



Cineplex Inc. Is a Blockbuster Choice for Your Portfolio

Description

Cineplex Inc. ([TSX:CGX](#)) is Canada's largest entertainment company, operating in 162 theatres with 1,655 screens across the country. Cineplex welcomes nearly 74 million guests each year through a myriad of theatre brands.

Here's what I really like about Cineplex and why it should be a part of your portfolio if it isn't already.

The evolution of entertainment

Going to the movies has evolved considerably over the past few years. For many, going out to a movie and getting a tub of popcorn has been replaced by staying in and streaming a movie directly to the living room TV.

At first glance, Cineplex would seem like a natural victim to this evolution of entertainment, but the company has done an incredible job at not only remaining relevant, but innovating to address the changing needs of the consumer.

Cineplex has been rolling out the new Rec Room initiative across selective locations. The company announced a new location in Toronto's Roundhouse Park this week with additional locations slated to be opened later this year

The Rec Room is a combination of dining, game, drinks, and live entertainment offered under a single roof. The rooms can be reconfigured for different uses, ranging from events and parties to sporting events.

The beauty of this model is that the consumer stays inside the complex far longer than the typical two hours that a movie runs, and during that time the consumer is surrounded by countless ways in which to purchase concessions.

eSports is another area in which Cineplex is thinking outside of the box to garner growth and more revenue. The company's 80% stake in WorldGaming allows it to host live gaming events, which draw huge crowds and revenue.

Hollywood blockbusters

Let's not forget about the traditional model for Cineplex—watching movies on the big screen. Over the past few years there has been an explosion in sci-fi and superhero franchises that have seen box office attendance surge to new levels.

By way of example, the new *Star Wars* movie that came out in December of last year accounted for a whopping 6.1% of revenue, followed closely by the other blockbusters of the year, such as *Jurassic World* and *Avengers: Age of Ultron*, which both added nearly 10% to Cineplex's bottom line. Studios are well aware of this revenue opportunity and have a backlog of movies coming out over the next few years to feed off this demand.

Results are speaking volumes

In the most recent quarter Cineplex posted the company's best results ever. Revenues for the quarter were up an impressive 22% over the \$332 million in the same quarter last year. And that's not even the best part of the report.

Net profits for the quarter surpassed all expectations and rose by 139% to an impressive \$76.8 million, or \$1.22 per share. Attendance came in at 20.4 million, besting the 19 million from the same quarter last year.

The stock currently trades at just over \$49 and has made modest gains of nearly 4% year-to-date. The company also has a monthly dividend of \$0.13 per share, giving the company a yield of 3.16%.

Cineplex is, in my opinion, a great investment opportunity. The company is expanding outside the traditional boundaries of a movie theatre company and is recording amazing growth.

Given the sheer number of additional sci-fi and superhero movies that Hollywood studios have on the docket for the next few months, it looks like Cineplex and investors alike will be sitting back to enjoy the show.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:CGX (Cineplex Inc.)

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