1 Iconic Canadian Stock Is Hurting and Could Lose Dividend Aristocrat Status

Description

Movie theatre owners are going on quarantine with the theatrical business already losing out to live streaming. In Canada, **Cineplex** (TSX:CGX) is hurting and in a sorry state because of the coronavirus.

The generous dividend payer is about to lose its Dividend Aristocrat status. Effective April 2, 2020, this $849.3 million entertainment and media company will be no longer in the S&P/TSX Dividend Aristocrat Index. You can count Cineplex as one of the major casualties in the COVID-19 crisis.

Stock rout

In 2019, Cineplex was able to eke out a 43.34% gain on the TSX. Many theatre owners see 2020 as the first of two years when box office sales will significantly recover. But alas, the coronavirus emerged to disrupt the grandiose plans.

The stock price in early January was $33.75 before falling by 39.45% to $20.41 on March 13, 2020. On March 16, Cineplex announced the temporary closure of its network of theatres as well as location-based entertainment venues, including the Rec Room and Playdium.

The temporary closure of the entire circuit will run through until April 2, 2020. The re-opening date mentioned, however, is still a big question mark. With business operations coming to a halt, Cineplex's share price fell sharply by another 54.3% to $9.33. As of this writing, the entertainment stock is trading at $13.41%.

On the company website, management is requesting understanding from guests and partners. Cineplex is abiding by the government directives on social distancing and warnings from public health authorities about the dangers of community spread.

Cineplex is also making changes in its leadership pay structure. Over a month, senior executives will take pay cuts in response to the health crisis. The sad part is that there is also a temporary layoff of part-time employees.

Sale in jeopardy

In December 2019, an agreement was reached between Cineplex and **Cineworld Group**. The latter, an exhibition giant in the U.K., will acquire Cineplex for a cool $2.1 billion ($1.65 billion in cash plus debt). With the proposed acquisition, Cineworld will become one of the world's largest cinema companies with 11,200 screens globally,

Cineworld is eyeing Cineplex because it's a great business. As the top cinema operator in Canada, the company is well positioned for further growth. But the creation of a global theatre giant might be on hold due to the pandemic. An analyst believes the cinema business is genuinely at risk if theatres remain closed for several months.

Dimming lights

Cineplex's losses this quarter and the next could be staggering with millions of dollars of opportunity losses in ticket sales. The lights are dimming for Canada's popular entertainment brand.

This stock is also the favourite of dividend investors and income seekers. The yield is high and the dividend-growth streak of eight years makes Cineplex a Dividend Aristocrat. Theatre attendance might not have a chance of bouncing back or even return to normal when the health crisis is over. The end of the big-screen era and Cineplex looms large.

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