Why it’s Time to Buy Shares of Cineplex Inc.

Description

When considering the performance of shares of **Cineplex Inc.** (TSX:CGX) over the past five years, we can see that shareholders have done relatively well, obtaining a total price return of approximately 25%, while receiving a dividend has been around the 4% mark throughout that time. Including dividends, shareholders have received a total return close to 45% depending on the exact purchase price.

For investors seeking a bargain, the track record over the past year has not been as good. Over the past 52 weeks, shares have declined by approximately 25%, as the excessive expectations of the market have finally caught up with the company. At the current price of $38 per share, new buyers will receive a dividend yield of almost 4.5%, as the company has put itself into the best possible position to continue paying and raising the dividend.

Over the past four fiscal years, the capital expenditures have outpaced the total amount of depreciation by approximately 9%, which translates to greater capacity to increase revenues over the long term. Over the past four fiscal years, revenues have increased at a compounded annual growth rate (CAGR) of 8%, as the dividend has partially followed suit, increasing at a CAGR of 4.3%. Given that the current dividend yield reflects a payout ratio of only 61% of CFO for the past fiscal year and 42% for the prior year, investors can expect either the initiation of a share buyback or potentially a dividend increase.

For investors not impressed by Cineplex, there are, unfortunately, very few alternative options in this industry in Canada. To find a comparable name, we have to look south of the border to **Cinemark Holdings, Inc.** (NYSE:CNK).

The company, which is diversified between the United States and South America, currently trades at a much lower price-to-earnings (P/E) ratio than Canadian counterpart Cineplex. At a trailing P/E of 15 times, the company is currently yielding close to 3.25%, as the dividend represents less than 30% of CFO for the past fiscal year. Essentially, Cinemark Holdings offers investors the opportunity to purchase shares in a major movie outfit at a more attractive valuation, conditional that investors are willing to accept a lower yield.

Investors searching for opportunities in the movie theatre sector have two fantastic options available. For those seeking additional risk and return, shares of Canadian-based Cineplex have recently started to settle, as the share price has been moving sideways; both the 10-day and 50-day simple moving averages have caught up to the share price, which may be ready to break out once again.

Although Canada may be heading into a recession, the often-overlooked reality is that many consumers will often go out for movies a little more often during more difficult economic times (skipping the more expensive outings), which will make shareholders much better off. Here’s hoping that many great movies hit the big screen over the winter.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNK (Cinemark Holdings, Inc.)
2. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/17
Date Created
2017/11/01
Author
ryangoldsman