



Why Cineplex Inc. Belongs in Your Portfolio

Description

When was the last time you went to a movie theatre?

When asked this question, some people will stop and wonder what business a movie theatre has in 2017, especially seeing the nearly infinite number of ways to stream content to an ever-increasing number of devices. Some might say it's an outdated relic, much like a VHS tape or the more recent but also outdated DVD.

Cineplex Inc. ([TSX:CGX](#)) is the largest movie theatre chain in the country, and despite catering to this legacy business model, the company has found surprising ways to reinvigorate that tired business model and become a great investment option for nearly any portfolio.

The movie-and-popcorn model is not dead

Cineplex's traditional business model, in its simplest form, is to charge customers a fee for watching a movie in a Cineplex theatre and offer customers a variety of concessions for an inflated cost. This hasn't changed much in the past 50 years apart from the price of the movie and popcorn.

What has changed, however, is that Cineplex has innovated the traditional model to create new and lucrative revenue streams.

Cineplex created the VIP experience as an alternative premium way to watch a movie. On a personal note, I opted for this recently and absolutely loved it, vowing never to go the non-VIP route again.

The VIP experience includes wide leather seats, reserved seating, and in-seat menu ordering. That experience comes at a higher cost, but it was definitely worth it. There's even a lounge and bar area outside the theatre for VIP patrons to catch pre-movie refreshments.

The key point for Cineplex in this model is that the company is getting customers into the theatre earlier, and they're staying longer and ordering more. Under the old model, I would have gotten to the theatre 10 minutes before the screening, grabbed a drink and some popcorn, and settled into my seat. With this new experience, I'm grabbing a drink and dinner along with my movie.

It's a genius move that Cineplex is rolling out to more locations.

eSports is set to take off in a big way

Another interesting development from Cineplex has to do with the company's purchase into the emerging world of eSports. While this industry is still in its infancy in Canada, it is a multi-million-dollar business in other parts of the world.

The idea is simple, and similar to Cineplex's core business: get people on site and offer them concessions. Cineplex has already hosted a number of live and streamed events in theatres. As the idea of watching competitive online video gaming in theatres begins to take hold, this will become a larger segment of the company's revenue.

Cineplex as an income generator

Perhaps one of the most well-known reasons to invest in Cineplex is the dividend. The monthly dividend of \$0.14 provides investors with a yield of 3.16%.

While that yield might not sound as appetizing as some of the other picks on the market, keep in mind that Cineplex is constantly innovating, growing, and expanding into new areas. In other words, there are plenty of avenues for growth — not just the movie theatre segment.

Cineplex is, in my opinion, a great buy-and-forget option for your portfolio.

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