



Use the Force and Buy Cineplex Inc.

Description

Cineplex Inc. ([TSX:CGX](#)) is one of the most innovative companies on the market. As the largest movie theatre company in Canada, Cineplex has the lion's share of box office revenue, which could be both a blessing and a curse at times.

Last month, I'd mentioned that Cineplex's weakness over the last summer box office season was nothing more than a [seasonal blip](#), owing to the fact that for the first time, many of the year's most anticipated movies weren't released during the summer blockbuster season.

That didn't stop many investors from dumping the stock, leading to what is now a 23% drop in stock price year to date.

Is the movie-and-popcorn model dead?

One of the long-standing and often-repeated concerns about Cineplex is the continued feasibility of the traditional movie-and-popcorn model. The formula hasn't changed much since the first movie theatres opened; you pay admission to see a show, and while there you can purchase some concessions at what are typically increased prices.

That formula worked well for decades — at least until the advent of the internet and streaming services allowed people to watch their movies from any location and any device for considerably less money.

Cineplex saw this growing trend and diversified into offering other services, such as VIP seating, and eGaming to augment revenue.

Those new services have not only shown there's life to the traditional model, but given a few small tweaks, that model can thrive.

What about those summer blockbuster numbers?

Two of the most anticipated movies of the year include the latest *Star Wars* movie and the *Wonder Woman* and *Batman* movies.

The Last Jedi opened less than a week ago and has already brought in over US\$220 million at box offices around the world, becoming the second-best release ever.

The same could be said when considering another release, *Justice League*, which opened in theatres last month before the U.S. Thanksgiving weekend, has also brought in over US\$200 million over the past few weeks. A third highly anticipated film, *Thor: Ragnarok*, has brought in over US\$300 million since its entry to theatres early last month.

It would seem those weak box office numbers were only temporary.

Cineplex is a great investment

While Cineplex is still arguably reliant on Hollywood blockbusters for prolonged success, the focus of the company is shifting away from just movie theatres to be an all-encompassing entertainment company.

Cineplex's Rec Room locations are a prime example of this. The multi-functional spaces can be configured to host a variety of events from birthdays and small gatherings to fully catered corporate events. The Rec Room has proven successful so far, leading the company to add several more across the country.

Perhaps one of the strongest reasons to consider an investment in Cineplex continues to be the monthly dividend that the company offers. The recent dip in stock prices has provided a lift to an already appetizing yield, pushing it to 4.31%, making it one of the best [dividend-paying investments](#) on the market this season.

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Author

dafxentiou

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