Cineplex Stock: Will Dividends Ever Return?

### Description

One of the main reasons investors were interested in **Cineplex** (TSX:CGX) before the crash was its dividend. Shares of the company soared to all-time highs before the pandemic hit, with the dividend yield at 5.31%. Investors before the crash saw Cineplex stock as a solid long-term dividend investment, as who would stop going to the movies?

However, today is far different. Even before the crash, things changed. As of February 2020, Cineplex stock stopped all dividends. So, with the pandemic almost on its way out and patrons returning to the movies once more, how likely is it that Cineplex stock will return dividend payments?



## Cineplex stock: A brief history

Let's look back at before the pandemic. I'd like to say that things were completely rosy for Cineplex stock, as that would mean the end of the pandemic would be an end to share slumps. But that's simply not the case.

Cineplex stock was already considered a risky investment, as streaming services edged in on revenue. Streaming services end up costing less per month than one single movie ticket. Another problem is that consumers can simply watch movies at home through these services. So, theatre attendance was already declining. Cineplex stock had to evolve or fail.

Economists have stated that the company needed to redefine its image as a movie theatre. Today, consumers may want a high-end experience that doesn't simply offer every movie out there. Instead, there are certain movies you just need to see on a big screen, such as the *Avengers* films. But the company also dove into Opera performances and sports to push the experience. And before the crash, the company started looking at 4DX to offer audiences with sensory points. 3D films were the start, and virtual reality theatres could still be the future — that is, if Cineplex stock can afford it.

## Drowning in debt

The company's investments in 4DX and its Rec Room spaces put Cineplex stock in massive debt. As of writing, Cineplex stock has $1.9 billion in debt. That's actually down from the $2.05 billion in debt it had back in September 2019. But revenue continues to drop, most recently by 88% year over year. Until the company can offer a full experience for patrons, with the pandemic well behind it, it's unlikely to see a substantial increase in revenue.

Meanwhile, shares have collapsed since theatre attendance shrank by 95% during the pandemic. Shares fell by a whopping 74% from peak to trough during the March 2020 crash. Since then, shares have only climbed back by 51%. That's still far off from those pre-pandemic peaks.

So, where does that leave Cineplex stock with its dividend for investors? Out of luck. With so much need for research and development, this company is not the stable investment it once was. Investors feel far better putting cash towards a company that's investing in a revenue stream, rather than dishing out dividends.

## Bottom line

Movie theatres will be around in the future — that is a certainty. Cineplex stock is likely to continue on as Canada's largest movie theatre chain. But if investors are hoping that dividends will make a comeback, I'm afraid that won't be for years and years to come.



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