Is DHX Media Ltd. (TSX:DHX.B) a Buy Today?

Description

DHX Media (TSX:DHX.B)(NASDAQ:DHXM) stock climbed 1.79% on February 20. The stock is down 26.2% over the past three months. Shares dipped after the release of its fiscal 2019 second-quarter results but have since rebounded.

Back in the spring of 2018, I'd discussed DHX Media and another struggling media stock, **Corus Entertainment**. DHX Media suffered steady declines into late 2018 until hitting a six-year low of $1.09 in September. How should investors approach the stock today?

The company released its Q2 fiscal 2019 results on February 12. DHX Media reported total revenue of $117 million compared to $121.9 million in the prior year. Adjusted EBITDA fell to $22 million compared to $32 million in Q2 fiscal 2018. DHX Media reported a net loss of $17.9 million, or $0.13 per share, compared to net income of $7.4 million, or $0.06 per share, in the prior year.

In October, I'd discussed a new strategy that DHX Media had laid out. Like other legacy media companies, DHX Media has struggled to gain ground in a rapidly changing environment. On September 24 the company concluded a strategic review. The board of directors suspended its quarterly dividend and revealed that this would free up $10 million to invest in its WildBrain business.

WildBrain is a children's entertainment content creator with a presence on streaming platforms like **Amazon** Video Direct and YouTube. In the second quarter of fiscal 2019, WildBrain grew views 29% to more than seven billion. Its revenue increased 13% to $19.9 million, which pushed its first-half revenue up 27% to $36.2 million. WildBrain expanded its reach in the quarter to other ad-supported video-on-demand platforms like **Apple** TV, Amazon Fire, and **Roku**.

In the quarter, DHX Media revealed that its strategic shift was not complete. It announced it would reorganize the company into two subsidiaries to bolster strategic flexibility. One will focus on cash flow-generating studios and TV channels, and the other will focus on global digital and content assets with "significant growth potential." This includes WildBrain.

DHX Media stock had a Relative Strength Index (RSI) of 42 as of close on February 20. This put shares firmly in neutral territory as of this writing. The stock has not benefited from the broad rally on the TSX, but media stocks in general have seemingly continued poor trends from 2018.

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The positive results at WildBrain are encouraging, but it remains to be seen whether it can provide revenues to be a real difference maker going forward. The *Peanuts* acquisition will provide a boon in the coming quarters. In Q2 2019, the company reported a 7% increase in consumer products revenue on the back of the *Peanuts* acquisition. It remains a formidable brand.

Value investors missed their shot in September 2018. DHX Media is simply not worth taking a risk on in early February, especially with so many hot options still available on the TSX.

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