Why Cineplex (TSX:CGX) Stock Is on an Absolute Tear This Month — Up 15% So Far in August

Description

Cineplex Inc. (TSX:CGX) stock has absolutely taken off in August.

Shares of the movie theatre chain are up 20% since the month began, which is even more impressive in light of the fact that the **S&P/TSX Composite Index** has been virtually unchanged over the same period.

And given that there's still another week of trading left before the month is over, shares could end up even higher before all is said and done.

So what exactly is it that's caused this movie exhibitor's fortunes to suddenly change course following the company making a fresh 52-week low at $27.15 per share as recently as the beginning of May?

Cineplex delivers a strong earnings beat in the second quarter

It certainly doesn't hurt matters when your company beats the street's estimate for its quarterly reported earnings.

And when your company beats those estimates handily – say by 52% – you can say that well, people are going to start taking notice.

And that's just what Cineplex did when it reported the company's second-quarter results on August 10, beating analyst estimates of $0.25 by a very solid $0.13.

Those gains were driven by improved theatre attendance following a year of disappointing box office results that have been perhaps inaccurately attributed to a variety of factors including "sequel fatigue" and emergent threats to traditional forms of entertainment like smartphones and internet streaming services.

Meanwhile, in the second quarter Cineplex reported attendance gains of 5.0%, which helped propel its total box office revenues 9.7% higher than that of one year ago.

Higher revenues were also benefited by higher sales at the company's concession stands and higher average ticket prices.

The investments are paying off

Because of increased competition, movie exhibitors like Cineplex are having to find new ways to innovate and adapt to changing consumer preferences.

One of Cineplex's American peers, **AMC Entertainment Holdings Inc**. (NYSE:AMC) has been investing hundreds of millions of dollars in recent years, renovating its theatres to provide audiences with state-of-the-art viewing experiences including plush armchair-style seating.

But despite what skeptics have been saying over the past 12 months, there's plenty of evidence to suggest that the theatregoing experience is still a mainstay as part of Western culture.

2017's box office results may have disappointed some short-term investors, but those who have remained patient have found themselves handsomely rewarded as of late.

Shares in the aforementioned AMC have risen more than 81.7% since last November; meanwhile, Canadian-based **Imax Corp.** (NYSE:IMAX) has seen its share price gain 33.6% since last August.

Dividends, anybody?

Unfortunately, however, the Imax shares don't pay – and have never paid – shareholders a regular dividend.

Meanwhile, the AMC shares are yielding shareholders a very respectable 4.24% yield and Cineplex stock is doing even better than that – yielding investors a 5.17% annual dividend return heading into this week's trading.

Bottom line

Some may scoff at Cineplex' payout ratio, which currently sits at 125%.

Sometimes a high payout ratio can be good reason to avoid certain investments, but in the case of this company its annual dividend payout of $1.74 should be comfortably supported by its annual cash flows for the foreseeable future.

CGX stock broke through its 200-day moving average this week, which has traditionally proven to be a pretty reliable bullish indicator.

Investors may want to hold off for a minor pullback before initiating a position, but the fact that this company's all-time high is still 51.7% above where the shares currently sit, this could be one blockbuster trade that you won't want to miss out on.

Stay Smart. Stay Hungry. Stay Foolish.

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
2025/09/10
Date Created
2018/08/26
Author
jphillips