Contrarian Investors: Get Paid to Wait with an Unloved Stock Yielding 6%

Description

Contrarian investors are constantly searching for out-of-favour stocks that might offer a shot at some nice upside when market sentiment improves.

Ideally, these stocks also pay attractive dividends that put solid returns in your pocket while you wait for better days.

Let's take a look at **Cineplex Inc.** (TSX:CGX) to see if it is an attractive pick today.

Troubled times

For years it seemed Cineplex could do no wrong, cranking out solid results and boosting its dividend as movie fans gobbled up treats and packed the theatres to watch Hollywood's best on the big screens.

Then the Internet got fast enough for most people to stream movies online and things started to go off the rails — or that's what one would think by looking at the stock price over the past year. Cineplex currently trades for $28 per share at the time of writing, as compared to $50 last summer.

Falling attendance is certainly an issue. Whether the streaming companies are fully to blame is up for debate. Part of the reason might be that the movie industry is in a rut and needs to adjust its content to appeal to a new movie-going demographic.

Opportunities

On the positive side, Cineplex is more than just an operator of movie theatres, and the portfolio of other businesses, including digital commerce, amusement solutions and eSports might not get the respect it deserves.

For example, Cineplex supplies digital menu screens in most fast food restaurants. The division continues to expand its reach, including a new contract with Arcos Dorados, the world's largest **McDonald's** franchisee, to provide digital menu board solutions in Brazil, Argentina, and Uruguay.

The numbers

Cineplex reported Q1 2018 total revenue that dropped by 0.9% from the same period last year. Attendance dipped 9.3%, which isn't great, but the average box office and concession spend per person increased to record levels.

The company is working through a restructuring process that has reduced headcount, and which should result in $25 million in annualized cost savings.

Dividend growth

Cineplex raised its dividend by 3.6% earlier this year, so management can't be too concerned about cash flow. The monthly dividend of $0.145 per share provides a yield of 6%.

Should you buy?

The industry is changing, but calls for the death of the movie theatre might be premature. Cineplex a contrarian bet, but the dividend looks solid, so you get paid well to wait for better days.

That said, I would wait for the Q2 numbers to come out before buying the stock. A positive quarter might signal the bottom, while a weaker-than-expected result could provide a chance to get in at a better entry point.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/10/02
Date Created
2018/08/07
Author
aswalker