



Cineplex Inc.: Buy Now and Hold Forever

Description

You might wonder how a movie theatre chain in 2016 would be considered a great growth and dividend stock, especially with a myriad of connected devices and streaming options available at our fingertips.

Cineplex Inc. ([TSX:CGX](#)) is the largest operator of movie screens in the country, and it has innovated well beyond the movie and popcorn model to become a shining example of how businesses can evolve with the times and remain relevant.

Here's a look at what Cineplex has done to inject life into the tired, boring movie-business model.

Premium seating

Imagine if you could be seated in a VIP section to watch the latest Hollywood blockbuster. Gone are the small airline-style seats and stale popcorn, and in comes the large comfortable recliner, a chef-inspired menu, and a cup-holder designed to fit a glass of wine.

Cineplex's new VIP section is a new spin on the traditional model that allows customers to enjoy the show more than previously and perhaps stay longer and spend some more on concessions.

The company even removed all ads in the VIP section, pulling off a secondary deal with Warner Bros. films to put classic movie scenes in black and white on the walls of the VIP area.

Stay a little longer and watch an event

Another initiative that Cineplex has been actively expanding is the Rec Room concept. The Rec Room is a large multi-purpose room that is capable of being reconfigured and rented out for a variety of events, ranging from parties and get-togethers to corporate events.

The concept is so simple, it is brilliant. It keeps customers onsite, where they will spend more time and money. The Rec Room concept ties in nicely to another recent investment by the company in the realm of eSports.

Cineplex purchased an 80% stake in World Gaming, which has events and competitions that cater to the gaming community. Keep in mind that the gaming community is still very much an emerging market with lucrative opportunities measured in the billions.

These events have traditionally been held in private homes with spectators gathered around a friend's TV. Now that these events can be hosted in Cineplex locations, the revenue opportunities are significant.

Earlier this year, the first-ever Canadian Championship competition was held; over \$25,000 in prizes was awarded to winners, and the event drew huge crowds.

A little help from Hollywood

Despite all of these new concepts, Cineplex still has movies to show. Over the past year there have been a number of massive releases that have broken box office records and contributed greatly to the bottom line of the company.

Late last year, the first *Star Wars* movie in nearly a decade came out, which accounted for a staggering 6.1% of revenue. Together with *Jurassic World* and *Avengers: Age of Ultron*, the films accounted for 10% of all revenue.

With the summer movie season now in full swing, there are a number of blockbuster releases planned for the next few months that should continue to bring in revenue for the company.

In my opinion, Cineplex is one of the best opportunities for both dividend and long-term growth in the market. The company has a monthly payout of \$0.14 per share for a yield of 3.14%, and the stock has seen growth of over 8% year-to-date and nearly 100% growth over the past five years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

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