



This Entertainment Company Is a Unique Growth Opportunity

Description

Cineplex Inc. ([TSX:CGX](#)) is not a movie theatre company but an entertainment company.

This is an important distinction, as most investors are dismissive of Cineplex's other ventures and how they are creating new revenue streams for the company over and beyond the traditional movie-and-popcorn business model

The movie-and-popcorn business is not gone ... yet

One of the constant criticisms about Cineplex is that the traditional movie-and-popcorn business, which hasn't evolved much in the past few decades, has no place in our modern, connected society.

Our smartphones, tablets, smart TVs, laptops, and an assortment of devices let us stream the latest movies from Hollywood from anywhere with a wireless connection, so why bother with paying a hefty admission fee and concession prices?

This was a concern voiced by some, as last year's summer blockbuster season ended much weaker than expected; I provided a counter-argument to this last month. The biggest blockbusters of the year were outside the traditional period between May and September. If anything, the box office was [stronger than expected](#).

Still, we tend to underestimate the movie-going experience, and this is something that Cineplex has worked on updating over the past few years.

The VIP experience, for example, offers movie goers an opportunity to enjoy the show in larger recliner style seats, and that premium experiences also comes with a full hot menu instead of candy and popcorn.

Cineplex has also expanded into the realm of eGaming; it's hosting events in theatres that not only cater to a different audience, but allows that new audience to order concessions and improve Cineplex's bottom line.

Regardless of what Cineplex does to lure customers in (and the company has done well in recent years), the fact remains that Cineplex is still dependent on Hollywood releasing movies that people want to see.

This is a key reason for Cineplex expanding into other revenue streams.

What are those new revenue streams?

The Rec Room is a large multi-purpose area that can be set up to host anything from small, intimate gatherings to large corporate, catered events.

The Rec Room offers a varied menu ranging from popular concession food items, such as popcorn and hot dogs, to upscale casual dining options. An assortment of games and live music help with the company's vision of the Rec Room as being something of a playground for adults.

Cineplex recently announced plans for a new 40,000-square-foot Rec Room in Winnipeg, which Cineplex notes will have a VR room, doughnut bar, bowling alley, and poutine station.

Since opening the first Rec Room two years ago in Edmonton, Cineplex has opened five others across Canada, and other locations across the country have been noted as potential expansion points.

Should you invest in Cineplex?

I really like the Rec Room concept and believe it will be successful for years to come; it shares the main principles of Cineplex's core movie business — get customers on site to offer some entertainment and concessions.

Even better is the fact that the Rec Room continues to expand without shutting down the revenue stream from the movie business. This is a very important factor that many are dismissive of. The movie business isn't going anywhere, but that business *is* evolving.

Investors contemplating an investment in Cineplex should also take note of the very attractive monthly dividend, which provides an appetizing 5.42% yield, making the company an [intriguing dividend investment](#).

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Date

2025/08/25

Date Created

2018/03/26

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