Air Canada Stock: Is Cineplex a Better Buy?

Description

Both **Cineplex** (TSX:CGX) and **Air Canada** (TSX:AC) stock are well-known to be some of the cheapest companies as a result of the pandemic. And because they have yet to recover, many investors are wondering if they are the top stocks to buy now.

Both companies certainly offer value, and both are on the verge of a significant recovery as restrictions continue to be lifted. So let's look at which stock offers better value today, especially after the recent volatility.

Does Cineplex offer better value than Air Canada stock?

First off, there are a few different factors to consider when looking at the value of each stock. And with that in mind, it's crucial to understand that looking at how cheap the stock price is relative to where it was before the pandemic can be misleading.

In Cineplex's case, it was in the middle of a buyout when the pandemic hit, so the stock had been trading at a premium to market value. Prior to the announced takeover, Cineplex was trading around $24 a share.

Meanwhile, Air Canada stock has taken on a tonne of debt through the pandemic, in addition to issuing more shares. So just looking at the stock price or even its market cap won't give you the full story.

This is why it's crucial to look at what these stocks are expected to earn over the coming years and compare it to their enterprise values (EV), a better measure of the total value for the company. And when you compare both companies, it's clear that Cineplex offers more potential than Air Canada stock today.

Which stock is the better buy today?

Right now, Cineplex is estimated to report EBITDA for 2022 of roughly $340 million, or a 460%

increase year-over-year. Those estimates also call for the company's revenue in 2022 to jump over 110% to $1.4 billion.

Assuming Cineplex can earn that $340 million of EBITDA, the stock is trading at a forward EV to EBITDA ratio of just 7.9 times.

Meanwhile, Air Canada is estimated to report EBITDA for 2022 of roughly $1.9 billion this year, a year-over-year gain of 225%. However, at its current enterprise value of $16 billion, Air Canada stock has a forward EV to EBITDA ratio of 8.5 times.

That's not only more than Cineplex, it's a significant premium to where Air Canada has traded in the past. To give you an idea of the value Air Canada offers at this price, prior to the pandemic, it traded at a forward EV to EBITDA ratio of just four times. Not only that, but while its share price looks much cheaper than it was before the pandemic, its EV has only lost about 5% of its value.

So with Cineplex trading at a cheaper EV to EBITDA ratio, and one that's in line with the valuation it had prior to the pandemic, it looks to offer much more value than Air Canada stock today.

Therefore, if you're trying to decide which of these two is the best recovery stock to buy now, Cineplex looks like your best bet.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. danieldacosta
2. jguest

Category

1. Investing

2. Stocks for Beginners

Date
2025/08/21
Date Created
2022/03/18
Author
danieldacosta