



## Cineplex Inc. Is a Great Core Portfolio Holding

### Description

One of my very first articles as a Fool writer talked about how streaming services were going to make movie theatre companies, such as **Cineplex Inc.** ([TSX:CGX](#)), obsolete. I argued that we were going to enter an age where “direct to home” might become a viable business, thus minimizing the need for theatres. I was wrong.

What I have learned over the year and a half that I have been writing for Fool is that Cineplex is more than just a theatre company. It is a complete entertainment company that I believe has become worthy of a core portfolio holding. When looking for stocks to act as the foundation of your portfolio, Cineplex is one that should definitely be considered.

There are a few reasons for this.

First, despite concerns that Hollywood might run out of quality movies to make, people are going to movies in droves. Obviously, movies like *Star Wars* and *Jurassic World* would do well, but few could have predicted that *Deadpool* would do as well as it has. Consider that 22% of the company’s fourth-quarter box office revenue came from *Star Wars*. I expect that the first quarter will show something similar for *Deadpool*, considering how well it’s been doing.

For the next few years Hollywood will be pushing out movie after movie, and that is likely to increase the total revenue that theatres make.

But it’s the other businesses that Cineplex is planning to roll out that have me even more excited. While movie theatres still depend on Hollywood, the other initiatives don’t. One of the projects the company is working on is the Rec Room. These are large, multi-purpose locations that are meant to offer food, drink, and games. In essence, the entire family can spend a few hours having fun. Over the next few years the company intends to launch 10-15 of these.

The eSports business is another business that Cineplex is investing heavily in. In essence, people will pay money to watch competitive video gaming. And this is not a tiny business. In 2014 27 million people watched the *League of Legends* championship. Imagine doing that on a big movie theatrescreen.

To kick off this initiative, Cineplex acquired 80% of WorldGaming, which is a top eSports business. The company will also be launching its own eSports league, which is going to allow it to grow its advertising revenue via sponsorships.

All told, Cineplex is doing really well. It pays a lucrative \$0.13 per share monthly dividend, which comes out to a safe yield of 3.17%. Further, it has increased its dividend for five consecutive years. In May 2015 the dividend increased by 4%, which has many suggesting that it will increase it again this May since results have been so great. This stock is well worth buying, holding, and securing your portfolio with.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

## Category

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