Is a Weak Guidance by Netflix (NASDAQ:NFLX) a Good Sign for Cable Companies?

### Description

**Netflix** (NASDAQ:NFLX) released its quarterly results on Tuesday. The online streaming giant announced that it had added 9.6 million subscribers around the world as it continues to find ways to grow. And while it beat expectations and had yet another strong performance, the guidance the company released was not very strong and a little conservative given price increases that are going to be implemented in key markets.



With competition ramping up, it's becoming more costly for Netflix to keep its position atop the industry, as it continues to make new content. And with many content producers setting up their own streaming services, with **Disney** looking to be the latest, Netflix could end up more of a producer than a curator of content. How successful Netflix will be if it has to rely solely on its content to attract consumers, especially with the service becoming more expensive?

## Could all these streaming services lead consumers back to cable?

Streaming services are becoming more niche and consumers will likely have to pay for multiple subscriptions to see the content they want or at least used to have with conventional cable. And while there appears to be an appetite for customers to have as many as three different subscriptions, the more that those costs rise, the less of an advantage there is to streaming services versus just subscribing to cable.

As more cable companies start offering more versatile packages that allow consumers to stream content, there will be less incentive to switch to an online streaming provider in the first place. Although we've seen lots of cord cutting happen in recent years, when it's no longer easier or more cost effective, we'll likely see some of those consumers return to what's ironically going to become a simpler process: cable.

If that happens, that will be great news for a stock like **Corus Entertainment** (TSX:CJR.B) that's still recovering after the stock saw a big sell-off last year after advertising revenues were a disappointment. Concerns about growth were a concern, but after an improved Q2, investors are starting to see a bit more hope in the stock.

Up 60% since the start of the year, Corus has recently hit a new 52-week high. However, the stock is still nowhere near the $11 per share that it was trading at in early January before it went over a cliff. For it to reach those levels again, it'll have to keep on building on its recent results, but if advertisers start coming back, then that could certainly happen.

Currently, the stock is still a great value buy, trading right around its book value. And although the company cut its dividend, it still offers investors a very good annual yield of 3.1%, which will help boost returns even further. Outside of one bad quarter over the last five, where other expenses crippled the company's bottom line, Corus has shown a lot of consistency and is not showing any challenges in posting an operating profit.

Long term, Corus still looks like a great buy, as it has a lot of quality content in its portfolio that could unlock significant growth opportunities for the company.

**CATEGORY**

1. Investing



**TICKERS GLOBAL**

1. NASDAQ:NFLX (Netflix, Inc.)
2. TSX:CJR.B (Corus Entertainment Inc.)

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Investing

**Date**
2025/08/16
**Date Created**
2019/04/18
**Author**
djagielski