New Investors: 2 Battered Canadian Stocks to Buy Before the Pandemic Ends

Description

There has been so much chatter from the talking heads on television about the potential for this rally to come to a plunging halt, I think investors shouldn't attempt to time markets by waiting for the optimal entry point.

Nobody will see the optimal entry point coming. Instead of trying to score such a perfect entry point where you won't lose money, try to adopt a dollar-cost averaging approach. Keep some dry powder on the sidelines for the inevitable dips that come. Another correction and continuation of a bear market are very possible. However, don't let any pundit claim they know exactly what's in store next!

In this piece, we'll have a closer look at two Canadian stocks that are great buys right here, even as Mr. Market surrenders a big of gain from the recent market rally. Without further ado, consider shares of **CAE** (TSX:CAE)(NYSE:CAE) and **Cineplex** (TSX:CGX), two beaten-down value plays that I think can recover under their own footing.

CAE

CAE is a flight simulator manufacturer that also has a pretty robust defence business. The stock currently finds itself down more than 37%, thanks in part to a slowdown in civil aviation and macro headwinds, ranging from labour woes to supply chain constraints. The company's recent quarterly earnings results were quite abysmal, inducing a steep plunge in the name.

For the first quarter (Q1) fiscal 2023, actual EPS (earnings per share) numbers were $0.06, which were well below the consensus calling for $0.23. Revenue of $933 million represented a decline from the quarter prior ($955 million in Q4 fiscal 2022). Indeed, analysts misjudged the severity of CAE's headwinds, and the defence business wasn't as robust as it could have been.

Looking ahead, CAE is well equipped to make up for lost time, with a lower bar set ahead of it. The firm recently teamed up with Qanta Group to create and run a new pilot training centre in the Australian region. As air travel recovers and pilots need to brush up on skills, CAE is sure to bounce back, perhaps faster than the airlines themselves.

At writing, the stock trades at 85.9 times trailing price-to-earnings (P/E), which seems expensive. After such an earnings fumble, though, the multiple no longer does CAE justice. As headwinds inevitably fade, the P/E is likely to be dragged much lower. At this juncture, CAE seems better valued by its price-to-book multiple, which stands at 2.1, which is slightly below the aerospace and defence industry average of 2.4.

Cineplex

Cineplex is another company that's been under pressure as a result of COVID. The pandemic may still be on, but economies are reopening, and people will feel more comfortable returning to movie theatres in time. At this juncture, Cineplex seems under more pressure from the streaming wars. Further, the strong early-summer movie slate has led to a rather underwhelming late-summer and fall slate.

Fortunately, most of the negative pressures look baked in. Cineplex is back in the single digits at $9 and change per share. With a Cinepass subscription enticing frequent moviegoers, I think Cineplex holds a value proposition that's recession resilient. It's hard to match the value to be had in Cinepass, which offers a free movie ticket, discount at concession, Rec Room, and more.

Looking towards winter, the movie slate is bound to improve with a new *Avatar* film and other intriguing must-watch offerings made for theatres.

At writing, the stock goes for 0.9 times price to sales. After several quarters of negative to flat EPS, I think Cineplex is ripe to push into profitability again, thanks in part to its Cinepass service.

CATEGORY

1. Investing

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2. TSX:CAE (CAE Inc.)
3. TSX:CGX (Cineplex Inc.)

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