Buy, Sell, or Hold: Cineplex Inc. (TSX:CGX)

Description

It never fails to surprise me just how different people's opinions are regarding **Cineplex Inc.** (TSX:CGX
).

Canada's largest movie theatre and entertainment company has lost favour with some investors over the past few months, leading to a sell-off on the stock. Some of the reasons for that drop include being at the mercy of Hollywood and the proliferation of streaming services and devices that reduce the reliance and exclusivity of watching the latest movie on a theatre screen. Adding to this is a string of weaker-than-expected results that have weighed heavily on the stock.

Year to date, Cineplex has dropped 20%, and over the course of the past 12-month period, the stock has shed over 40% of its value.

Bearing all of this in mind, should investors buy, sell, or hold Cineplex?

Now is the time to be greedy

One of my favourite all-time quotes from Warren Buffet is, "… be fearful when others are greedy, and be greedy when others are fearful." Let's face it — there's a lot of fear circulating around Cineplex these days.

Some of that fear may be unfounded, however. While Cineplex does have an over-reliance on what comes out of Hollywood, that also applies to just about every other streaming service on the market. And while traditional sales numbers for the "summer blockbuster season" last year were far below previous years, this has been debunked on several occasions already as being more a result of a staggered release schedule by the big studios over a longer period of time measured in months, not years.

Looking back over the past two years, some of the biggest movie releases came outside the mid-May to Labour Day time frame. *Thor: Ragnarok* grossed over US$800 million worldwide in a 14-week span that started in November of 2017.

Another product of Marvel studios is *Black Panther*, which was released in February of 2018 and has so far brought in US$1.3 billion worldwide. Another US$1 billion was earned from *Rogue One: A Star Wars Story* that opened in December 2016 and had a theatre run that closed just as the traditional blockbuster weekend opened in May.

The point here is that Hollywood is still cranking out great movies that people will go to the theatre to see; they are just not being released solely in that three-month period we are accustomed to anymore.

What about that movie-and-popcorn business model?

The movie-and-popcorn business is dying.

This is another often-mentioned criticism of Cineplex's traditional business model, which, in its most simple form, is to charge people an admission to see a show and offer them (marked-up) concessions while there.

While the advent of connected devices such as the smartphone, tablet, and smartTV arguably diminished the need for people to go to the theatre, there's still a more than sizable majority who prefer watching a movie on a huge screen in a leather recliner as opposed to watching the same movie on a four-inch screen with a tiny speaker.

Additionally, Cineplex has evolved to include things such as premium seating and a dining experience during the movie through its VIP offering, and the company continues to branch out to new areas and draw in more traffic thanks to its connection to eSports platform WorldGaming.

Perhaps *evolving* is a better word to describe Cineplex's business.

Why should investors consider Cineplex?

Cineplex has plenty to offer investors. From the monthly dividend which pays an impressive 5.71% yield that makes Cineplex appealing to dividend-seeking investors to the company's ambitious, yet successful digital media segment and its rapidly expanding Rec Room venture, Cineplex is a great option for long-term investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/27
Date Created
2018/06/26
Author
dafxentiou