# Only 1 of These Canadian Stocks Can Truly Compete With the Mighty Netflix (NASDAQ:NFLX)

### Description

If you put any faith in intrinsic value, you might like to know that entertainment and media stock **Cineplex** (TSX:CGX) is overvalued by $10 dollars a share next to its future cash flow value; this is a pretty serious situation to be in when your share price is less than $30!

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A one-year past earnings growth of 19.7% makes a change from an overall negative five-year average, though a debt level of 91% of net worth is significantly high; all told, the facts and figures for Cineplex paint a pretty confusing picture. Let's plough through some more data, then, and decide once and for all whether this stock is a dud.

## Are you sitting comfortably?

Up 4.86% over the last five days, Cineplex seems to be enjoying the upsurge in investor confidence that's been driving the comeback in the TSX index after a bad holiday season — there certainly doesn't seem to be any other logical explanation for it.

Better value can be had elsewhere on the TSX index, as a P/E of 22 times should intimate. Meanwhile, a P/B ratio of 2.5 times doesn't look too bad — if you compare it with a tech stock, that is. On its own, that P/B shows that Cineplex is overpriced for what it amounts to on paper. A decent dividend yield of 6.37% is on offer, although a 4.8% expected annual growth in earnings is far from significant and acts as poor incentive to buy and hold.

## Maybe you should just go home…

Compare all of this with the stats for Cineplex's most obvious competitor, that star of the American FAANGs, **Netflix** (NASDAQ:NFLX). Coming to a (small) screen near you, Netflix is massively overbought at the moment, with truly hideous multiples! Look at that share price overvalued by four times its future cash flow value, for instance. A P/E of 114.6 times! A P/B of 29 times! These fundamentals are off the charts.

If you've been reading the stock headlines in the last year, you'll have some inkling that Netflix has been on a bit of a tear. Sure, the FAANGs came undone towards the end of 2018, but so did pretty much everything else. A one-year past earnings growth of 186.9% beats even its own impressive five-year average of 44.3%, while a 32.2% expected annual growth in earnings puts Netflix on track for more upside over the next couple of years.

However, if all of this is too exciting for you, you could always invest in the super-tedious **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), a Canadian stock that arguably operates in a similar space to Netflix in some regards. With one-year returns of 15.7%, a cookie-cutter P/E of 19.3 times, and unacceptable P/B of 4.8 times, this stodgy stock pays a middling dividend yield of 2.67% and is expecting a very dull 9.3% expected annual growth in earnings.

## The bottom line

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Home entertainment is set to be big business if the economy tanks hard in 2019. As soon as that recession kicks in, folks are going to be staying away from cinemas (and restaurants, condo salesrooms, and luxury clothing stores) in droves. Expect to see stocks like Netflix improve if this happens, with Rogers Communications being its only serious Canadian rival in the home entertainment space.

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2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:CGX (Cineplex Inc.)
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