2 Media Stocks to Watch in the Next Decade

Description

The past decade has demonstrated how technology can disrupt even the oldest industries. Those in the television and film industry have found that they are not removed from this reality. The rise of new technology has birthed new consumer habits, and this will change the way we view entertainment in the 2020s and beyond.

Today, we are going to look at two stocks that have encountered volatility in the face of this disruption. These companies will need to adapt to survive, let alone thrive, in this rapidly changing environment. Should investors bet on these equities as we look ahead to the next decade? Let's find out.

Cineplex

Cineplex (TSX:CGX) is a Toronto-based company that operates chains of movie theatres across Canada. Back in 2017, I discussed the changing media landscape and how it could impact the cinema. At the time, I argued that investors should be skeptical about the long-term health of the traditional cinema.

Shares of Cineplex have plunged 52% over a three-year period as of close on May 28. To its credit, the company has worked to branch out its revenue streams as attendance has fallen. It has met with some success with its launch of The Rec Room. In the first quarter of 2019, Cineplex reported a quarterly record of $58.5 million in its amusement revenue. This was due to the success of The Rec Room and P1AG, a Canadian arcade game distributor.

Still, the bulk of its revenue comes from Theatre Exhibition and Theatre Food Service segments. The rise of home entertainment will be a challenge for cinemas, which are increasingly reliant on big blockbusters. Cineplex should still hold some appeal for income investors. The stock now offers a monthly dividend of $0.15 per share, which represents a 7.2% yield as of close on May 28.

DHX Media

DHX Media (TSX:DHX.B)(NASDAQ:DHXM) is a Halifax-based children's content and brands company. Shares have plummeted over 70% over the past three years as of close on May 28. The stock is down 16% in 2019 so far.

DHX Media stock managed to gain huge momentum in the fall of 2018 after the suspension of its dividend in September 2018. It completed its strategic review and revealed plans to focus on its WildBrain business. WildBrain produces content on YouTube for children, and the company hopes to capitalize on the rise of streaming to bolster its business going forward. It also plans to push its Peanuts brand in China and Asia, where it says that there is opportunity for over 30% growth in revenues.

The company released its third-quarter fiscal 2019 results on May 14. Revenue fell to $110 million compared to $116.5 million in Q3 2018. However, WildBrain views grew by 15% to more than 8.7 billion in the quarter and revenue rose 4% to $14.9 million. After the quarter's end DHX Media announced the sale of a Toronto building for $12 million, the proceeds of which will be used to pay down debt.

DHX Media is moving in the right direction with its focus on streaming, but WildBrain contributes a fraction of its overall revenue and it is facing a steep hill as we look ahead to 2020.

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