



Is the Movie-and-Popcorn Business Finally Ending?

Description

The traditional movie-and-popcorn business hasn't changed much since it was first introduced over half a century ago. Customers pay an admission, purchase concessions, and then sit down to enjoy a show.

Over the years, the exclusivity that the movie theatre once held has been lost, as the emergence of new mediums to watch the latest movies, whether it be through a smartphone, tablet, or streaming through a smart TV, has made going to the movies unnecessary for some people.

Cineplex Inc. ([TSX:CGX](#)) operates the largest movie theatre chain in the country and released second-quarter earnings earlier this month which left investors questioning if the stock is still a great long-term investment option.

In the most recent quarter, revenue topped \$364.1 million, which was a 7.7% improvement, but that improvement still failed to meet analyst expectations. Box office revenue saw a small improvement in the quarter, inching up 2.4% to \$170 million, while attendance dropped by 2.2% over the same quarter.

Overall, the results were mixed, which led to a drop in the stock price.

Cineplex is more than movies

One thing that has always impressed me about Cineplex is that the company is about more than just movies. Whether it's through innovation or a new business altogether, Cineplex is constantly reinventing itself.

Cineplex announced a new deal this month with **IMAX Corporation** ([TSX:IMX](#))([NYSE:IMAX](#)) which is set to expand the number of IMAX auditoriums in Canada to 25. As part of that same agreement, a new IMAX VR Centre is set to be built in the ScotiaBank Theatre in Toronto.

For Cineplex, this is a unique opportunity for the company to continue to expand into a broad entertainment offering, rather than the traditional movie model that is showing signs of age.

That's not to say there aren't innovative offerings to spruce up the movie business. Cineplex's VIP experience remains one of the best (if not *the* best) ways to watch a new release from the comfort of a leather recliner and a full menu to select from on offer.

The same level of innovation could be said of the Rec Room concept, which is still rolling out across the country. The Rec Room's large, configurable spaces allow nearly any type of gathering or party to be held there, with both food and entertainment on offer as well.

Is Cineplex a good investment?

To answer that, let's first get something clear: Cineplex is an entertainment company.

That's an important distinction to make, as there is a lot more to Cineplex than the movie theatres the company is often associated with. Cineplex has expertly found ways to innovate and expand its revenue stream.

While the stock has pulled back over 20% in recent months, Cineplex is still a great opportunity for investors. Some of that pullback can be attributed to Hollywood. Despite nearing the end of the summer blockbuster season, industry experts are already calling the 2017 summer movie season to date one of the worst in over two decades, with box office sales significantly lower than last year.

That doesn't worry me, and here's why.

The typical summer blockbuster season sees massive titles come to the screen that bring in box office revenue. The only problem is that this year the release schedule was anything but typical. In fact, most of highly anticipated movies of the year were released either before the summer season or are set to follow in the fall. Specifically, *Justice League*, *Thor: Ragnarok*, *Jumanji*, *Coco*, and, arguably what is set to be the biggest movie of the year, *Star Wars: The Last Jedi*.

If anything, 2017 may end up being one of the best years on record for the box office; we just have to wait a little longer.

In my opinion, the recent pullback on Cineplex presents an excellent opportunity to buy into a company that pays a very impressive monthly dividend which amounts to a 4.5% yield.

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