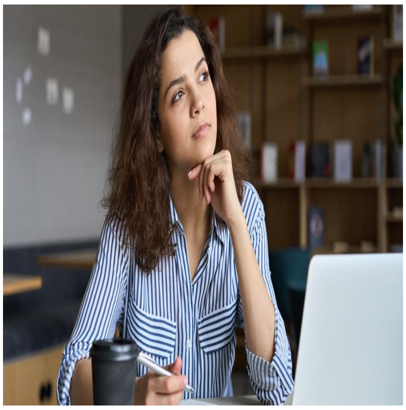

2 Stocks I Want to Buy But Won’t (Yet)

Description

The volatile market we’ve seen in 2022 has exposed some superb discounts on great stocks. It’s also brought down the price on a number of other stocks that are a little riskier. Some of those riskier stocks I want to buy but won’t just yet.

Here’s a look at those stocks and why I won’t be buying them just yet.

Stock #1: Air Canada

Air Canada (TSX:AC) really is a unique company for this list of stocks I want to buy but won’t. On one hand, Air Canada excels at turning itself around. In the decade prior to the pandemic, it was one of the best (if not *the* best) performing stocks on the market.

Specifically, the company has experienced management that knows when and where to grow and what needs to be cut if it comes down to it.

Now that the pandemic is coming to an end, many see it as Air Canada’s time to return to growth. So far in 2022, the airline is down nearly 20%. This brings the stock price nearly down to its pandemic lows.

Fortunately, the market is improving, passengers are traveling, and many of the COVID-era lockdowns and measures have been lifted.

So, why not buy Air Canada?

In short, the stock is too risky. Yes, the market is recovering. Yes, people are traveling. But there are three other points to mention.

First, interest rates are rising fast, and airline stocks are heavily reliant on borrowing. At best, this will slow Air Canada’s recovery. At worst, it will stop it entirely.

Second, inflation is taking a chunk out of the discretionary income people have for travel. This may not be evident right now from the number of people traveling through airports, but it will begin to impact travel over the next few months. For Air Canada, this potentially means a slower-than-expected recovery of its revenue stream.

Finally, there's COVID itself. Restrictions are mostly gone, but we're also heading into the prime period of the year where infection rates rise, and new variants emerge.

In short, it's a risk game, and, in my opinion, Air Canada is far too risky right now.

Stock #2: Cineplex

I really want **Cineplex** (TSX:CGX) to recover and return to profitability. I also want it to restore the juicy income it once offered. Unfortunately, the return to those days may be further off than most expect.

Cineplex had problems well before the pandemic forced Canada's largest entertainment company to temporarily shutter its doors. The growing popularity of the streaming model has chipped away at Cineplex's business for years.

During the pandemic, the streaming model went into overdrive. Multiple studios launched their own streaming service, with monthly subscription pricing far below the price of a single admission ticket. Factor in the added convenience of streaming from anywhere and the nearly unlimited amount of content, and you have a problem for Cineplex.

Cineplex's movie-and-popcorn business isn't the company's only business segment, but it is responsible for the bulk of the company's revenue. Initiatives such as the Rec Room and digital media business are diversifying that revenue stream, but not fast enough.

Within the theatres, concessions, better seating, and a more unique experience are attempts to drive customers back into theatres. A star-studded list of summer blockbuster releases will help attendance numbers this quarter, but that could change, and very quickly.

This is particularly true if there's a resumption in COVID cases during the fall.

In short, Cineplex has huge potential, but it's still weighed down by plenty of short-term risk.

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