



Cineplex Inc. Drives for the Green

Description

Cineplex Inc. ([TSX:CGX](#)) announced July 26 that it's entered a joint-venture partnership with Topgolf Entertainment Group that will see Cineplex open some Topgolf venues across the country.

If you're not familiar with Topgolf, it's kind of like **Dave & Busters Entertainment, Inc.**, only it's built around the game of golf. It's a place for friends to go and have drinks, dinner, play some competitive golf games catering to all skill levels and have a good time.

Topgolf is the bowling alley of the 21st century, only with better food and drink. I believe that this is a great move by Cineplex and another reason why Ellis Jacobs is one of the best chief executives anywhere in Canada.

"Topgolf locations are typically three-level, 65,000-square-foot venues that feature a chef-driven menu, top-shelf drinks, big screen TVs and music in climate-controlled hitting bays for all-seasons comfort," states the joint venture's press release. "Year-round programming includes events for kids and families, social leagues, groups, golf tournaments and instruction."

Isn't golf dying?

That's a fair question.

While it's true that people aren't golfing as much these days given the six-hour rounds and exorbitant green fees, the game is an excellent way to bring family and friends together for a few hours of fun without breaking the bank.

"Throughout the years, Canada has been the top-requested country among our fans asking us to expand outside the United States," said Topgolf Entertainment Group co-chairman and CEO Erik Anderson. "We're thrilled to continue our growth in North America and introduce Topgolf as a destination for entertainment and socializing where Canadians can play golf even when there's snow on the ground."

Topgolf got its start in 2000 when two brothers in the U.K. were practicing at the golf range and wondered how they could spice up the experience while honing their games.

Today, it has 33 locations worldwide with 11 new locations opening in the U.S. and more internationally including Australia, Mexico, and, of course, Canada. Topgolf gets 26,000 visits per day with an average group size of four staying approximately two hours per visit. More than one-third of Topgolf guests are non-golfers, and 53% are ages 18-34.

You couldn't get a more suitably similar audience to Cineplex's 75 million annual guests if you tried.

Bottom line

If you're an investor thinking about Cineplex stock, you have got to forget about the old stereotype that's followed the movie theatre business for the past 40 years since the introduction of Betamax in 1975.

People aren't going to stop going to movies in favour of watching them in their own homes, because no matter how much you spend on that home theatre system, it's still not going to do justice to movies like *Dunkirk* or *Wonder Woman*. It's just not.

Fool.ca's Ambrose O'Callaghan recently [discussed](#) movie-going trends and how that might affect Cineplex stock. While the author provided some pros and cons to Cineplex's business, ultimately, Callaghan concluded its stock could be a good buy in the second half of 2017 due to the December release of the latest *Star Wars* movie.

I take a different approach.

I see Cineplex being a good stock to own for the long run because its transition from movie exhibitor to entertainment company is well on its way; its Topgolf partnership only affirms that.

In the meantime, remember that Cineplex has always done one thing well when it comes to its legacy business. Year in, year out, no matter the movie quality, it's routinely grown box office and concession revenue per patron.

As some of these newer ventures deliver revenue and profits, earnings per share will begin to take off, producing significant gains for shareholders.

Cineplex is in the third inning of a nine-inning game. Patience will be rewarded, especially if you buy on the dips.

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Date

2025/08/26

Date Created

2017/08/04

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