



Cineplex (TSX:CGX) Innovates Again! Is it Enough?

Description

Canada's leading entertainment company, **Cineplex** ([TSX:CGX](#)), continues to face an uphill battle. Cineplex's most vocal critics claim the traditional movie-and-popcorn model is dying, particularly due to the growing number of devices and streaming options available to consumers.

There's some truth to that claim. Two of the most anticipated new streaming services are set to launch next month with budgets for exclusive content swelling well into the billions. None of that exclusive content is set to make it outside those walled gardens being built, and streaming services have on-demand libraries of thousands of videos rather than just the five to 10 most popular movies playing.

So, is there any hope for Cineplex and its investors?

Here's why I'm not giving up on Cineplex

The shift away from the traditional movie-and-popcorn model isn't new. Cineplex has been steadily diversifying itself away from that model by adding new revenue streams such as the growing digital media business and the lucrative Rec Room entertainment venues. Both of those offer investors long-term growth prospects, but there are also changes happening within the theatre.

Cineplex's VIP experience has long been established as the premier way to watch a movie in a theatre. From the premium recliner seating to the dedicated menu service available, patrons have enjoyed that premium audience experience.

Now Cineplex is moving to make the movie part of the experience.

Last week, the Scotiabank Theatre in Edmonton got to experience something new — an immersive experience where both smell and feel have finally transcended to the movie experience.

The revolutionary new theatre has seats that move along with the action on the screen, while various smells fill the theatre to match what is happening on screen. This could be the smell of coffee in the morning scene in the kitchen or the smell of burning rubber during a high-action racing scene.

The experience also provides an array of other effects, such as fog, wind, and even mist and snow to different weather conditions. In total, there are over 20 different effects that immerse viewers.

Here's something else to consider

Cineplex may be diversifying away from the traditional movie business, but it's worth noting that the traditional movie business is by no means dead yet. Box office revenues continue to be fueled by a string of solid releases from Hollywood, and we are heading into a season of highly anticipated new releases from established franchise universes such as *Star Wars* and *Frozen*, both of which are being released within the next 60 days. That upcoming potential isn't priced into Cineplex's stock price, which has slid by double digits this year.

In short, Cineplex's more than 10% drop over the trailing six months might make for an opportune moment for new investors to take a position in the stock and benefit from the company's [lucrative monthly dividend](#), which currently provides an incredible 7.80% yield.

In terms of results, Cineplex is due to report on the third quarter within the next two weeks. Until then, we can turn to the second-quarter results as a guide. During that quarter, Cineplex reported record-breaking revenue of \$439.2 million, reflecting a 7.4% bump over the same period last year. Media revenue saw a 21.5% increase as well, fueled by strong advertising sales.

Should you invest?

Cineplex is diversifying its business and doing quite well. In simple terms, that's what the most vocal critics wanted, and that is what we're now seeing. The fact that Cineplex continues to innovate on its traditional movie model by introducing new options, such as the new immersive experience noted above, is also encouraging.

In my opinion, this makes Cineplex an intriguing buy worthy of consideration as one long-term investment in [part of a larger portfolio](#) of investments.

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