Why the Value of this Small-Cap Company Just Increased Dramatically

Description

Did you see the news?

On the company's August 8th conference call, **Walt Disney Co** (NYSE:DIS) CEO, Bob Iger, announced that it will be taking majority control of BAMTech, the technology company currently in charge of delivering Major League Baseball's online streaming service.

But it didn't stop there.

Disney also announced that it will be launching an ESPN-branded multi-sport streaming service in early 2018, along with a Disney-branded direct-to-consumer service by 2019.

Along with these announcements, Iger reported that Disney will be pulling all of the company's content from the **Netflix, Inc.** (NASDAQ:NFLX) service by 2019.

The potential implications are huge

The move marks a potential sea-change in the rapidly evolving online media market.

Increasingly, more media studios are creating their own over-the-top streaming services as a way of reaching their audiences directly – in the process, bypassing the middle-man, be it traditional tv and cable networks, or now, Netflix.

But this particular announcement by Disney has massive implications for one Canadian small-cap company.

A company which, following Disney's announcement last week, probably saw the value of its assets double.

Enter, DHX MEDIA LTD CLASS B (TSX:DHX.B)(NASDAQ:DHXM)

Over the past few years, as over-the-top streaming media has become more widely adopted, DHX has been aggressively buying up children's video content – including popular tv shows like *Teletubbies*, *Caillou*

, and *Degrassi: Next Class*.

Today, the company boasts a world-class library of children's video content that would be very difficult for a competitor to match.

The idea behind the company's focus on children's content, in particular, is that, unlike adult programming, children's content doesn't age the same way.

While adults' taste in television programming will come and go, children don't tire of watching the same content over and over.

Not to mention that children's content can be recycled for the next generation of children without incurring any additional costs. And, add to that the fact that it is very easy to "dub" over original content, making tv shows adaptable for international audiences.

What you have is a winning business model.

The battle for children's content

Netflix has been vocal about the importance of children's content in driving value for its customers.

Losing the Disney relationship means Netlfix is going to need to be aggressive in replacing Disney's vast library of children's content, or risk losing subscribers.

Odds are, Netflix has already picked up the phone to call DHX and start negotiations for rights to the company's content library.

Keep in mind that in the past, Netflix has not been shy about spending money either.

The company recently shelled out $50 million and $100 million respectively, to Chris Rock and Jerry Seinfeld for comedy specials so there's no telling how much they would be willing to spend in an effort to maintain it's children's offering.

Time to buy?

The market has not exactly been slow to react to this news.

Shares were up 7% in the two days following the announcement and are up 23% over the past two months.

Yet there is still upside left in the trade with analysts currently forecasting an $8 target price, implying 20% upside from current levels.

DHX has been a stock market favourite over the past few years as the company has been executing on its strategy to accumulate assets – the one thing missing was a catalyst.

The time very well could be now.

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