A Bumper Year for Movies Could Give These Stocks a Boost

Description

With big movies like *Avengers: Endgame* already bringing home the bacon, and offerings from the *Star Wars*, *Frozen*, and *Godzilla* franchises also likely to cash in big later this year, entertainment stocks such as the following two could see a boost.

Cineplex (TSX:CGX)

Is this front line Canadian entertainment asset's share price being driven up by increased revenue from recent blockbusters? It's a distinct possibility, since Cineplex is up by 3.47% at the time of writing, with a five-day rise of 2.92%. However, with a mixed bag of stats and a share price that's spent much of 2019 limping along, is it a risky investment? Let's go through the figures and find out.

With a one-year past earnings growth of 8.9% only marginally rescuing an overall negative five-year average, Cineplex has long been a stock that pundits seem to enjoy bashing. Reasons to stay away include a high comparative debt level of 88.8% of net worth, though that debt happens to be well covered by Cineplex's operating cash flow.

Is Cineplex overvalued? A P/E of 19.9 times earnings suggests not, though a P/B ratio of 2.3 times book is a little high. Still, that's fairly decent value, and with a high dividend yield of 7.18% on offer, it's a tempting choice. However, new investors will have to wait a while before getting a payment, since Cineplex is now trading ex-dividend.

Netflix (NASDAQ:NFLX)

Up 1.77% with a five day change of +4.02%, Netflix seems to be enjoying the buzz surrounding recent big releases in the entertainment world, with a slew of new shows on its content streaming platform getting a lot of attention. Indeed, after the success of the Oscars, Netflix has positioned itself as a major player in Hollywood.

So, is it a buy despite a potential slowdown in new subscribers? Despite stiff competition, Netflix is likely to retain the content streaming crown. Even with the mighty **Walt Disney** looking to muscle in, and with **Amazon** and **Apple** likewise eyeing the content streaming throne, Netflix is likely to remain the dominant actor in this space.

It's interesting to see that the share price data shows almost an opposite trend from that of Cineplex, with the online streaming giant rising since the start of the year and staying largely positive ever since. Netflix's returns of 656.9% over the past five years, and solid one-year past earnings growth of 88.6%, suggest that Netflix could defy gravity, with a 37.6% expected annual growth in earnings backing this up.

Of course, there are a couple of red flags with stock, as there are with most high-flying tickers. Netflix carries a fair amount of debt, and its level has more than tripled over the past five years from 61.6% vs. 196.3%. Overvaluation is also an issue, so new investors will have to decide whether a P/E of 127 times earnings and P/B of 28.2 times book present a deterrent.

The bottom line

Netflix is a very different stock from Cineplex, despite their overlapping areas of business. On the one hand, we have the low-momentum, fairly decently valued Cineplex with its large yield; on the other, we have a pure capital gains play, currently overvalued, with strong upwards momentum and a tenacious competitive style.

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