2 Stocks That Plummeted in Tuesday's Trading Session on Disappointing Earnings Reports

Description

Yesterday's trading session saw large declines in several stocks that trade on the TSX Index, including **Molson Coors Canada** (TSX:TPX.B)(NYSE:TAP) and **DHX Media** (TSX:DHX)(NASDAQ:DHX), both of which reported quarterly earnings before the market's opening bell on Tuesday.

Shares in Molson Coors dropped more than 9.4% on Tuesday after the company lowered its outlook for forward guidance and announced that its financial statements for 2016 and 2017 would need to be restated owing to accounting irregularities related to income taxes.

However, the good news is that management's outlook for forward-looking free cash flow generated from operating activities came in at $1.4 billion, only $100 million below its previous estimate and only $70 below analyst consensus estimates.

Meanwhile, management reiterated its commitment to reducing its leverage, at which time it plans to reinstate its old dividend policy. If it proves to be successful in those objectives, shareholders could be in store for a sizable increase in the firm's dividend before the year is out.

Molson Coors shares currently yield 2.77%.

Meanwhile, shares in small cap digital media venture DHX Media fared even worse on Tuesday, plummeting by more than 13.25% in the session.

Revenues at the $291-million-market-cap, Halifax-based company declined 4% year over year; however, the bigger concern for investors are the declines DHX has been experiencing in its gross and operating margins.

For the quarter (the company's second quarter of its current fiscal year), the gross margin declined by 250 basis points or 2.5%, while its EBITDA margin fell even further, down 745 basis points, or 7.45%, year over year.

The issue facing DHX's margins is that the firm continues rely more and more on its "WildBrain" children's-focused business unit.

WildBrain revenues grew 13% in the quarter; however, to date DHX has been unable to replicate the type of margins with its online or digital distribution channels that it has previously enjoyed through its conventional television and cable channels, including the assets that it had acquired with its purchase of the Family Channel a couple of years ago.

If DHX's transformation from a conventional media company into a digital, or online, media enterprise is ultimately going to be successful, it may be that the firm is going to require an additional investment on the part of investors in order to fund its capital needs. Or perhaps that sentiment is an overly cynical one.

It's worth pointing out that DHX shares had more than doubled between September and Tuesday's earnings release, which, coupled with a 8% rally to close the day's trading, may suggest that Tuesday's activity could have been just another case of "buy the rumour, sell the news".

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