Attention Investors: Cineplex Inc. (TSX:CGX) Stock Is on Sale Today!

Description

It's a tale of two opposites: one company is on sale, and the other, we have to pay up for. One is embarking on a transformation to ensure ongoing success, and the other continues to see strong demand and strong growth in an ever-growing segment of its industry.

Let's dig deeper.

Cineplex Inc. (TSX:CGX)

Cineplex stock has been hit hard in the last year — pretty much cut in half!

But in these ashes, what we have today is a big opportunity.

Cineplex stock has a dividend yield of 6%, a P/E ratio of less than 20 times next year's expected earnings, and a diversification strategy that is paying off handsomely.

So, the stock has gone from trading at levels in excess of 40 times earnings to current levels in the low 20s range, uncovering good value for investors today.

As I mentioned, in the last few years Cineplex has relentlessly tried to diversify its business away from the movie exhibition business. And lately, we are seeing the fruits of its labour, with diversification efforts increasingly showing in the results.

In the latest quarter, the first quarter of 2018, box office and its related food revenue accounted for 74% of total revenue. Yes, this is high, but considering the fact that the "other" segment, which includes businesses such as gaming, Cineplex media, and the Rec Room, now represents 26% of total revenue, it is clear that management's diversification strategy is paying off.

Not too long ago, box office revenue made up more than 80% of revenue, with the "other" segment representing below 20%.

Cineplex is a quality company with a strong national presence, good competitive positioning and advantage, a good track record of being strategically forward-thinking and innovative, and a good track record of execution and returning money to shareholders as well as investing in the business.

Strong cash flows can be expected to continue to drive the company's success going forward.

Dollarama Inc. (TSX:DOL)

Trading at a P/E ratio of 28 times this year's earnings, and after consistently meeting or beating expectations as it benefits from strong success in its stores and continued expansion of its store base, Dollarama stock has pleased investors, with a one-year return of 15% and a 100% three-year return.

In a retail world, where we have seen companies filing for bankruptcy and struggling to generate revenue growth, let alone profitability, Dollarama has stood out given its impressive run of same-store sales growth and profitability.

Visibility on Dollarama remains excellent, and it remains a defensive name in the retail space. But I think the gains on the shares will be more muted going forward, with better opportunity elsewhere.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/27
Date Created
2018/07/29
Author
karenjennifer