



Is This TSX Stock the Next Netflix?

Description

Lately, **WildBrain Ltd.** ([TSX:WILD](#)) has been garnering a lot of attention. Last month, this stock surged over 40%, leading [some to believe](#) that it could be the next **Netflix** ([NASDAQ:NFLX](#)).

However, I think this sort of sentiment is undue at this time, for a variety of reasons. Wildbrain looks to be an interesting speculative bet for penny stock gamblers out there. However, for Foolish investors looking to put their money to work long-term, this is a stock I think investors need to be very wary of right now.

Here are some of the reasons I just don't see the growth materializing for WildBrain others seem to think is possible.

Business models of streaming platforms and content producers do not overlap

Content producers, like WildBrain, primarily focus on developing content for kids in the family segment. Netflix also carries these offerings, but is much broader in its appeal, with a much wider audience. Some may point out that WildBrain signed an agreement with Apple TV+, which is potentially a breakthrough deal for this company. Nevertheless, running a streaming platform is entirely different from owning a content producing company, in my view.

Netflix is both a content producer and a streaming platform. Until WildBrain launches its own streaming platform that has the potential to chip away at Netflix's market share, it shouldn't be valued like it will.

It's great that WildBrain is going to collaborate with **Apple Inc.** ([NASDAQ:AAPL](#)). However, investors must keep in mind that the company is not the next Apple or Netflix, or any such tech giant. It's a small, niche content producer, and should be valued as such.

WildBrain's fundamentals aren't comparable to Netflix

As I pointed out in a [recent piece](#), there can be massive discrepancies when it comes to how different individuals perform fundamental equity analysis. Fundamentals are just numbers that individuals can manipulate to suit their own preconceived biases.

Accordingly, I'd like to remind Foolish readers of the following:

"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."

Bottom line

I believe that comparing two companies like WildBrain and Netflix defies logic. Indeed, investors should be cautious of such headlines comparing the two. One should make sure to do fundamental analysis of any stock before buying shares in a company. Whenever someone claims to have found the next Netflix or Apple, make sure to do some research on the company before adding its shares to your portfolio.

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