



Cineplex (TSX:CGX): Time to Buy?

Description

Cineplex ([TSX:CGX](#)) remains one of the most [undervalued](#), misunderstood, and potentially lucrative long-term investment options on the market today. So far in 2019, Cineplex is trading down just over 2%, but over the course of a longer two-year window, those losses extend to well over 30%. Is Cineplex still a solid investment option?

To answer that question, let's take a look at some of the factors influencing Cineplex as well as the company's recent quarterly update.

Is the movie business an outdated business model?

This is one of the biggest concerns that is constantly raised by critics. The belief is that the widespread adoption of smartphones, smart TVs and a myriad of devices capable of streaming content from nearly anywhere where a wireless connection is available has rendered the movie-and-popcorn model obsolete. There is some truth to this concern, as the introduction of streaming services to the market has shortened what was once a wide exclusivity window for theatres. Streaming services also have a much lower price point than going to the theatre, with a month of unlimited watching typically costing about the same or less than a single movie ticket.

But crowding around a cell phone or tablet to watch the latest Hollywood blockbuster isn't anywhere near the immersive experience offered in theatres.

Another point of concern is declining theatre attendance. Critics often point to this as proof of the demise of the movie-and-popcorn model, but that's only partially true. An example of this is poor attendance during "blockbuster season" (defined as the period of late May through Labour Day weekend). What that statement doesn't take into consideration, however, is the movies themselves being released during that period of time or the bevy of franchised movies that are being released in short succession outside that traditional blockbuster window.

By way of example, the four biggest movies of the past two years were all superhero movies released *outside* that blockbuster window, yet all of those movies have made over US\$1 billion across

international box offices. Looking towards the next six-month period, follow-up movies from both the Star Wars and James Bond franchises are expected to be released outside that window and once again surpass expectations.

In summary, device streaming may be clawing away at attendance numbers overall, but the movie-and-popcorn model isn't going anywhere anytime soon. In fact, Cineplex has a number of innovative offerings that are drawing people back to theatres.

What's next for Cineplex?

Cineplex has introduced a number of new offerings within its theatres over the years to draw in new customers. For example, Cineplex's VIP service offers recliner-style seating and full-menu ordering, albeit at a higher price point. Additionally, Cineplex partnered with meal-delivery businesses earlier this year to facilitate ordering and delivery of movie popcorn and treat to customers still opting to stream movies at home.

Cineplex is attracting a lot of attention through its Rec Room entertainment offerings. Rec Room locations offer food, beverages, and games for customers and often feature live entertainment.

In the most recent quarter, revenue from Cineplex's Rec Room business came in at \$20.9 million, reflecting a whopping 33.4% increase over the prior period. The success of the Rec Room business has prompted Cineplex to continue to build additional locations, with 10-15 locations planned across the country.

Overall, the company reported net income of \$19.4 million, or \$0.31 per share, which exceeded the consensus forecast among analysts that called for net income of \$15.35 million, or \$0.24 per share. Total revenue came in at a record-breaking \$439.2 million.

Final thoughts: just enjoy the show

The threat posed by streaming services is real, but Cineplex is not resting on its laurels either. The company's Rec Room concept continues to attract more customers, filling a void in the marketplace for live entertainment and games.

Investors contemplating an investment in Cineplex should also take note of the attractive monthly dividend on offer by the company. The current payout provides an attractive 7.28% yield, handily making Cineplex one of the [better-paying dividend stocks](#) on the market.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/05

Date Created

2019/08/30

Author

dafxentiou

default watermark

default watermark