2 Reasons to Buy Cineplex (TSX:CGX) Ahead of Q3 Earnings

Description

I have been bullish on **Cineplex** (TSX:CGX) stock for a good portion of 2019. It was a rocky start for the Canadian cinema giant, largely due to a rough stat to the year for the industry at large. **Disney** pushed back its big releases into the spring and summer, and for the first time in four years, we did not see a *Star Wars* movie released in the holiday season.

Shares of Cineplex have dropped 3.7% in 2019 as of close on October 18. The stock has plunged nearly 10% over the last three months. Cineplex reported record revenues of $439.2 million in the second quarter of 2019, but total attendance was still down 1.7% from the prior year. Rising revenues have been powered by increases in box office and concession revenues per patron.

Cineplex is set to release its third-quarter 2019 results right as Canadian markets open on November 14. Today, I want to look at two reasons for investors to jump in on this disappointing 2019 stock before its earnings release.

Box office rebound

The North American box office had a rough start to the year. Attendance in January and February was the lowest in nearly a decade. The industry is facing threats as a golden era in home entertainment is keeping consumers away from the traditional cinema. These so-called streaming wars have become a battleground in the tech world. Disney is set to launch its own platform in November.

Fortunately, the North American box office bounced back in the third quarter. Movie ticket prices and admissions were both up in the third quarter compared to the second. However, ticket sales have still failed to catch up to the numbers we saw at this time in 2018. According to comScore data provided by the National Association of Theaters Owners (NATO), admissions in the third quarter rose 2.3% quarter over quarter. NATO said that the Q3 box office increased 3.5% to $2.8 billion due to this jump.

Theatre attendance at Cineplex was down 8.8% year over year in the first six months of 2019.Although ticket sales bounced back in North America in Q3, overall, these numbers are still trailing thepace set in 2018. Still, the Q3 rebound is encouraging.

Monster monthly dividend

Back in August, I'd discussed ways investors can scoop up monthly dividends. Cineplex stock has disappointed with its capital growth in 2019, but its dividend payout is still very appealing. The stock now offers a monthly dividend of $0.15 per share. This represents a tasty 7.7% yield.

Shares of Cineplex are trading close to its 52-week low, but it still possesses a price-to-earnings ratio of 29 and a price-to-book value of 2.3. Neither are favourable indicators right now. However, the stock had an RSI of 32 as of close on October 18. This puts it just outside technically oversold territory at the time of this writing.

Income investors should keep Cineplex on their radar in the fall. Cineplex is part of the old guard, but it still boasts a monopoly in an industry that remains a top draw in the entertainment sector. Its dividend is keeping me interested in 2019.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/21
Date Created
2019/10/21
Author
aocallaghan