



The Curtains Begin to Close on Empire Theaters

Description

By Cameron Conway

Last week, **Cineplex** ([TSX:CGX](#)) announced that it completed its \$194 million acquisition of 24 of the 50 theaters previously owned by Empire Theaters. These 24 theaters are located in Atlantic Canada, a territory previously left untapped by Cineplex. This now gives Cineplex complete coast-to-coast coverage across Canada with 161 theaters running 1,635 screens.

Cineplex received approval in the form of a No Action Letter from the Federal Competition Bureau on Oct. 10, after the FCB determined that since Cineplex had no previous locations in Atlantic Canada, it would not affect local competitiveness. But Cineplex was required to back out of two potential properties in Ontario (Kanata and Whitby) to address the requirements of the FCB.

“We have realized our vision of making Cineplex a truly national, coast-to-coast company,” said Cineplex President and CEO Ellis Jacob in [a statement](#). “Atlantic Canadians are accustomed to a high standard of theatre entertainment, and our goal is to make it even better — with our SCENE loyalty program, Cineplex Tuesdays, and the many other benefits of Cineplex ownership.”

With the change in ownership, residents in Atlantic Canada should be prepared to see not only new signage but hopefully internal upgrades that would have UltraAVX and VIP Cinemas (which I quite enjoy) come to the Maritimes.

This marks the first of two curtain calls for Empire Theaters since the summer [announcement](#) by parent company **Empire Company** ([TSX:EMP-A](#)) that it would be divesting its cinema investments in order to give full priority to its core retail business, the grocery chain **Sobeys**.

The second curtain call will come with the completion of a deal that would see Landmark Cinemas purchase 22 of the 26 remaining Empire theaters. While Cineplex used this opportunity to gain new ground in Atlantic Canada, Landmark would also gain new territory in Western Canada and Ontario. This leaves four other locations that are expected to close unless smaller investors step in to purchase them.

While no doubt a difficult decision, investors should cheer Empire's decision to divest — it can now focus on its "core," and has some \$255 million with which to pay down debt or reinvest in that core.

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Cameron Conway does not own shares in any of the above mentioned companies.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:EMP.A (Empire Company Limited)

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