



## How Cineplex Inc. Has Reinvented the Movie and Popcorn Business

### Description

**Cineplex Inc.** ([TSX:CGX](#)) might be the largest movie theatre company in the country, but what really continues to impress me about the company is how it continues to innovate and breathe life into a tired business model.

The movie and popcorn business model of old relied on the appeal of the movie to draw in traffic. Once people were in the theatre, concession sales made up the bulk of the revenue for the movie company.

In the past decade this model has been shaken, particularly with the advent of broadband connections and smartphones, which allow consumers to watch movies from the comfort of their homes or while on the road through their smartphones.

So how has Cineplex managed to not only survive but prosper in this new environment?

It's survived by focusing on two core areas of the business: getting customers into the theatre, and getting customers to spend on concessions.

### Getting customers in and selling concessions

New blockbusters are no longer the only reason to get people into theatres. What Cineplex has done in this regard is sheer brilliance. Cineplex no longer thinks of theatres as places to watch movies, but as vast areas that can be used for nearly any function.

This is the idea behind Cineplex's Rec Room initiative. These reconfigurable rooms can be used for a variety of events, from birthday parties and sporting events to corporate-sponsored and catered events. Once on site, customers can then purchase concessions from Cineplex.



A little over a year ago, Cineplex bought World Gaming. World Gaming is an eSports platform, and through the deal, Cineplex can now broadcast and host games from the theatres, and, once again, concessions can be offered to customers. Hosted eSports events are very much in their infancy in Canada, but the billion-dollar industry is growing and is a huge source of revenue for companies in other markets.

By way of example, the 2015 *League of Legends* final competition drew in 360 million hours of live esports. The 2016 tournament is likely to surpass that figure.

The traditional movie business has also been reinvigorated by Cineplex. The company's new VIP experience offers customers larger, recliner-style seats and a chef-inspired gourmet menu in lieu of popcorn.

The VIP experience, which costs more than a traditional movie ticket, caters to the Cineplex goal of getting customers in and providing an avenue to get concessions.

### **Cineplex as a diversified business**

One of the things that few investors realize about Cineplex is that the company has a growing portfolio outside the movie theatre. Cineplex has a digital media segment that is behind the growing number of digital menu screens showing up in fast-food outlets across the country. The segment continues to grow, posting nearly 44% year-over-year growth.

As an investor, perhaps one of the best reasons to invest in Cineplex is because of the absolutely stellar dividend the company pays. Cineplex currently pays a monthly dividend of \$0.135 per share, which results in a yield of 3.13% given the current share price.

In my opinion, Cineplex remains a great investment option.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:CGX (Cineplex Inc.)

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