



## Is This TSX Stock the Next Netflix or the Next Corus Entertainment?

### Description

There's been a lot of hype around **WildBrain** ([TSX:WILD](#)) of late. Last week, shares of the content producer soared more than 40%. This increase coincided with a recent piece by fellow Fool contributor Jitendra Parashar. In this article, he [equated WildBrain's growth potential to that of streaming giant Netflix](#).

Here's why I think WildBrain could actually turn out to be more similar to **Corus Entertainment** than Netflix long term.

### Content producers and streaming platforms have very different business models

Parashar wrote: "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."

I think being a content producer and owning a streaming platform are two completely different things. Yes, WildBrain did announce a partnership with Apple TV. The company's isn't Apple itself — a key distinguishing factor here.

### WildBrain's fundamentals are awful, especially when compared to Netflix

I think it's also important to note that while the company has increased its revenue by 43% over the past four years, over the past three years, WildBrain's revenue is down 10%. The company's return on equity sits at -48%, indicating the company's management team isn't doing an incredible job at creating

shareholder value. Margins are negative, indicating whatever growth is taking place is not happening profitably at WildBrain.

However, Netflix has incredible fundamentals due to its integrated business model. The company's three-year aggregate revenue growth amounted to 55%. Netflix produced a return on equity of 30% (that's positive, not negative) and positive margins across the board.

There couldn't be too completely opposite companies to consider right now. WildBrain's lack of growth over the past three years really challenges Parashar's proposed growth thesis.

## **Content producers haven't been rewarded by the markets for a reason**

Like Corus, WildBrain is in the business of producing content — in particular, content focused on the children and family segment. WildBrain is more of a pure play on content than Corus, which is exposed to the traditional media markets (namely, TV and radio).

That said, I expect shares of WildBrain to trade more in line to Corus than Netflix over the long term. Content production in and of itself isn't a lucrative business right now. Until streaming platforms like Netflix stop producing their own content and revert to companies like WildBrain to license their shows, there's no growth thesis here to consider.

Investors should be very wary of these headlines and do their homework before buying stocks on headline news. If someone declares they've found the next Netflix, do some digging. Don't take these things at face value.

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