



## 3 Top Beaten-Down Stocks to Buy in October

### Description

A little over a week into October, the market is giving value investors more opportunities than they may have seen in a while. Particularly in the [tech sector](#), where IPOs that started off as market darlings have since [fallen out of favor](#), there seem to be more than a few choices.

For a variety of reasons, **Netflix** ([NASDAQ: NFLX](#)), **Roku** ([NASDAQ: ROKU](#)), and **Slack Technologies** (NYSE: WORK) are down an average of 35% from their 52-week highs. Here's why they are my top stocks to bounce back from the beating they've taken.

### Streaming wars are causing a lack of faith

Other than a **Goldman Sachs** analyst who just reiterated his buy rating on Netflix, Wall Street is pretty pessimistic about the streaming leader's earnings, due out next Wednesday. And even then, the Goldman analyst cut his price target 14% to \$360 because of lowered expectations for profits and valuation among internet companies.

Because of growing competition in the streaming space from **Disney**, **Apple**, **AT&T**, and **Comcast** (NASDAQ: CMCSA), the market is being diluted, and Netflix will be hard-pressed to keep subscriber rolls growing.

Yet the plethora of choices that will soon arrive actually works in Netflix's favor because a confused mind will often say no and stick with what's familiar. It also doesn't mean subscribers will abandon Netflix if they subscribe to another service. The streaming service actually has [several levers it can pull](#) to keep or attract subscribers, such as cutting prices, offering multiyear plans at a discount, creating a separate ad-supported tier, and more.

With Netflix stock down 27% from its recent highs, and a lot of pessimism going into its earnings report, this stock could be one to buy now.

## A different streaming video play

Roku offers investors another opportunity to capitalize on a stock that is beaten down — in this case, because of an excessively negative outlook on its potential after Comcast announced it would offer free streaming boxes for its internet customers. Roku is the [king of boxes](#) and dongles, with a 39% share of the market versus around 30% for **Amazon.com**. If someone is now going to give away streaming devices, it will cut into Roku's hardware business.

But Roku has been less about hardware these days and more about developing its platform to monetize it from ad revenue. While it may be approaching a saturation point with its plan to allow pop-up ads on its service — essentially [an ad within an ad](#) — the fear of competition may be overblown. Comcast's free Flex box, for example, requires customers to also have its xFi Advanced Gateway modem to work, and they'll have to cancel existing premium channels and repurchase them.

Roku is also branching out into new sound equipment, like its soundbar and subwoofer. It has also partnered with **Walmart** ([NYSE: WMT](#)) to sell those components under the retailer's own brand.

Roku has dropped 37% as those fears manifested themselves, but it should be able to overcome them, and any positive earnings surprise could catapult its shares higher.

## Slacking off

Slack Technologies, the workplace collaboration platform, hasn't had an easy go of it since its June [direct listing](#). Its stock has tumbled 43% because, as with Netflix and Roku, investors are concerned about competition.

**Microsoft** ([NASDAQ: MSFT](#)) Teams — seen as potentially cutting into Slack's client base — recently announced it had 13 million daily active users (DAUs). Slack, however, just announced its DAUs had jumped 20% sequentially, from 10 million to 12 million in September, and were up 37% year over year. It also had 6 million paid seats, or those who pay to use the service. Teams is available for free or at very low cost.

Analysts now believe Teams' DAUs might not be of the same quality as Slack's. CEO Stewart Butterfield told CNBC that the gains are simply because Microsoft users of Skype for Business have migrated over to Teams.

While Microsoft could be a potent competitor, Slack generates substantial engagement with its users, who perform 5 billion activities a week, such as texting or uploading a file. That will make the collaboration platform a sticky one, and as the market comes to realize it can hold its own, its depressed stock should rebound.

## CATEGORY

1. Investing
2. Tech Stocks

## POST TAG

1. Syndicated

## **TICKERS GLOBAL**

1. NASDAQ:CMCS.A (Comcast Corporation)
2. NASDAQ:MSFT (Microsoft Corporation)
3. NASDAQ:NFLX (Netflix, Inc.)
4. NASDAQ:ROKU (Roku)

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