Old-Media Stocks Are Struggling to Start the Year

Description

Cineplex Inc. (TSX:CGX), which I targeted as my top stock for January, has dropped 12.9% in 2018 as of close on January 15. The stock suffered for much of 2017 and declined steeply after releasing its second-quarter results in August. The North American summer box office was one of its worst in decades, and Cineplex felt the pinch.

Cineplex released its third-quarter results on November 7. The three months ending September 30 saw attendance drop 12.8% year over year and net income decline 33.8% from Q3 2016. However, the company had reason for optimism after the North American box office reported a record September. With a number of potential big hits on the slate, there was reason for optimism heading into the fall and winter.

Walt Disney Co. delivered with the release of its Marvel property *Thor: Ragnarok* and the much-anticipated *Star Wars: The Last Jedi*. *Thor* raked in over $300 million in Canada and the United States with an $850 million worldwide gross. *Star Wars* closed 2017 with a $595 million domestic box office and $1.2 billion globally. The eighth installment in the series will fail to match its predecessor's $2 billion take, but this is far from a disappointment for Disney and the box office.

Cineplex is set to report its fourth-quarter and full-year results in February. A positive late year, box office performance should provide some much-needed good news, but there continue to be long-term concerns for the cinema. In spite of this, I still like Cineplex to bounce back in the short to medium term after its early year drop. The stock also offers an attractive 5% dividend yield.

Corus Entertainment Inc. (TSX:CJR.B) is a Toronto-based media and broadcasting company. It owns the Global Television Network and has a strong foothold in the children's television market. Some of its domestic holdings include YTV, Treehouse TV, local Disney Channels, and several others. The company also owns over 40 radio stations.

Corus stock has declined 24% to start 2018. The Canadian Radio-Television and Telecommunications Commission (CRTC) released its 2017 Communications Monitoring Report on November 8. The report illustrated some concerning long-term problems for the legacy media.

Traditional television viewing dropped to 26.6 hours per week in 2016 from 27.2 hours in 2015. Canadians also listened to an average of 14.5 hours of radio in 2016 compared to 15.6 hours the previous year. Older demographics also made up the largest consumers of both of these declining mediums. The report also showed a dramatic rise in use of streaming services like **Netflix Inc.**, which recently reached an agreement with the federal government to spend $500 million on Canadian content going forward.

Corus released its fiscal 2018 first-quarter results on January 10. Consolidated revenues dropped 2% year over year, while consolidated segment profit was down 7%. Television saw the biggest decline in segment profit from $184 million to $168 million. The company announced a quarterly dividend of $0.09 per share, which represents a 12.8% dividend yield.

Both of these stocks are increasingly becoming viable solely as income plays as we look ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:CJR.B (Corus Entertainment Inc.)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/07/04
Date Created
2018/01/16
Author
aocallaghan