



DHX Media Ltd. Expands Beyond the Teletubbies

Description

Halifax-based **DHX Media Ltd.** (TSX:DHX.A) is a prolific deal maker. The media production company is known primarily for production and distribution of children's television programming, such as the Teletubbies and the ever-popular Degrassi series. Recently, DHX completed a series of strategic acquisitions; the company added and sold the rights to its vast library of programming.

Should this stock be on your radar?

This week, DHX signed a multi-year agreement with the Orchard that will allow the company to distribute more than 8,000 episodes of DHX's library content in the United States, Latin America, South Africa, Europe, Australia, and New Zealand. Under a second agreement, the Orchard will become the worldwide digital distributor of more than 2,000 tracks of children's music from DHX's library. The Orchard is a global video and music distributor and has deals with the largest digital movie and television storefronts, reaching more than 200 million paying customers through its retail network.

DHX was particularly active on the acquisition front in 2014, acquiring the Disney-affiliated Family channel in Canada from **BCE Inc.** It also bought the Epitome companies, which produces the Degrassi TV franchise, and brought new life to the Teletubbies with 60 fresh episodes for the British Broadcasting Corporation.

In December of last year, DHX Media paid \$57 million in cash and stock for Vancouver-based animation studio Nerd Corps Entertainment, adding 400 Nerd staffers to the company. DHX Chief Executive Dana Landry said the Nerd Corps addition will help DHX Media produce more original content for television, mobile, and online media. "This is indicative of more deals that can come to us," she said at the time. "We're really looking for more out there. This is just the beginning."

In its latest quarter, DHX earned \$5.5 million, or \$0.04 per diluted share, up from \$2.8 million, or \$0.03 per year, in the same period in 2013. Revenue more than doubled to \$64.3 billion from \$30.4 million in the last three months of 2013.

Despite the plethora of acquisitions and decent earnings results, DHX Media's stock has struggled of late, down 11% year to date and 4% in the past month. Still, some stock watchers and analysts expect

DHX, currently trading around \$9, to climb to at least \$10 in the near future.

TD Securities recently initiated coverage of the stock with a hold rating and a \$10 price target, while Canaccord Genuity increased its price target to \$10.50 from \$9.50 with a buy rating.

DHX's focus on children's programming is clever from a business point of view. After all, these are future media consumers who will ultimately decide the direction of the entertainment market. That makes DHX Media a stock to watch, and you should consider adding it to your diversified portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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