This Dividend Aristocrat Is Trading at 52-Week Lows

Description

Granted, **Cineplex Inc.** (TSX:CGX) stock has proven to be a bit of a flop in recent months, but there are encouraging signs that the fortunes of the Canadian movie exhibitor could be about to improve.

Last weekend's box office results including an opening weekend by *Jurassic World 2* of US$150 million and *Incredibles 2* surging past the US$350 million mark in the U.S.

Some have even reported that a good chance *Incredibles 2* could end up doing better than Pixar's 2016 animated blockbuster, *Finding Dory*, which hauled in more than US$1 billion worldwide during its theatre run.

But while a couple of summer movie titles by themselves aren't enough to make or break a year for Hollywood studios and theatre exhibitors, there are several other bright spots that point to a reason for optimism in Cineplex shares, which is up 9.1% since the middle of May and currently yielding 5.71% following a 3.6% dividend increase to $1.74 on an annual basis in the first quarter.

For one, there was the smash hit, *Black Panther*, which cost $200 million to make, brought in more than $1.3 billion for Marvel Studios and Disney, more than even the legendary James Cameron *Titanic* film starring Leonardo DiCaprio.

And then Disney and Marvel to follow that box office success with their second *Avengers* title, which has generated $656 million to date in the United State alone.

Those two titles, along with *Deadpool 2*, *A Quiet Place*, the latest *Star Wars* release, and digital-themed *Ready Player One* have helped propel film receipts to new heights.

Thus far in 2018, the U.S. box office finds itself 4.4% higher than a year ago.

But it's a battle

However, a lot of the reason for those higher box office figures is owing to higher admission prices along with higher prices for food and beverage items.

Movie exhibitors have found themselves as of late in a rather uncomfortable spot, as the movie-going public is faced with more options than ever as far as their entertainment dollar is concerned.

Many are suggesting that teens and millennials are so contented with the entertainment on their smart phones that they just aren't motivated to get out to the movies.

Others have pointed to the saturation of superhero and comic book movies being promoted in recent years and the problems associated with "sequel fatigue."

Some movie chains have consolidated in an attempt to spread out fixed costs like acquiring the rights to show various movie titles, while others, like **AMC Entertainment Holdings Inc.** (NYSE:AMC), have made significant investments to renovate their theatres to provide a more "luxurious" feel to them.

Cutting it close

Despite an impressive streak of 10 consecutive years of dividend increases, Cineplex now finds itself with a payout ratio well above 100%.

Management and the board of directors will need to be very careful going forward in determining a strategy that's able to rejuvenate movie-going audiences, while protecting the current dividend and the interests of its shareholders.

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jphillips