3 Reasons Cineplex Stock Is a Better Buy Than Air Canada

Description

Both **Cineplex** (TSX:CGX) and **Air Canada** (TSX:AC) stock have been some of the most popular companies over the last few years as investors watch, waiting for a recovery.

Both companies saw their operations significantly impacted by the pandemic, and both saw their share prices tumble as a result.

However, coming into 2022, with the pandemic well under control and restrictions slowly beginning to ease, this should have been the year that Cineplex and Air Canada stock saw major recoveries both in their operations and their share prices.

Unfortunately, that hasn't been the case, and in fact, both stocks have actually gotten cheaper throughout the year, losing roughly 18% of their value with nearly identical performances. These are still two of the best companies in Canada and leaders in their respective industries. So, the fact that they continue to trade undervalued offers a significant opportunity for investors with the patience to wait.

However, despite the fact that both offer a significant opportunity for long-term investors, here are three reasons why Cineplex looks like the much better investment.

Cineplex stock should be able to recover faster than Air Canada

While both stocks were impacted in similar ways by the pandemic, they are much different businesses and the recovery potential of each differs.

Furthermore, while both their operations were impacted similarly, financially, Air Canada was much more impacted than Cineplex, and for that reason, it's already on the back foot today.

Plus, in addition to the fact that Cineplex stock could get its financials back on track quicker than Air Canada, the airline industry particularly faces even more headwinds today.

Cineplex stock faces fewer headwinds and less risk

Although both companies are discretionary businesses and both face rising costs as inflation continues to soar, Air Canada and the airline industry face tougher headwinds in the short term, making it harder to recover and presenting more downside risk.

In particular, jet fuel has been soaring lately and is one of the main costs that airliners have. Furthermore, the industry is still plagued by staff shortages and other impacts from the pandemic, making it much more difficult for airlines to operate in the already difficult investing environment.

So, when you consider that Air Canada stock is not only in a worse position but also faces tougher headwinds in the short run, it's clear that Cineplex looks like the better investment today. And when you consider that Cineplex is actually slightly cheaper than Air Canada, it becomes a no-brainer.

Air Canada stock is not as cheap

For some investors, Air Canada stock would be worth an investment, even with its increased risk, as long as it offered increased recovery potential. However, that doesn't look to be the case as Cineplex currently trades at a forward enterprise value (EV) to EBITDA ratio of 6.1 times compared to Air Canada stock at 6.7 times.

That's not all, though. While Air Canada isn't expected to earn a net profit this year, Cineplex is. And if you take Air Canada's estimated profit in 2023, the stock trades at a forward price-to-earnings ratio of 11.1 times. That's more expensive than Cineplex, which is trading at 10.1 times its estimated 2023 earnings.

Therefore, given the fact that Cineplex is cheaper, faces fewer headwinds, and is already in a better financial position, it's certainly the much better stock to buy today.

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. kduncombe

Category

1. Investing
2. Stocks for Beginners

Date
2025/08/25
Date Created
2022/06/23
Author
danieldacosta