



## Why You Should Hold on to Cineplex

### Description

It's almost summertime and the weather is finally warm enough to sport some shorts, watch a movie, and take in some sun on a patio.

And although binge-watching your favorite TV series and movies is the new norm, the movie theatre business is still booming (and always will given how much we all love to watch movies on the big screen).

Toronto's **Cineplex Inc.** ([TSX: CGX](#)) continues to be a good investment opportunity in spite of headwinds from new on-demand service providers and weak quarterly earnings.

### Strong market growth

It's true that the company hasn't performed well in terms of earnings last quarter as a dull line-up of Hollywood releases chilled Cineplex's revenue.

However, investors still have faith in the company. Cineplex is by far the largest operator of theatres in Canada. It operates 162 theatres with 1,638 screens from coast to coast and serves approximately 77 million guests annually.

The company is solidifying its market growth by striking a deal with mall operator Group Oxford Properties to introduce high-definition (HD) screens and mall directories at 10 shopping centres in Canada.

Cineplex is also maximizing its revenue with its soon-to-be-launched test program in Toronto that allows moviegoers to pay a higher price for "sweet spot" seats.

### Summer blockbusters

The nature of movie releases is crucial to all movie theatre businesses and Cineplex's management has also indicated that its day-to-day performance depends upon the quality of films it shows.

Last quarter saw a number of Hollywood flops that garnered no interest from cinephiles. Nevertheless, Cineplex will likely make up for lost revenue with the number of highly anticipated blockbusters set to be released this summer and fall. Some of the big names movie buffs can look forward to are:

- *Dawn of the Planet of the Apes*
- *Transformers 4: Age of Extinction*
- *Teenage Mutant Ninja Turtles*
- *The Hunger Games: Mockingjay, Part 1*
- *Horrible Bosses 2*
- *The Hobbit: The Battle Of The Five Armies*
- *The Guardians of the Galaxy*

### **To hold or not to hold**

I think investors should hold on to their Cineplex shares and see how the summer releases fare. That's what chief strategy officer of Integris Pension Management Corp, Gavin Graham, suggests as well.

If the next couple of quarters are strong, by the end of the year the company should regain the price reached before the sell-off. Cineplex's management has shown its confidence in the near-term by raising dividend 4.2% and giving it a yield of 3.6%.

As long as people love going to the movies, and are happy to pay for superior services, the stock is going to be loved.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:CGX (Cineplex Inc.)

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