



Could This Uncovered Canadian Gem Be the Next Spotify or Apple Inc. Music?

Description

Small-cap investors are always on the hunt for the next big thing that could end up becoming a “multi-bagger” over the course of a few years. There’s no question that it takes a lot of effort to uncover wonderful under-the-radar businesses, and with a lack of coverage on many small-cap names, it’s nearly impossible to get a second opinion on a stock that you believe could become the [next Canadian rising star](#), like **Shopify Inc.** or, in the case of the idea I’m about to present to you today, Spotify, a red-hot music-, podcast-, and video-streaming firm that’s slated to be one of the hottest and most anticipated U.S. tech IPOs in recent memory.

Enter **Stingray Digital Group Inc.** ([TSX:RAY.A](#)), a Montreal-based Canadian firm that has broadcasted music and video on various platforms including cable TV, mobile devices, and game consoles. If you still haven’t cut the cord yet, then you’ve probably run across Stingray’s music channels, which were likely included in your cable package.

Listening to music from cable seems a bit outdated though, doesn’t it? Yes, but Stingray is slated to beef up its other platforms, including its Stingray Music app, which is aimed at passive “radio style” listeners, who would rather just listen to some music of their favourite genre instead of spending time and effort creating their own unique playlists. Many non-tech-savvy elderly folks value “radio listening” and have likely been overwhelmed with existing music streaming services that are currently available.

How many times have you just wanted to listen to something new without the hassle of re-organizing your playlist to eliminate songs that you’ve grown bored of or including new songs that you’ve discovered on other playlists? Sure, Spotify and **Apple Inc.’s** ([NASDAQ:AAPL](#)) Apple Music have third-party playlists and radio channels of their own to suit the needs of passive listeners, but Stingray is catering its platform mainly to such listeners who value simplicity and are content with high-quality radio-like streaming services.

What about growth?

Stingray’s annual revenue soared from \$7.1 million to \$71 million between 2008 and 2015. The company has grown its top line by 10 times across a seven-year span! That’s only [possible with a small cap](#)

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In addition, Stingray has a gigantic catalogue of karaoke internet songs and a tonne of audible assets that reach subscribers across 127 countries. In addition, Canadian retailer chains have also used Stingray's playlists for its stores to "enhance" your shopping experience. Oh, and the elevator music you've heard is probably a Stingray playlist, too!

In 2016, Stingray announced its acquisition of MuchVibe, MuchLoud, MuchRetro, and Juicebox from **BCE Inc.'s** Bell Media. Given that Stingray is in great financial health, it can be expected that there's plenty of room for more M&A activity as Stingray further bolsters its position in the passive listening market.

Bottom line

You've probably never heard of Stingray, but you've likely heard one of their playlists without even knowing it! The company's balance sheet is impeccable and there's ample room to capitalize on the music-streaming opportunity at the global scale. Free cash flow is expected to soar, and the 2% dividend yield is likely to be raised by a substantial amount over the year, as the company continues to fire on all cylinders.

Stingray is just one of many wonderful Canadian small-cap companies that can offer next-level growth for your portfolio over the long term.

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