The Turnaround for These 2 Dividend Stocks Is Here

Description

It seemed like the sky was falling not too long ago for **Cineplex** (TSX:CGX), as the once-perceived blue-chip monthly dividend-growth stock was cut roughly in half from more than $50 per share to the sub-$30s.

Lo and behold, Cineplex stock is now more than 27% higher from its low in May of about $28 per share. And it looks like its turnaround is well on its way.

Cineplex is expanding its offerings

Cineplex has made a number of partnerships, including with Topgolf, CJ 4DPlex, and VRstudios, to diversify and improve its offerings.

Over the next few years, Topgolf will be expanding into Canada. Its venues will be the destinations for entertainment, socializing, and golf in any season for any skill level. Cineplex will manage the venues' day-to-day operations. The first Canadian location of Topgolf is expected to be in operation by late 2019.

Cineplex had already used CJ 4DPlex's technology successfully in Canada's first 4D auditorium in 2016 in downtown Toronto. The 4DX experience offers 20 stunningly realistic effects, including wind, snow, lightning, rainstorm, fog, and more. Together with CJ 4DPlex, Cineplex plans to bring the unique 4DX experience to up to 13 additional Cineplex locations across Canada over time. This offering can attract more theatre attendance.

Cineplex has invested a significant stake in VRstudios, and it plans to make 30-40 virtual reality installations across its theatre or entertainment locations.

Vermilion Energy's (TSX:VET)(NYSE:VET) stock price has been weak lately. The stock has retreated about 20% from its 52-week high.

Vermilion is poised to turn around. It made a strategic acquisition of Spartan Energy at an opportune time, which boosted its production and exploration and development capital expenditures.

A stabilized WTI oil price of more than US$50 per barrel should lead to higher cash flow generation, especially more so that the oil price is closer to US$70 per barrel recently. Higher cash flow generation should result in a safer dividend and a higher share price.

About 47% of Vermilion's production mix is in oil, including 27% WTI oil and 20% Brent oil, which enjoys premium pricing. Management estimates that the global oil and gas producer will generate 68% and 60%, respectively, of its funds from operations and free cash flow from oil this year.

Investor takeaway

Cineplex stock's turnaround looks like it's well on its way. Among other efforts, the company has been expanding its product offerings. At $35.66 per share as of writing, it offers a yield of 4.88%. Its recent payout ratio, based on adjusted free cash flow per share, was sustainable at about 63%.

Higher oil prices will benefit Vermilion. At $39.57 per share as of writing, the global oil and gas producer offers a 6.97% yield.

Notably, Vermilion is a rare breed in the oil and gas industry. It has maintained or increased its dividend per share since 2003, while many of its peers have reduced or eliminated their dividends since the oil price collapse in 2014.

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Date
2025/07/19
Date Created
2018/10/20
Author
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