



May the Force Be With ... Your Portfolio? 2 Ways You Can Profit From the New Star Wars Movie

Description

Star Wars: The Force Awakens is perhaps the most eagerly awaited film of all time.

The seventh film in the *Star Wars* story opened to packed theatres on December 17th and should continue to bring in fans and moviegoers for months. *Avatar* holds the current record as the best grossing movie of all time after it amassed more than \$2.7 billion in box office receipts when it was released in 2009. *The Force Awakens* could easily beat that record.

One you adjust for inflation, the original *Star Wars* movie has been the third-highest grossing of all time. Each of the original movies in the trilogy were the highest grossing movies in the year they were released, as well as Episode I when it came out in 1999. Episodes II and III didn't do quite as well, but they were still tremendously successful movies.

All in all, the *Star Wars* franchise is the most successful of all time. And everything points to the seventh part of the story being the biggest yet.

There are plenty of ways that individual investors can profit from *Star Wars*. Here are two ideas to consider for your portfolio.

Disney

In 2012 **Walt Disney Co** ([NYSE:DIS](#)) announced it was buying Lucasfilms for \$4 billion. With the transaction, Disney got the rights to the *Star Wars* franchise. This includes the revenue from the movies as well as the big prize: the rights to license the characters.

The movie will likely do at least \$3 billion in global sales, but analysts think the revenue from merchandise will be an even better boost to Disney's profits. Sales of toys, clothing, and other *Star Wars* collectibles is expected to add \$5 billion to Disney's top line through 2016. Since licensing revenue is almost pure profit, this bodes quite well for Disney's projected 2016 earnings.

Somewhat surprisingly, Disney's stock hasn't been the best performer over the last six months. It has

fallen some 4% on concerns of revenue declines from ESPN, one of its other big media prizes. Perhaps now is a good time to sneak in and buy some shares before the market figures out just how much *Star Wars* will lift the bottom line.

Cineplex

Another big winner from *Star Wars* should be **Cineplex Inc.** ([TSX:CGX](#)), Canada's dominant chain of movie theatres.

December is usually a decent month for the box office, and January is pretty dead. The timing of *Star Wars* should ensure that January 2016 is a good month. Many moviegoers won't want to deal with the crowds of the opening weekend, but will still want to see what all the fuss is about when things are a little quieter. And you can expect more than a few fans to see it multiple times.

When Cineplex released its third-quarter numbers back in November, management weighed in on expected *Star Wars* sales. Even back then, the company saw record advance ticket sales for *Star Wars*, beating out the previous record set by *Harry Potter: Deathly Hallows Part 2*. And about a week ago, the company announced it was adding additional show times for *The Force Awakens* because of such high demand.

The nice thing about Cineplex is that it's a company that's trying hard to not be so dependent on movie revenues. The company has experimented by putting different events on its big screens, like UFC fight nights. It also has a booming online shop where customers can buy the movie they just watched in the theatre. Finally, it has diversified into the digital signage business, scoring such customers as Tim Hortons and A&W.

It seems like an expensive stock; the current valuation is more than 34 times earnings. But analysts are bullish on earnings growth, giving it a forward multiple of just 24 times 2016's projected earnings. That's still expensive, but not terribly so for a company projected to grow earnings by more than 40%. Cineplex also pays investors a nice dividend yield of 3.2%—a payout the company has boosted in each of the last five years.

CATEGORY

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TICKERS GLOBAL

1. NYSE:DIS (The Walt Disney Company)
2. TSX:CGX (Cineplex Inc.)

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