



Why Yellow Media Shares Went Red

Description

10% Promise Series

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of digital and print media company **Yellow Media** ([TSX:Y](#)) plunged about 10% on Thursday after its quarterly results disappointed Bay Street.

So what: The stock has soared over the past six months on optimism over the company's digital transformation, but today's Q4 results — EBITDA plunged 36% to \$91.3 million as revenue sank 10% to \$238 million — are forcing Mr. Market to sober up a bit. In fact, operating margins narrowed to 38.3% versus 53.6% in the year-ago period, suggesting that the transition is becoming more expensive than analysts had expected.

Now what: Management remains bullish about its longer-term digital growth prospects. "Yellow Media is strongly positioned to proceed with the second phase of its digital transformation," said President and CEO Julien Billot. "Our end goal is to grow Yellow Media into a sustainable local digital media company by extending the reach of our brand, attracting new digital audiences, better addressing our advertisers' needs and investing in our employees."

Of course, when you couple the uncertainty surrounding Yellow Media's restructuring with its still-red hot stock price — up more than 100% since October — the risk/reward tradeoff remains rather unappealing.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:Y (Yellow Pages Limited)

Category

1. Investing

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