



Cineplex Inc.: A New Type of Entertainment Company

Description

Cineplex Inc. ([TSX:CGX](#)) is not your typical entertainment company. It may be the largest operator of movie screens in the country, but some of the most innovative advances that the company has made in the entertainment industry don't even involve watching a movie.

There are many reasons to like Cineplex, such as its growth, recent results, and dividend, but what really has me excited is what goes on in the non-movie part of the business. Cineplex has become a leader in innovating a business model that has remained unchanged for decades.

Here's a quick look at some of the new ways in which Cineplex is re-defining the use of typical theatres.

Rec Rooms: entertainment for the whole family

Rec Rooms are an interesting addition to the Cineplex portfolio. They are basically a mix of gaming, live entertainment, and food all under one roof. The rooms can be configured for just about any use from events to parties, sporting events, meetings, or anything in between.

The beauty of this model is that customers stay longer than the typical two-hour movie and are surrounded by a variety of concessions and entertainment options.

Cineplex is rolling out additional rooms around the country with as many as 15 slated to be opened over the course of this year.

Watching online gaming competitions in a movie theatre?

One of the most impressive and lucrative moves that Cineplex made was purchasing an 80% stake in World Gaming, which allows the company to host events and competitions for the gaming community. Make no mistake here—Cineplex moving into the eSports business is a massive opportunity.

The online gaming business is a huge, potentially multi-billion dollar business. In Canada, the market is still very much in its infancy, but it's growing at an alarming rate.

Surprisingly, there is an equally huge market out there for people to watch online gaming competitions. For Cineplex, the revenue opportunity doesn't end when spectators drop \$10 on a ticket to watch the games. The revenue from the concessions alone represents a massive opportunity for the company.

There really is a unique factor to associating the competitive gaming world with the large theatres that Cineplex has. Putting those games on much larger screens with an audience that shares a passion serves only to fuel the need for more events like this.

The first ever Canadian Championship competition began this month, and over \$25,000 is up for grabs in prizes in the online competition. The competition has drawn large crowds so far and will consist of a series of qualifying and elimination rounds over the next few months.

Cineplex is feeding a genuine need for these type of events that really isn't served by anyone else in the market, giving it a massive advantage over any would-be competitors.

The traditional movie business is still there and thriving

Even with all of the new initiatives that Cineplex has introduced, the traditional movie business is still very much a profitable part of the business. There have been a number of big blockbuster releases over the past year that have contributed greatly to Cineplex's bottom line.

The *Star Wars* movie released last December accounted for a whopping 6.1% of revenue, followed closely by two other Hollywood hits from last year, *Jurassic World* and *Avengers: Age of Ultron*, which accounted for nearly 10% of all revenue.

In my opinion, Cineplex remains a great opportunity for investors. The eSports events and the Rec Room initiatives will continue to provide a source of growing revenue for years to come, and the traditional business will continue to perform.

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