



## 3 Reasons I Still Like Cineplex (TSX:CGX)

### Description

**Cineplex** ([TSX:CGX](#)) is the company that everyone loves to hate. Critics of the entertainment company often point to the proliferation of the streaming business as a reason to steer clear of Cineplex.

Here are three key reasons why investors should ignore that myth.

### The movie business is not dead

Contrary to what many critics continue to preach, Cineplex's core movie-and-popcorn business is not dead. The argument is that consumers, who have a growing number of devices and media choices to stream content on, will seek out less costly and more personal means of watching the latest blockbuster movies.

While there is some truth to this, the argument made by critics neglects two important points that are clear advantages to Cineplex.

First, there's the content playing in the theatres. In many ways, Cineplex is at the mercy of what Hollywood releases. If the upcoming set of films fails to attract customers, the box office will suffer. Fortunately, this isn't the case. A slew of box-office hits over the past year have translated into strong earnings for Cineplex, including record-breaking revenue numbers in the most recent quarter. Those promising figures are likely to spill over into the next quarter, as highly anticipated releases such as *Frozen 2* and *Star Wars: The Rise of Skywalker* get released.

Second, Cineplex is innovating to include some of that streaming content. Cineplex CEO Ellis Jacob recently revealed the company has held talks with streaming behemoth **Netflix** over screening original content from the streamer on Cineplex's screens. While no details have emerged about a possible deal, the idea is a win-win for both companies.

## Cineplex continues to innovate and expand

One of the things I love about Cineplex is how the company continues to innovate and augment its revenue stream. The growing popularity of Cineplex's Rec Room entertainment venues comes to mind as a perfect example of this. The Rec Room is a multi-purpose venue that offers games, live music, and concessions to patrons that can be reconfigured to host anything from small birthday parties to large corporate-sponsored events.

Cineplex's digital media segment is another great example of that innovative spirit. The segment is responsible for many of the digital menu boards that are appearing in fast-food stores across Canada and internationally. In the most recent quarterly update, the digital media segment saw revenues surge 57.2% over the same period last year to \$20.7 million.

Even Cineplex's highly criticized core movie business is expanding. The company recently announced a new 45,000-square-foot entertainment complex for the Erin Mills Town Centre in Mississauga. The complex, dubbed "Junxion" will bring all facets of the Cineplex world into a massive immersive experience, with six theatres, a live music stage, VR studios, a food hall, and a rooftop patio. Junxion is set to open late next year.

## Cineplex offers a juicy monthly dividend and strong results

Few companies on the market today can boast offering a dividend with an incredible yield north of 7%. Fewer companies can perform that feat on a [monthly distribution](#) cadence. Cineplex offers both while maintaining a respectable 58.8% payout ratio over the full fiscal year.

In terms of results, in the most recent quarter, Cineplex reported total revenue of \$418.4 million, reflecting a solid 8.3% gain over the same period last year. Net income for the quarter came in at \$13.38 million, a whopping 31.1% improvement over the same period last year.

Adjusted free cash flow also saw an equally impressive uptick of 27.7% over the prior period to \$48.2 million.

## Final thoughts

The three reasons I listed above are just the tip of the iceberg when it comes to reviewing Cineplex. The company has proven itself over time that it has the grit to do what is necessary to boost profits and diversify itself away from being too reliant on Hollywood. Between the new initiatives underway and its already promising digital media segment, there is still plenty of upside in holding Cineplex.

In my opinion, Cineplex is a great long-term pick for income- and [growth-seeking investors](#) alike.

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dafxentiou

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