



## This Entertainment Company Is About to See Growth

### Description

**Cineplex Inc.** ([TSX:CGX](#)) remains an outstanding investment option that long-time [dividend investors](#) will know and respect. Unfortunately, the stock also has its fair share of critics, who had long bemoaned the end of the movie-and-popcorn business that Cineplex is most known for.

### Is the movie-and-popcorn business dying?

At first glance, I can see why there are many skeptics in this same position. Going to a movie takes time, which is something that few of us are willing to part with these days. Over the course of the past few years, we've become increasingly reliant on instant gratification. Whether it's through social media, online shopping, or requesting and sharing information, our technology and always-connected lifestyle has made it nearly impossible to disconnect.

When you also consider that there are a nearly an infinite number of ways in which we can now consume the latest and greatest entertainment from Hollywood, this furthers the argument that the movie-and-popcorn model hasn't really changed in half a century.

Despite those critical views, I remain bullish on the stock for a few compelling, yet often dismissed reasons.

### The movie theatre business is very much still alive

First, Cineplex is very reliant on what Hollywood can provide. If there's a lackluster movie season, the box office will feel the pain, and critics of Cineplex will say that the end is nigh, as we saw last summer — a summer often cited as the worst box office in years.

The problem with that view is that the comparative measure used is a seasonal box office comparison that is starting to wane. The biggest movies of the year are no longer released during that summer blockbuster season, leading to a more balanced, yet still positive box office return.

By example, of the three biggest movies released in the past calendar year, none were released in the summer, but they all still managed to smash records:

*Black Panther*, which opened in the middle of a harsh winter, managed to break multiple box office records, grossing over US\$500 million.

*Star Wars – the Last Jedi*, arguably the most anticipated movie of the year, opened during the holiday season in 2017, grossing over US\$600 million to date.

*Thor: Ragnarok*, which opened in theatres back in November last year, managed to gross over US\$300 million.

Looking forward to 2018, there are at least a dozen new movies that can be seen on par with the three blockbusters mentioned above. Between *Infinity Wars*, *Solo: A Star Wars Story*, *Deadpool 2*, *Jurassic Park: Fallen Kingdom*, *Mission Impossible- Fallout* and *Aquaman*, only two of those will fall in the traditional blockbuster period.

### **Cineplex is building up parallel business models**

One thing that continues to impress me about Cineplex is how the company can take a seemingly simple business model and inject innovation into it so that it becomes a lucrative and profitable venture.

Take the movie business: At its core, the business essentially comes down to charging admission to a show and then offering concessions. Cineplex has taken this model and expanded it out in several areas.

Take for example, Cineplex's VIP experience. Cineplex offers larger, recliner-style like seating in selective locations that come with a full menu and beverage list. The popcorn-and-pop model becomes much more refined experience at a much higher price point. As someone who has tried the VIP experience on multiple occasions, I'm sold and will continue to look only for that option in the future.

Cineplex has also ventured into both the eGaming and live entertainment segments in recent years, both of which continue to show progress.

### **Should you invest in Cineplex?**

In my opinion, Cineplex remains an outstanding investment option. While Cineplex's dividend, which pays out an incredible 5.44% yield, may be reason enough for some to consider an investment, Cineplex has plenty of opportunity as a [unique growth option](#) over the long-term.

### **CATEGORY**

1. Dividend Stocks
2. Investing

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