How to Turn $10,000 into $20,000 With This 1 Media Stock in 2020

Description

Last week, I discussed a wonderful small-cap stock that I truly believe has the power to double in 2020. I am talking about **WildBrain** (TSX:DHX.B), the niche media company that owns the world's largest library of children's media content.

WildBrain was trading in the $8 to $10 range five years ago, but the wheels came off badly in the last couple of years, and the stock price performance has been a disaster since.

The stock price is languishing under $2 and the company's continuing underperformance has turned off mainstream investors. Deep-rooted investor mistrust is presenting a very interesting high-risk/high-reward opportunity for smart investors who can stomach a little bit of volatility and have their eye on long-term growth rather than quarter-to-quarter stability.

Today I will discuss a few strategic moves the company has made in the last couple of months that set it up perfectly to really take off in 2020.

The head honcho matters

WildBrain decided that it needed fresh thinking at the top and agreed to part ways with its CEO in 2018. It then brought back its founder, Michael Donovan, to take the reins in the short run until it found a permanent replacement. Boy, did it find a winner! In August of this year, the company announced the appointment of Eric Ellenbogen, the former president and CEO of Marvel Enterprises before it was acquired by Disney.

Ellenbogen is an absolutely fantastic "statement of intent" talent acquisition that a company makes to create a stir and make sure investors know it is serious about cleaning up its house and growing fast and furious. Ellenbogen has been in the entertainment industry for decades and his hiring signals the company's doubling down on its ad-supported video on demand (AVOD) strategy.

Ellenbogen's appointment tells us that the company wants to grow its super-successful YouTube channel significantly beyond the $70 million in revenue it pulled in for the 2019 fiscal year that ended on June 30. This is the kind of franchise that could easily get to $200 million to $300 million without much effort, especially as children's video content demand explodes in India and China.

What's in a name

This may seem like a small thing, but it actually speaks volumes about the company's new thinking and strategy going forward. The former name DHX Media didn't inspire any brand recognition or stir up any emotion. It was a cold name that customers couldn't relate to. The new name, WildBrain, evokes a sense of movement, growth, whimsy, and magic.

The new name also psychologically distances the company from old leadership and their mistakes and missteps. The new name is like the turning over of a new leaf along with new leadership and a new focus on growing cash flows through high-quality streaming media content.

How do the financials stack up?

Fiscal 2019 was a year of stability and mild growth, with revenue staying somewhat flat from last year. Despite that, the company enjoyed a positive operating cash flow of $45 million and a hugely improved debt profile, primarily due to paying down $240 million in short- and long-term debt.

The company bought the world-famous Peanuts franchise from Charles Schulz's family last year, including full rights to Charlie Brown, Snoopy, and a bunch of other instantly recognizable characters. The transaction didn't yield the fruit that WildBrain was hoping for but all of that should change as Ellenbogen and his leadership team "sweat" the Peanuts franchise assets to drive better revenue and cash flow.

Foolish bottom line

WildBrain is a perfect example of a company that is asset-rich but cash-poor. Most industry investors will most likely continue to remain on the sidelines for another couple of quarters until they start to get better visibility to the company's 2020 cash flow profile and to see whether the new CEO's strategy is translating into better financials.

In the meantime, I believe the stock price will continue to stay close to the $2 level but could shoot up very easily if the company can provide two successive quarters of growth. My advice is to keep a very close watch on the Q1 2020 earnings release in early November and accumulate the stock if the financials are trending in the right direction.

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