



This Is Not the Endgame for Cineplex (TSX:CGX)

Description

Critics of **Cineplex Inc.** ([TSX:CGX](#)) have long-held their views that the entertainment company, which still drives most of its revenue from the theatre box office, is in decline, and that traditional movie and popcorn view is no longer a [feasible long-term investment](#) option. The rationale for that view stems from the growing number of devices and streaming options that are available to us to consume content on, which has also coincided with a steady decline in box office sales.

We're in the endgame now

With the release of *Avengers: Endgame* last week, that view can be safely tossed out. In under a week since its release, the blockbuster has already broken several box office records that have seen it surpass US\$1.2 billion in global sales, including nearly US\$300 million from the U.S. and Canada alone.

Perhaps most important, the release of this latest blockbuster has proven that when a great movie is released people will still flock to see it in theatres right away rather than waiting for that movie to be released onto streaming platforms.

While one movie isn't going to reinvigorate a business model in decline, a series of highly-anticipated blockbuster remakes and sequels are being released over the next few months that will keep theatres full. Examples of this include *Toy Story 4*, *Frozen 2*, *The Lion King* and *Alladin*.

Cineplex has other revenue streams too

Cineplex's business model hasn't really changed much over the years- charge admission to see a show, and then offer concessions to customers to enjoy during the show. That's not to say that Cineplex hasn't innovated its business over the years to modernize that model: Cineplex has done exactly that on a number of different fronts.

There's Cineplex's VIP program, which charges customers a higher admission rate in exchange for

reserved seating in recliner-like seats with a full menu to order from. Then there's what is likely to be the most intriguing development in recent years: the Rec Room. The Rec Room is an entertainment venue complex that offers games, food, and entertainment in a multi-configurable package that can host anything from birthday parties to large sponsored events.

So far, Cineplex has opened seven Rec Room locations across the country, the most recent of which opened earlier this month in St. John's.

Is Cineplex a good investment?

There's no denying the fact that Cineplex is in the midst of revamping its revenue stream to be less-reliant on Hollywood, and that process will take years. That said, the areas where Cineplex has already innovated, such as the Rec Room as well as the Digital Media segment are both continuing to see growth.

Speaking of growth, Cineplex is one of a handful of companies that has yet to see the stock price turn into the black during 2019. While most of the market is showing strong double-digit gains for the year, Cineplex is trading near flat for the year, a feat that makes the stock a solid target for value-seeking investors.

Then there's Cineplex's dividend. The monthly distribution pays out a very impressive 7.15% yield, which should [attract income seekers](#). In short, Cineplex can offer growth and income-producing capabilities for investors, making it an intriguing addition to any well-diversified portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/07/25

Date Created

2019/04/30

Author

dafxentiou

default watermark