



Cineplex Inc. Is Reinventing a Tired Business Model

Description

At first glance, the movie business is in decline. Consumers have more options at their disposal to watch the latest Hollywood blockbusters than ever before. Streaming movies over smart TVs, tablets, and even cell phones has made the decades-old business model of going to the theatre, buying popcorn, and watching a movie something that few would entertain.

Enter **Cineplex Inc.** ([TSX:CGX](#)), the largest operator of movie screens in the country and the source of some serious innovation on that tired business model.

Here's a look at some of the things the company has done to redefine the movie experience.

There's still popcorn and a movie, but the surroundings are different

First things first, the traditional movie business isn't going anywhere anytime soon. Consumers still flock to the theatre to see the latest blockbuster movie and, given the huge titles released in the past year, this isn't a trend that's changing anytime soon.

By way of example, the recent *Star Wars* movie alone accounted for an incredible 6.1% of revenue in the last quarter. This isn't a single event either; both *Jurassic World* and *Avengers: Age of Ultron* also scored big on revenue, bringing in nearly 10% of the revenue on their own.

So what's changed? Cineplex is seriously upgrading the theatre experience for some customers.

For starters, Cineplex has launched a new VIP section, a blocked-off area that has both a bar and menu service. Seating is more personal in these new VIP sections—think a loveseat and lazy-boy setup with wide aisles over the narrow “airline” seat with a cup holder of years past. The cup holders are still there, but they can now support wineglasses.

And Cineplex pulled a masterstroke of a deal with Warner Bros. films to put black-and-white stills from classic movies on the walls of the VIP area instead of ads.

The intent is to get customers in earlier and have them stay later.

The Rec Room and sporting events

The Rec Room is another innovation that the company has been implementing. Think of the Rec Room as a large multi-purpose room that can be configured in a variety of different ways to host events, meetings, and parties.

The idea behind the concept is simple, yet brilliant. Instead of buying a box of popcorn and a pop for the movie, why not stay in the complex beyond the duration of the movie and spend more on additional concessions?

Another interesting development is Cineplex's purchase of 80% of World Gaming, an eSports business. This allows the company to host events and competitions for the gaming community.

The gaming community is a huge untapped market that is worth billions. Competitors and spectators for these events have traditionally gathered in front of the TV of a friend to watch or partake in these competitions. The fact that these competitions can now be hosted by Cineplex spells a significant revenue opportunity for the company.

If all of this weren't reason enough to buy Cineplex, consider the dividend it pays. The company's monthly dividend of \$0.13 earns a yield of 3.12%, making it an attractive option.

In my opinion, Cineplex represents a great opportunity for investors looking for long-term growth as well as dividends.

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1. Dividend Stocks
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