



## Value for Money: 1 Entertainment Stock or Air Canada (TSX:AC)?

### Description

Canada's flag carrier and an iconic media & content company suffered similar fates when COVID-19 broke out in 2020. Fast forward to 2022, and both are in [recovery mode](#). If you're investing today and have only **Air Canada** ([TSX:AC](#)) and **Corus Entertainment** ([TSX:CJR.B](#)) to choose from, which stock offers real [value for money](#)?

### Full recovery extended

Air Canada was grounded when the federal government closed Canada's borders and imposed travel bans to prevent the spread of coronavirus. The airline industry, in general, lost billions of dollars in revenues, as travel demand fell drastically, if not to zero.

The \$8.8 billion airline company reported profits for 27 consecutive quarters before the pandemic. However, a string of seven quarterly losses followed thereafter, beginning in Q1 2020 to Q4 2021. Air Canada will report its Q1 2022 earnings on April 26, 2022.

Investors lost 53.06% in 2020 but expected to recover the following year when travel restrictions eased. Instead, Air Canada delivered a -7.2% overall return. As of this writing, the airline stock trades at \$24 per share — a 13.58% year-to-date gain.

On April 15, 2022, the company flew more than 100,000 passengers. It was the first time the volume was that much in one day since March 13, 2020. Before the global pandemic, Air Canada flies 150,000 people, on average, daily in 2019. The record 187,000 customers and the day was August 16, 2019.

Kevin O'Connor, Air Canada's VP of systems operations, said, "Clearly there is pent-up demand for travel that is matched only by our enthusiasm to welcome back our customers." However, don't expect the stock to fly high, despite the announcement that the full-year seat capacity will increase by 150%.

Management said that its capacity this year is only 75% of the 2019 levels. It added that a full recovery to pre-pandemic levels will extend, given that the forecasted capacity by 2024 is 95% of the level in the year before COVID-19. Air Canada is consistently at the top rankings of the [best airlines in Canada](#).

Regarding price forecasts, market analysts see a return potential of 25% in 12 months and 45.8% at best.

## Profits are back

Corus Entertainment was also a losing investment in 2020, although the negative return (-13.65%) wasn't as much as Air Canada's. The entertainment stock recovered the following year and rewarded investors with a 16.05% total return. In fiscal 2021 (year ended August 31, 2021), net income reached \$172.55 million compared to the \$625.36 million net loss in fiscal 2020.

Unlike Air Canada, the turnaround of this \$928.4 media and content company was swift. In the first half of fiscal 2022 (six months ended February 28, 2022), Corus reported a 6% and 11% increase in revenue and free cash flow versus the same period in fiscal 2021. Net income, however, fell 17% to \$92.38 million. Nevertheless, the company is no longer in the red.

Market analysts recommend a buy rating for Corus. Their 12-month average price target is \$7.34, or 61.3% higher than the current share price of \$4.55. Since the stock pays a [hefty dividend](#) of 5.27%, the overall return should be significantly higher.

## Corus is a buy

Air Canada and Corus Entertainment have different operations and clientele. However, if the stocks are the remaining investments available, Corus offers better value. Besides the price and dividend payouts, the company is back to making profits. The airline might even report another losing quarter

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:CJR.B (Corus Entertainment Inc.)

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