Buy This 1 Stock That Is Sure to Benefit From the Video-Streaming Wars

Description

Today I have a really interesting and exciting way for the smart Canadian investor to benefit from the video-streaming wars. First, there was **Netflix**, then there was **Disney**, Hulu, **Apple**, and a whole host of other streamers that are fighting for the almighty consumers' eyeballs and, by extension, their wallets.

Predictably, a streaming and media company is the topic of my latest three-part article mini-series. I am going to go deep on **WildBrain** (TSX:DHX)(NASDQ:DHXM), the media company formerly known as DHX Media, and tell you why it is worth a strong look right now.

Unfortunately, this stock has not been for the faint of heart. The last three years have been miserable, as Wildbrain has stumbled from one disaster to the next, eroding shareholder value, as it made every single strategic mistake possible. The company's market capitalization went from $1.2 billion in 2015 to about one-fifth of that or $250 million in 2019.

However, things are finally starting to look up, and the company has made some smart moves in the past few months, leading me to believe there is strong hope for recovery and value creation.

What exactly does the company do?

WildBrain is a leading independent children's content and brands company, recognized for high-profile media assets such as *Peanuts*, *Teletubbies*, *Strawberry Shortcake*, *Inspector Gadget*, and the *Degrassi* franchise. WildBrain also owns the world's largest independent library of children's media with 13,000 half-hours of prime content.

WildBrain focuses on children and family content, given the international reach and longer lifespan of this type of programming and the potential to create shareholder value using this type of content across multiple revenue streams.

Kids and family content travels across cultures and geographies and consists largely of animated series, which can be easily dubbed into multiple languages. This means that the massive kid's audience in China and India can take as much advantage of this programming as a toddler in Canada.

The YouTube channel experiment is paying off handsomely

What is perhaps more impressive is the company's YouTube channel, appropriately called WildBrain Spark. I remember when I first heard about this channel from one of the company's newsfeeds a few years ago and thinking that this is an interesting niche experiment that could end up being a gigantic waste of time and effort. However, I am very happy to see that this has most certainly not been the case.

This channel is one of the largest of its kind, featuring more than 225,000 videos for kids in over 20 languages. One in three kids worldwide with access to YouTube watches video content on this channel. We are talking about massive global reach, with over 109 million subscribers and over 166 billion minutes of watch time across 33 billion views from July 2018 through June 2019.

The YouTube channel brought in about $70 million in revenue in 2019, up 20% from 2018. While this doesn't represent stellar growth, it is a meaningful step forward, and I expect the company to continue to generate double-digit growth in this segment for the next several years.

Going from no cash to healthy cash flow

My regular readers know my deep penchant for all things cash, because that metric does not lie. The company's cash flow from operations increased to about $45 million for 2019 relative to about $13 million in 2018, representing a wild (pun intended!) 250% increase.

In subsequent articles in this mini-series, I will delve into several strategic changes the company has made recently to ensure that it continues to show a steady acceleration in cash flow metrics, which will ultimately lead to a stock price significantly higher than the $2 level it is languishing at currently.

The final verdict

WildBrain is an example of a company with excellent "bones" that needs to get back to basics and use its phenomenal media assets and intellectual property to drive value. Foolish investors who are feeling nervous about the upcoming global economic slowdown would do well to look at this stock, because entertainment tends to be recession-proof.

In the next article in this mini-series, I will go into some of the strategic changes the company has made recently and why those moves have gotten me excited about the long-term prospects of this stock but also its potential to get acquired by one of the media giants in 2020.

I would not buy the stock at the moment but would keep a watchful eye for positive momentum before getting into this gem.

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