I Found the Next Netflix! I'm Buying This Under-$2 TSX Growth Stock

Description

Netflix (NASDAQ:NFLX)– the American video streaming company — posted outstanding growth in 2020 by adding about 37 million paid subscribers. These new subscribers helped the company increase its annual revenue by 24% to reach a record US$25 billion.

Netflix stock

In the fourth quarter alone, Netflix added around 8.5 million net paid subscribers, as its quarterly revenue jumped up by 30.6% year over year to US$5.5 billion. As a result, its adjusted net profit jumped up by 48% to US$2.8 billion last year. Consistent subscriber and financial growth have helped Netflix stock yield an astonishing 1,800% positive returns in the last 10 years for its investors.

Netflix stock currently trades at US$501.70 per share. That means if you'd invested around $1,000 in Netflix stock about 10 years ago, it would have turned into $90,000 today.

But we shouldn't forget that before it started a long-term rally, it traded under US$5 per share for years on a mixed note.

Finding the next Netflix

More than anything, Netflix's success story is more about how a small growth company can become a leader in its segment by innovating and adapting to new technology. One thing is for sure: if I'm looking for the next Netflix-like stock that could yield outstanding returns in the next five or 10 years, then I should not ignore small growth companies.

If I keep buying large and well-established traditional companies' shares, I cannot expect big returns on my invested money. For example, if I'd invested $1,000 in **Royal Bank of Canada** about five years ago, it would be worth around $1,600 today (excluding annual dividends).

RY stock has risen by only 59.9% in the last five years. During this period, Royal Bank of Canada's revenue has risen by about 23%, while its profits have gone up by 10%.

But if I’d invested the same $1,000 in **Shopify** stock five years ago, it would have turned into over $50,000 today. Back then, everyone considered Shopify stock to be much riskier than Royal Bank of Canada or any other traditional business with a long proven financial track record. In the last three years (until the fiscal year 2019), Shopify’s revenue has risen by about 134%, while its adjusted net profits have surged by 126%.

The above example clearly shows how a growth stock like Shopify, with its consistent focus on innovation and foresightedness, can beat well-established businesses like Royal Bank of Canada. That’s why growth stocks like Shopify and Netflix can yield much higher returns than traditional businesses like RBC. This is a big difference I need to consider when looking for the next Netflix-like stock.

Consider WildBrain stock

WildBrain (TSX:WILD) is one of the Canadian growth companies that you might have ignored so far. It’s a small, Halifax-based media creator, producer, and distributor. It currently trades at $1.69 per share.

I find it very interesting that WildBrain mainly focuses on kids and family television film productions. It could be one of the big unexplored territories by large companies so far. The company’s revenue has risen by 43% last four years. WildBrain recently announced a partnership with **Apple** TV+ — its largest production commitment so far. In my opinion, this partnership could be a game changer for WildBrain’s financial future and open ways for more such partnerships, helping it grow big much faster.

Bottom line

If WildBrain manages to specialize and deliver great quality content in the kids and family content segment, it could be the next Netflix — or at least its stock could yield astonishing returns in the next five- to 10-year timeframe. That’s why WildBrain stock would be the first growth company I don’t want to miss buying in 2021.

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