A Bargain or a Falling Knife? 3 Media Stocks to Consider Today

Description

On April 16, the streaming giant **Netflix, Inc.** released its 2018 first-quarter results. The company reported yet another earnings beat, as U.S. subscribers surged to almost two million. It reported total streaming net additions of 7.41 million and revenue grew to $3.7 billion. The rise of Netflix and other streaming providers is a growing threat to mediums like traditional television and the cinema.

This existential threat has been reflected in the stock prices for some top media companies listed on the Toronto Stock Exchange (TSX). Should investors leave these stocks in the past in a rapidly evolving media environment?

Corus Entertainment Inc. (TSX:CJR.B)

Corus is a Toronto-based media and content company. Shares of Corus have plunged 43.4% in 2018 as of close on April 17, and the stock is down 48% year over year. The company released its fiscal 2018 second-quarter results on April 5.

Consolidated revenues were static year over year and have dropped 1% year-to-date in fiscal 2018. Consolidated segment profit rose 10% from the prior year but is still down 1% year to date. Television revenues have dropped by $10 million from the first six months of fiscal 2017.

Corus maintained its monthly dividend of $0.095 per share, representing a 17% dividend yield. It remains to be seen whether or not Corus will be able to sustain its yield going forward, as several analysts have predicted that it will scale back in one of the coming quarters.

Cineplex Inc. (TSX:CGX)

Cineplex is a Toronto-based media company that operates entertainment complex and movie theatres. Shares of Cineplex have dropped 17.2% in 2018 thus far. The dividend at Cineplex remains quite strong at $0.14 per share, representing a 5.4% dividend yield.

The company finished strong in the fourth quarter of 2017, although overall it was a difficult year for the cinema business in general. However, 2018 has been a much stronger start for the industry. Box office hits like *Star Wars: The Last Jedi* have spilled over to provide solid box office returns in 2018, and *Black Panther* was a massive hit that has raked in over $670 billion at the domestic box office and over $1.3 billion worldwide.

Cineplex recently announced that it plans to build a new location of The Rec Room in Winnipeg. With the introduction and expansion of these entertainment complexes, Cineplex hopes to deepen its revenue pool for years to come, as the growth of home entertainment has seen a reduction in movie theatre attendance.

DHX Media Ltd. (TSX:DHX.B)(NASDAQ:DHXM)

DHX Media is a Halifax-based children's content and brands company. Some of its properties include Teletubbies, Peanuts, the Degrassi franchise, and others. Shares of DHX Media have dropped 19.6% in 2018 thus far. In the second quarter of fiscal 2018, DHX Media saw revenue rise 55% year over year, and adjusted EBITDA rose to $32 million compared to $24 million in the prior year. The acquisition of Peanuts has been a nice boon for company cash flow. It also declared a dividend of $0.02 per share, representing a 2.1% dividend yield.

Should you buy any of these stocks?

At this stage, Cineplex remains the most attractive option when considering the strong opening months for the North American box office. It comes at a bargain after a precipitous drop dating back to the summer of 2017 and still offers a solid dividend.

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Date
2025/08/27
Date Created
2018/04/18
Author
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