



3 Reasons Why Cineplex Inc. Belongs in Your Portfolio

Description

When it comes to the movie business, the model hasn't really evolved over the past 50 years—you pay for your ticket, you buy some popcorn and a drink, and you enjoy the show. Consumers are now opting to stay home and stream movies from the comfort of their homes, and this is taking a bite out of the bottom line of movie theatre companies.

The exception to the rule is **Cineplex Inc.** ([TSX:CGX](#)). Here are a couple of reasons why you should consider adding the company to your portfolio.

1. Cineplex has moved beyond the movie theatre model

One of the most impressive aspects of Cineplex is how the company has diversified into new revenue streams.

The company's new Rec Room project is one of several new initiatives that Cineplex is actively expanding. The Rec Room is a combination of games, dining, live entertainment and drinks—all under one roof. Rec Rooms could be retrofitted for a variety of uses, such as major sporting events, parties, nights out, etc.

The possibilities are endless, but the end goal is the same—to keep the consumer in the complex for longer than the duration of a two-hour movie. Cineplex is in the process of opening 15 of these rooms over the next year.

The company is also moving forward in the realm of eSports. Through Cineplex's recent acquisition of 80% of WorldGaming, Cineplex can now host live gaming events. These gaming events, where competitors play popular video games, draw huge crowds and potentially massive revenue for the company.

2. Visionary leadership

Diversifying into new revenue streams is a smart and profitable decision, but what really sets Cineplex apart in this regard is the leadership of the company. Management continues to make the hard

decisions that have seen the company grow and branch out to new revenue streams successfully over the past few years.

The Scene rewards program with **Bank of Nova Scotia** is an example of this brilliance. The program boasts seven million members who can redeem and earn points from a number of different businesses.

Looking further back, Cineplex's takeover of Famous Players a decade ago can be seen as a pivotal point for the company as today the company has control over nearly 80% of the market.

3. Strong results

Cineplex currently trades at \$48.33. The stock one of a very few in the market that has not dipped into the red this year. Year-to-date, the stock is up by 7.81%. Expanding this out to a full five years shows a very impressive 112% increase in stock price.

In the most recent quarter, Cineplex reported across-the-board increases. When compared with the same quarter last year, revenue is up by 10% to \$328.25 million and earnings per share are up by 36% to \$0.44.

Cineplex pays out a monthly dividend of \$0.13 per share with a yield of 3.23%. Cineplex has increased the dividend consecutively for the past five years. This is a trend that is likely to continue well into the next few years.

Cineplex remains a great option for investors seeking long-term growth who wouldn't mind some dividends as well. The company's commitment to constantly reinvesting itself with new revenue streams will help keep the company relevant beyond any other movie theatre company.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

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