Old Media Is in Terminal Decline: Are These 3 Stocks in Trouble?

Description

On November 8, the Canadian Radio-Television and Telecommunications Commission (CRTC) released its 2017 Communications Monitoring Report. The report showed impressive growth for digital platforms across the board in 2016. Of Canadians aged 18-34, 23% watch television exclusively online; nationally, it is now at 10% compared to 4% in 2012.

The report also showed huge gains for the streaming service **Netflix, Inc.** (NASDAQ:NFLX) in Canada. In Ontario, the percentage of Canadian who subscribe to Netflix by region jumped to 47% in 2016 compared to 37% in 2014. Quebec usage rose from 15% in 2014 to 26% in 2016, and in British Columbia subscriptions climbed to 50% from 41% in 2014.

All the while, the consumption of traditional television continues to decline, though not at a comparable pace to the rise of online offerings. The report showed that Canadians watched an average of 26.6 hours per week of traditional television in 2016 compared to 27.2 hours in 2015. In an October article, I discussed how the rise of Netflix could hurt Canadian media stocks.

Toronto-based **Corus Entertainment Inc.** (TSX:CJR.B) has seen its stock decline 7.8% in 2017 as of close on November 8. Corus is a media and broadcasting company that owns the Global Television Network as well as dozens of radio stations. On the television side, the company has a heavy weighting in programs that cater to younger demographics, including YTV, Treehouse TV, and others.

Traditional radio is facing the same problem as television. The CRTC report showed that Canadians listened to an average of 14.5 hours of traditional radio per week in 2016, compared to 15.6 hours per week in 2015. For both traditional television and radio, Canadians aged 65 and over watched and listened the most.

Quebecor, Inc. (TSX:QBR.B) is a Montreal-based communications company with a large footprint in Quebec broadcasting, communications, and publishing. President and CEO Pierre Karl Péladeau appealed to the Canadian government in September to move against internet giants he said are being subsidized.

The criticism fell on deaf ears on the federal level, as the Liberal government came to an agreement with Netflix that will see the streaming giant make a $500 million investment in crafting original Canadian content. However, the Quebec government does not appear to be satisfied with this arrangement. Quebec finance minister Carlos Leitao has vowed the province will introduce a provincial tax on Netflix.

In July, I discussed how changing movie-going trends are giving cinemas reason for concern. **Cineplex Inc.** (TSX:CGX) stock has declined 30% in 2017. The company recently released its third-quarter results and reported lower attendance, which dragged the stock down further.

This summer saw one of the worst box office performances in North America in decades. Though there was some blame thrust upon the slate of movies offered to consumers, there is little doubt that home entertainment options are starting to eat into cinema profits. In the past, younger demographics were a reliable source of strength for cinemas, but online content is changing everything.

The media landscape is rapidly evolving, and the stocks above may provide value solely as income plays as the decline of the old guard continues.

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TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:CJR.B (Corus Entertainment Inc.)
4. TSX:QBR.B (Quebecor Inc.)

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Date
2025/07/07
Date Created
2017/11/14

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