Air Canada (TSX:AC) and Cineplex (TSX:CGX) Could Surge in Summer

Description

Air Canada (TSX:AC) and **Cineplex** (TSX:CGX) are two of Canada's biggest losers that have been weighed down heavily by the ongoing COVID pandemic. At writing, shares are down around 66% and 80% from their all-time highs, respectively. With a lot of negativity baked in, I don't think it will take much for each fallen Canadian firm to pick up its feet again. Indeed, the summer season could bring forth a bit of relief, even as investors fear a potential consumer slowdown or recession.

Without further ado, let's have a closer look at the two deep-value stocks to see if they're finally worth picking up ahead of potential summertime catalysts.

Air Canada stock

Shares of Air Canada stock have been down and out for over two years now. While the COVID pandemic has winded down, permanent destruction for global business travel and the coming economic downturn could continue to weigh heavily on Canada's top airline. For shareholders, Air Canada is moving into one set of ugly storm clouds and into another. Indeed, it's tempting to throw in the towel here before the Canadian economy slows down at the hands of higher interest rates.

It's clear that Air Canada stock isn't set to recover to those distant pre-pandemic highs anytime over the near future. As a globally focused Canadian airline, Air Canada faces turbulent times, as the world economy sinks, while the risk of future COVID variants of concern arises.

While Canada and the states have learned to live with the insidious coronavirus, many other parts of the world are still in no shape to fly. In China, which is coming off COVID lockdowns, it seems like on-and-off shutdowns are to be expected intermittently over time. Undoubtedly, global travel faces a far tougher road to recovery than domestic travel.

As borders reopen for the summer season, Air Canada may finally have the means to move a bit higher. At around 0.8 times sales, AC stock has become so incredibly cheap that a summertime pick-up in travel could send shares towards the $20 mark.

Cineplex stock

Cineplex is a movie theatre kingpin whose troubles started well before 2020 pandemic lockdowns sent revenues towards zero. In the years since, management has done a great job of playing the weak hand it had been dealt. With a solid slate of films up ahead and robust demand for experiential entertainment, I think Cineplex has become investable again. Further, movie theatres may be more recession resilient than most think, especially for Cinepass members who gain many benefits for the low $9.99-per-month price tag.

Recently, Cineplex announced a $1.50 online booking fee, a move that could beef up the company's margins and induce growth in Cinepass subscribers, which enjoy free online bookings.

In a prior piece, I'd noted that Cinepass was likely to help the firm sail through a potential economic slowdown. With so many consumers sick of streaming from home, I'd argue that Cineplex stock may finally get a chance to make up for lost time, as COVID continues to abate. There's still a lot of pent-up demand out there, and as the movies make a big comeback, I wouldn't at all be surprised if Cineplex makes a run for $15 by year's end.

Of course, another COVID variant could derail Cineplex's recovery trajectory. In any case, Cineplex's digital media segment and Canada's reluctance to lockdown leaves Cineplex better prepared for the next COVID winter.

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Date
2025/06/29
Date Created
2022/06/23
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