



Will Sporting Events Bring Customers Back to Cineplex Inc.?

Description

Cineplex Inc.'s ([TSX:CGX](#)) stock has declined 25% year to date, as the company tries to find ways to reinvent its business and adapt to a more competitive environment that has seen online streaming grow in popularity and kept moviegoers at home.

Attendance numbers have been struggling, and whether or not you want to blame it on the lack of quality movies, it has already resulted in [Cineplex having to cut prices in August](#) — a time when attendance figures would have been expected to be near peak levels for the year.

One way Cineplex has tried to change its business model has been through [its new Rec Room](#) experience, which it hopes will draw a broader audience by offering various types of entertainment, along with food service, a bar area, and many other attractions.

Cineplex reaches agreement to show National Football League games

Another way that Cineplex plans to diversify is by showing popular events at its theatres, including sports. The company recently announced a three-year deal with the National Football League where Cineplex will show Sunday night games at its theatres. The games will be shown in 15 VIP locations and will be expanded to 50 for the Super Bowl.

At \$5, a ticket it can make an easy night out for people to watch a game. However, at such a low price point, it's hard to imagine how Cineplex will be able to break even without relying heavily on food and alcohol sales. If it's the latter, then it might be a challenge to convince people to go to Cineplex to watch a football game and need to worry about getting a ride home afterward.

In an era of 70-inch TVs, Cineplex may have missed the boat on this one. My concern as an investor would be that Cineplex is transforming from a business model that had mass appeal to something that will be very niche.

Why this should concern investors

A company that is drastically changing the way it does business is a big gamble. In one instance, you

can look at a company like **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY), which reinvented its business model from making cell phones to focusing on software and other cloud-based solutions for businesses.

In that example, the change worked because it wasn't going into an ultra-competitive industry, and it was also an area where there would be significant demand.

In the case of Cineplex, it's hard to see where the growth and demand will come from. Currently, sports fans can watch games from the comfort of their own homes, consume alcohol bought at more affordable prices than would otherwise be available at Cineplex or any other venue, and pass out on their couch without having to worry about securing a designated driver.

Going to Cineplex to watch a sporting event would make that experience more expensive, more complicated, and more time consuming.

It's a move that I don't believe will pay off, because there's just not many people that I can see that experience appealing to. Movie theatres had one advantage over television: new movies wouldn't be available to rent for home use until months later. Even with that advantage, movie theatres are still struggling.

Sporting events aren't going to provide Cineplex any competitive advantage, and for that reason, I don't see this paying off in the long term.

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