



Left in Netflix's (NASDAQ:NFLX) Dust? Think Again! Why Cineplex (TSX:CGX) Is Poised for Growth

Description

Over the past few years, the media has provided significant commentary on how the entertainment industry's competitive landscape has been shaped by the dominance of **Netflix**. The convenience and quality content of the streaming service has undoubtedly caused competitors to up their game. In attempt to drive up revenues, movie theatre operators such as **Cineplex** ([TSX:CGX](#)) have shifted strategies to focus on the entertainment experience. But has this approach worked?

Glancing at Cineplex's chart of historical stock prices since its IPO, it's apparent that the [market is skittish](#) about the company's future prospects. However, a closer examination of the company's business model may change investor sentiment. In truth, the management team at Cineplex has done an exceptional job in creating value in an extremely competitive market.

First and foremost, the Cineplex team has developed strong, innovative partnerships that will provide wider market exposure to new audiences. For example, Cineplex's relationship with D-Box Technologies—a company that specializes in immersive entertainment through motion systems—adds a ground-breaking level of audience engagement that enhances user experience. D-Box seats bring movies to life, and the technology can be applied to additional aspects of entertainment like gaming, which is another industry on Cineplex's radar.

Through a subsidiary known as World Gaming, Cineplex has tapped into the growing eSports market, which is expected to surpass the \$1 billion revenue mark by 2019. In anticipation of growth, equities within this space have seen rapid price acceleration and have outperformed the market by a wide margin. Over the past five years, **Activision Blizzard** is up over 300%, and **Electronic Arts** is up roughly 250%, which signifies that investors should take [notice](#) of this growing trend.

That being said, smart money has certainly flowed into the eSports realm, perhaps most notably with **Amazon's** US\$970 million purchase of Twitch. Following suit, Cineplex's acquisition of World Gaming allows the company to leverage theatre sites as locations for larger e-sports tournaments and offers a revenue-rich content alternative to the traditional cinema operator.

Aside from eSports, the company has invested heavily in location-based entertainment through brands such as Playdium, The Rec Room, and Topgolf. With plans to develop 10-15 locations each for both Playdium and The Rec Room, Cineplex is testing new waters by betting on businesses that bring people together. In addition to these exciting developments, Cineplex's joint venture with Topgolf brings an opportunity to add a brand with a global footprint, which boasts **Callaway Golf Company** as an investor.

It's clear that Cineplex has a strategic vision to build a premium entertainment company that can reach wide audiences. The traditional movie theatre business model may face market uncertainty due to technological change, but investors should ignore the noise and dismiss that criticism if applied to Cineplex. This company is building something interesting that promotes community and increases social capital, which both have positive effects on economic growth.

In short, if the company is successful with its expansion into eSports and development of location-based entertainment venues, this stock could be a blockbuster hit.

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