



Why Cineplex Inc. Is My Top Entertainment Company

Description

The entertainment industry has evolved over the years thanks in part to advancing technology and to the sheer number of choices available to consumers.

One such industry that has been under immense pressure to evolve is the movie business. The traditional movie and popcorn business has seen sales evaporate over the past few years as consumers can now stream movies on their tablets, TVs, and phones all from the comfort of their living rooms.

Cineplex Inc. ([TSX:CGX](#)) is an entertainment company that has evolved to the changing needs of consumers. Here's a look at what the company has done to stay relevant and why this is the entertainment company that should be in your portfolio.

Diversifying revenue streams

Cineplex may have over 1,600 screens to show movies on, but the company does far more than movies. The company's new Rec Room project is one of two new initiatives that Cineplex is doing to branch out into new revenue streams.

The Rec Room is a combination of games, live entertainment, dining, and drinks all under one roof. The possible uses for these rooms are endless.

From major sporting events to parties, to weekend or nights out, the Rec Room will cater to the needs of consumers much more than just showing a movie and getting some concession sales. And that's the point—to keep consumers in these complexes for longer than a two-hour movie.

The company is planning to continue rolling out more of these Rec Rooms across the country over the next year.

Another initiative that Cineplex is embarking on is in the eSports business. Through the recent acquisition of 80% of WorldGaming, Cineplex can now host live gaming events where people compete in video games.

This can lead to huge crowds and lucrative revenue for the company. In 2014, 27 million people watched the *League of Legends* World Championship.

Apart from the obvious box office sales, concession revenues will contribute greatly to the bottom line.

Solid option for growth

Cineplex has outperformed the market this year. In the most recent quarterly report, Cineplex reported across-the-board increases to a number of key metrics. Revenue was up by nearly 10% over the same period last year to \$328.25 million. Earnings per share came in up by 36% to \$0.34 over the \$0.25 reported for the same period last year.

Both of these increases can be attributed to a bump in audience members by 7.6%. This in turn led to increased box office revenues and food service revenues by 6.1% and 14.5%, respectively.

The company pays out a dividend of \$0.13 per share monthly, or \$1.56 per share annually, giving the company a yield of 3.15%. The company has a history of raising the dividend and has done so for the past five consecutive years. Given the company's strong results, this is a trend that should continue well into the next year and beyond.

In my opinion, Cineplex is a great option for investors seeking long-term growth. The company is constantly reinventing itself by adding more entertainment options and has delivered on increases to dividends amid record-breaking quarters.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

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Author

dafxentiou

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