stocks have fallen more than 20%. Top TSX stock **Air Canada** (TSX:AC) has corrected by more than 22% in the last two weeks amid potential stricter travel restrictions. Canada's top theatre chain operator **Cineplex** (TSX:CGX) has seen a similar movement. It has dropped 26% in a month and is trading at its 10-month lows.

Air Canada

As soon as things seemed to get a little better, the new COVID variant Omicron hit and shattered recovery hopes. Air Canada reported a handsome 177% year-over-year revenue growth in Q3 2021 that came as a big relief for investors. It even turned net cash positive after burning billions of dollars in the last six quarters. However, the delight soon vanished on the fears of more travel curbs.

Although AC stock has been weak in the last couple of weeks, it could have a limited downside from the current levels. It has a strong balance sheet, by which it has tackled a large, more challenging period of the pandemic so far.

Moreover, based on its improving liquidity position and returning demand, Air Canada exited the government's bailout package that it received in April this year. As of September 30, 2021, the flag carrier has $8.7 billion in cash and short-term investments.

Apart from the robust liquidity position, an exit from the bailout package indicates the management's confidence in the air travel demand recovery in the medium to long term.

Canada's biggest passenger airline Air Canada has a leading market share. Its operational efficiency and strong balance sheet could fuel a faster-than-expected recovery in the post-pandemic world.

Cineplex

Cineplex stock fell to $11 last week, its lowest level since January 2021. The weakness was evident, as more potential restrictions mean delayed recovery for Cineplex and more potential losses.

The theatre chain operator reported a loss of $33.5 million in Q3 2021. Importantly, the loss was remarkably lower than $121 million in the same period last year. The loss declined, mainly due to a large number of its theatres resumed operations during the quarter. However, the debt load has significantly increased during the pandemic to keep the operations running. As of September 30, 2021, the company had $2.3 billion in total liabilities and $28.5 million in cash and equivalents.

Cineplex could see a notable rise in revenues amid reopenings. However, questions remain, because a large chunk of moviegoers turned to OTT platforms during the pandemic. So, how Cineplex, in its near-monopolistic market, turns profitable remains to be seen.

Bottom line

AC stock looks like an attractive bet to me because of its strong fundamentals. As earlier stated, its dominating market position and strong liquidity position could play key roles in its recovery. In comparison, CGX is relatively a risky bet and could take long to return to long-term profitability.

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1. Coronavirus
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2. TSX:CGX (Cineplex Inc.)

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