Netflix (NASDAQ:NFLX) Woes Hold a Lesson for Canadian Investors

Description

Netflix (NASDAQ:NFLX) is in an interesting position at the moment, and it's not one most people might want their business to be in. Down by around 15% after a big Q2 disappointment, the former FAANG favourite presents a cautionary tale to tech and media investors today.

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A toothless FAANG that's lost its bite

Interestingly, though, Netflix is still adamant that it won't sell advertising. By counting out this particular source of revenue, Netflix is sticking to its guns — and hoping they won't start firing blanks. *Variety* reported Wednesday that the popular streamer won't start shoving commercials in your face, with the streamer stating that ad-supported content and pay-per-view are "fine business models that other firms do well," but that Netflix is "about flat-fee unlimited viewing commercial-free."

While it can't be held up as a direct competitor to Netflix, there is a Canadian streaming equivalent: Crave. Under the Bell Media umbrella, an investor wanting to get a vaguely Netflix-like exposure might want to pick up shares in Bell company umbrella **BCE** (TSX:BCE)(NYSE:BCE). Covering world-class content and Emmy Award-winning programming, Crave became available to Internet users last November with availability on partner platforms such as **Apple** TV and Xbox One.

Perhaps the lessons Netflix can teach Canadians aren't so much geared towards investors as they are to content programmers. The company is up against increasing competition (**Disney**, Prime Video, HBO Max) while seeing the removal of some of its best content — some of which belongs to its rival platforms. In other words, the company is being vulturized amid subscriber stagnation while debt grows and potentially hamstrings its ability to quickly invest in new directions.

The Bell umbrella is a better buy

However, herein lies the lesson for investors old and new: if you want exposure to a content streamer, check for debt and growth. There's a homegrown equivalent right on the doorstep of the TSX that fit the bill: BCE. Having gained 25% over the past half-decade and paying a satisfying dividend yield of

5.28%, BCE has the healthier balance sheet, with its 133% debt well covered by cash flows. This is a very different story from Netflix's poorly covered 180% debt.

You can also throw in that meaty BCE yield. While Netflix fans have pointed to its previously gravity-busting upside, in its absence, there's no dividend to make up for poor performance. Throw in Netflix's dwindling market share, and you have a toothless FAANG compared to a high-growth, dividend-paying domestic stock with a defensively diversified raft of media and telecoms operations. The lesson — and the choice — is clear.

BCE can also bolster its media streaming operations with what is sure to be a game-changing presence in the internet provision sector. Having recently beaten the competition to become the fastest ISP in the country, BCE could end up being the go-to 5G provider in the long-term, meaning that Bell could dig itself the biggest economic moat in the telecom industry — something that a company like Netflix is nowhere near achieving or even involved with.

The bottom line

The choice is clear for content streaming investors — BCE is the more solid investment for the long term. The fact that a Netflix investment has been all about creaming upside means that, of course, the two stocks are not exactly comparable, but still, it's safe to say that the content streaming landscape is changing profoundly, with a new hierarchy emerging.

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