



## What Do Movie-Going Trends Say About the Future of Cineplex Inc.?

### Description

As the entertainment industry experiences a technological revolution, movie-going audiences are evolving with it, as is the product they are consuming.

Conventional wisdom lends credence to the idea that the cinema is in terminal decline with the rise of the home entertainment market, exemplified by the expansion of **Netflix Inc.**

A June 2015 study by TeleFilm Canada, Show Canada, and ERM Research showed that there were 20.3 million moviegoers in Canada over the age of 13. These consumers see an average of 5.1 movies over the course of a year. Of this movie-going base, 16% are considered heavy consumers — those who attend 10 or more movies in a year. This section of the movie-going audience purchased 60% of tickets in the 12-month period of the study.

The two youngest demographic segments — ages 13-17 and 18-24 — had the highest levels of growing attendance and the lowest level of decreasing attendance. The largest drops have been in the 45-54 and 65 and older demographics, declining 27% and 33%, respectively. The study also revealed that moviegoers consume all types of media, including streaming television, which may indicate that the continuing rise of this industry may not necessarily mean it will dramatically cut into cinema audiences.

### How does this impact Cineplex Inc.?

**Cineplex Inc.** ([TSX:CGX](#)) operates 162 theatres across Canada through its subsidiary Cineplex Entertainment LP. The stock has experienced a volatile 2017 — down 3% for the year. On July 25, it closed at \$49.23 — down 0.75%. The company recently unveiled an entertainment and eats emporium known as The Rec Room to branch out and boost revenues.

On May 2, 2017, Cineplex revealed its Q1 2017 earnings. The company saw revenues increase 4% from the same period in 2016. Attendance dropped by 4.8%. Gains in net income were driven by an increase in box office revenues per patron and concession revenues per patron, illustrating the dependence on increasing ticket and concession costs to boost profits.

*Beauty and the Beast* and *The Fate of the Furious* led the way so far in 2017, raking in over \$1 billion each worldwide. Though performance at the box office has been tepid so far in 2017, the release of the eighth installment in the *Star Wars* franchise in mid-December promises to be a massive boost. *Star Wars: The Force Awakens* took in over \$2 billion worldwide in 2015 and 2016 to settle in at third on the all-time list.

Cinemas are looking at a consumer base that is narrowing with higher ticket prices and home entertainment options growing across the board.

Cineplex stock has seen a decline of 7% since late June. The latter half of 2017 may present opportunities for investors as the mammoth release of *Star Wars: The Last Jedi* promises to bring in huge audiences during the holiday season.

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## Date

2025/08/26

## Date Created

2017/07/31

## Author

aocallaghan

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