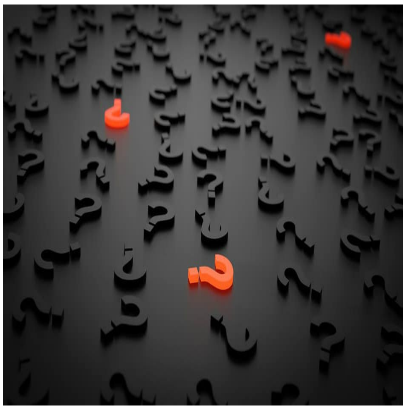

DHX Media Ltd. (TSX:DHX.B) Lays Out a New Strategy: Is it Worth Buying Today?

Description

DHX Media (TSX:DHX.B)(NASDAQ:DHXM) stock fell 7.4% on September 28. Shares have plunged 58% in 2018 so far. The children's content and brands company recently concluded a detailed strategy review and released its full report for fiscal 2018.

In the early spring, I'd discussed why stocks like DHX Media and **Corus Entertainment** (TSX:CJR.B) were dangerous for investors. The legacy media will be forced to undergo a huge transformation to survive in the coming years. The rise of streaming services and other online content is pulling eyeballs away from traditional television. Poor results have caused Corus Entertainment stock to fall 64% in 2018, and the company recently announced a huge slash to its dividend.

On September 24, DHX Media announced that it had concluded its strategic review. The board of directors announced that the company would suspend its quarterly dividend effective immediately. This will free up approximately $10 million in annual funds to invest in its WildBrain business going forward.

WildBrain is a children's entertainment content creator with a presence on streaming platforms including YouTube and **Amazon** Video Direct. Investment in WildBrain will be one of DHX's key growth strategies for the long term. DHX Media also aims to better leverage its IP portfolio to produce premium originals for major streaming services.

This shift in strategy is commendable, but will disappoint investors who have targeted DHX Media stock for its solid dividend. The company also released its full fiscal 2018 report on September 24.

Revenue climbed to $434.4 million over $298.7 million in the prior year. This was driven by the acquisition of *Peanuts* and the fact that WildBrain revenue increased to $57.3 million compared to $34 million in fiscal 2017. This was powered by a 136% increase in watch time. DHX Media still reported a net loss of $14.1 million over a $3.6 million net loss in the prior year. Adjusted EBITDA climbed to $97.5 million in comparison to $87.3 million.

DHX Media made clear in its quarterly report that it intends to jump on macro trends in the media industry. “These trends include,” said executive chair and CEO Michael Donovan, “the rising demand from the global streaming market for premium original programming, and the increasing popularity of kids’ content on YouTube, which is driving rapid growth in our WildBrain program.”

Is the stock worth adding to your portfolio today?

DHX Media also included its fiscal 2019 forecast in the report. The company is projecting another year of double-digit revenue growth for its WildBrain platform and will increase investment in short-form content. DHX Media will aim to select high-end originals to meet the demand for more exclusive programming. The company also plans to use its extra funds to pay down debt and improve its cash position.

This is a move that DHX Media ultimately had to make and one that could pay off nicely in the long term. The stock comes in at under $2 as of close on September 28, and patient investors may want to consider DHX Media as a speculative buy in October.

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