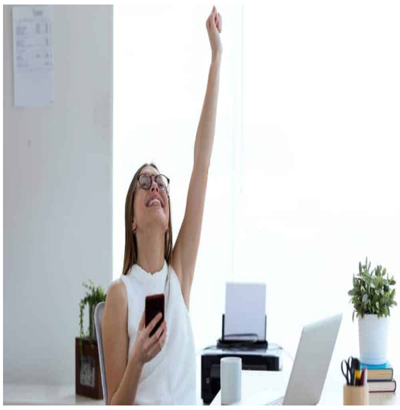

Why I'm Picking Up This 7% Yielder in the Spring

Description

Canadian and U.S. stock markets have roared out of the gate in 2019. There are signs that this momentum may be dying down in the month of March, but for the TSX it has been one of the best starts to a year in decades.

This has not been the story for the North American box office, however. As of late February, films released in 2019 had earned a paltry $616 million. This number was $1.17 billion counting holdovers from late 2018. This was the first year that the box office did not benefit from a *Star Wars* holdover. Some will remember that *Solo: A Star Wars Story* was instead released in the spring of 2018. It may not have mattered in the end, as *Solo* was a disappointing relative to Disney's other *Star Wars* releases.

The slow start to the year presents an opportunity to gamble on one of the top dividend stocks on the TSX. **Cineplex** (TSX:CGX) has been a consistent disappointment since the mid-summer of 2017. The North American box office suffered one of its worst summer seasons in decades that year. Cineplex has had positive quarters since then, but shares have been unable to build serious momentum.

Shares of Cineplex had dropped 2.8% in 2019 as of close on March 7. The stock was down 23% year over year. Back in December 2018 I'd discussed whether Cineplex was a good bet to rebound this year. The stock has failed to generate positive returns in two of the best months we have seen for the TSX in year. Still, there is hope for investors willing to take on the risk.

The spring and summer slate are offering up several films that should comfortably break the $1 billion worldwide barrier. This includes *Avengers: Endgame*, the follow-up to *Avengers: Infinity War,* which raked in over $2 billion worldwide, which is set to come out in late April. The next *Star Wars* installment, *Toy Story 4*, and *Frozen 2* are all sure bets to be box office hits. Once again Cineplex and the industry at large will be relying heavily on **Disney** properties.

Why I'm high in Cineplex in the spring and summer

A poor start to the year will likely reflect poorly on Q1 2019 results at Cineplex. The company reported that theatre attendance fell 1.6% in 2018 compared to the prior year. Rising prices at box office and concessions stands were enough to boost revenues and profit for the year.

Cineplex boosted its monthly dividend to $0.145 per share in 2018, representing an attractive 7% yield. After a poor February, Cineplex stock has looked more appealing. It boasted an RSI of 35 as of close on March 7, putting it just outside of oversold territory.

Cineplex has been a frustrating stock to hold, especially after it seemed to get back on track before a sharp drop in late 2018. The stock is trading at the low-end of its 52-week range, and there is a good chance we will see promising numbers for the box office in the final three quarters of 2019. I like Cineplex stock at its current price.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

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1. Investing

Date
2025/08/17
Date Created
2019/03/10
Author
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