4 New Reasons to Consider Cineplex (TSX:CGX)

Description

Cineplex (TSX:CGX) is an odd position at the moment. From one perspective, Canada's largest entertainment company most known for its massive network of movie screens has its sheer size on its side, meaning that for as long as movie-goers keep coming into the theatres, the company will continue to generate revenue.

On the other hand, a growing number of skeptics view that business model as winding down and that the company will need to do something drastic, such as slashing its extremely appetizing dividend to account for that decline.

Here are several key reasons why investors shouldn't dump Cineplex just yet, however.

Reason 1: Hollywood is booming this year

Much of the negativity surrounding the movie-and-popcorn model began to pick up steam nearly two years ago with the widespread adoption of streaming services, as well as the disappointing blockbuster season box office numbers. While the season was dismal, particularly when compared with prior years, at the time I pointed out something significant that still stands today: we no longer have such a pre-defined blockbuster season.

The growing success of storied movies that span years and multiple movies are becoming more commonplace. The highly anticipated *Avengers: Endgame* movie released last month is a prime example. The movie culminated a story arc that began a decade ago that included over a dozen different movies.

More important, the speed at which those movies are being released means that there are release slots for these blockbusters across the entire calendar, not just during the May-September traditional blockbuster window.

It's not just superhero movies either. We've also seen an increase in stories spanning multiple movies in the past few years with installments from Star Wars and even the James Bond 007 series being released outside their traditional windows. Looking to the rest of the year, audiences can expect to see follow-ups of *Frozen* and *Toy Story*, as well as remakes of the classics *Lion King* and *Alladin.*

Reason 2: Cineplex is diversifying

One of the things I truly admire about Cineplex is that the company is expanding into new areas and diversifying its portfolio to offset any potential long-term decline in revenues from the traditional movie-and-popcorn model.

In some cases, that innovation comes in the form of tweaking the experience, such as introducing VIP service with larger seats and in-seat menu ordering. In other cases, that innovation comes in the form of a digital media arm responsible for many of the digital menu ordering screens that are becoming commonplace across the fast food industry. Cineplex has even partnered up to allow delivery service of its movie-snacks for those would-be patrons opting to stream a movie at home.

Reason 3: The Rec Room

While the Rec Room really fits into the diversification point noted above, the significance and potential of it warrant its own point. The highly successful Rec Room concept continues to attract a growing portion of revenue with each passing quarter, and Cineplex is investing in opening up additional locations across the country.

One such example is the 45,000 square-foot location in downtown Vancouver announced earlier this month. When complete in 2021, the location will host a variety of games, restaurants, a rooftop patio, and other amenities to draw in customers across all segments.

Reason 4: Cineplex's dividend

Finally, we come to Cineplex's dividend. The current monthly distribution provides an appetizing yield of 6.79%, handily making it one of the best-paying yields on the market. If that weren't reason enough to consider the stock, there's also the fact that Cineplex has provided investors with a stream of dividend hikes over the years, including a 3.4% increase announced this month.

There's no denying the fact that the movie industry is changing and that those changes may impact Cineplex in the form of lower attendance over time. Fortunately, Cineplex is already well underway with a series of new initiatives to offset that potential decline, and Hollywood is also doing its part in continuing to release the types of movies that customers will want to see in a theatre.

In other words, Cineplex is still a great investment — and not just for that tasty dividend.

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
2025/07/05
Date Created
2019/05/27
Author
dafxentiou