Streaming Wars: 1 TSX Stock to Watch

Description

Last week, the *Wall Street Journal* reported that **Disney** planned to block all advertising by **Netflix** on all its channels except for ESPN. The move marks perhaps the most aggressive action, as the streaming wars get set to heat up in the last months of 2019. Disney+, which will serve as Disney's primary streaming subscription service, is set to launch in November.

The rise of online home entertainment platforms like Netflix has had major consequences across a variety of industries. Cable companies have reported mass cord cutting over the past decade, and cinemas are battling declining attendance, as the theatre has become increasingly reliant on blockbusters.

Intensified competition between streaming platforms will see a consolidation of home entertainment material that will deal even more damage to legacy media.

One Canadian company to watch

Some companies are moving forward with big reforms to try to sidestep irrelevance in this new environment. **DHX Media** (TSX:DHX)(NASDAQ:DHXM) is one Canadian media company that has opted to reinvent itself in the final years of this decade. Back in 2018, the company laid out a growth strategy that would be heavily reliant on the development of its WildBrain property.

In late September, DHX Media announced that it would change its name to WildBrain and roll out a new brand identity. It will move forward with the tagline "Imagination runs wild." This name change appears to be the culmination of the company's strategic shift that it has been pushing for the past several years.

The WildBrain platform still represents a fraction of the company's total revenue. Its growth in the next decade will be dependent on expanding this footprint.

WildBrain revenue rose 20% year over year in fiscal 2019 to $69 million. Cash flow from operations at DHX Media climbed to $44.5 million for the full year compared to $13.4 million at the end of fiscal

2018. Its net loss deepened in fiscal 2019 to $62.8 million, or $0.47 per share, compared to a net loss of $21.6 million, or $0.16 per share, in 2018.

Should you buy the stock today?

The streaming market is set to see intense competition in the coming years. Netflix stock, which has enjoyed huge gains on the back of its platform growth over the past decade, has encountered volatility due to the rise of major challengers like Disney. Other competitors like **Amazon**, **Facebook**, **Apple**, and **AT&T** also boast streaming services that threaten to cut into Netflix's customer base.

DHX Media, or WildBrain, is a minnow in the streaming pond. However, WildBrain is a unique and exciting asset to build on in the 2020s. It already stands as one of the largest kids' networks on YouTube, and the company already boasts popular properties like *Peanuts*, *Teletubbies*, and *Calliou*. WildBrain holds promise, but the growth of the company will rely on its ability to maximize this young asset.

Shares of DHX Media have surged in late September and early October, following the announcement of its name change. The stock had an RSI of 74 as of close on October 8, putting it well into technically overbought territory. I'm waiting for a more favourable entry point before I think about adding this streaming stock to my portfolio in 2019.

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1. Investing

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