Is Netflix Stock a Buy Right Now?

Description

Canadian investors digging through the wreckage of the U.S. tech sector may come across several opportunities. Indeed, the U.S.-Canada exchange rate isn't great right now. But by waiting for a US$0.80 loonie, which may never come, you'll miss out on opportunities like **Netflix** (NASDAQ:NFLX), a streaming stock that's lost more than 67% of its value. It's been a nasty bear market, to say the least.

And though the pain may not be over as we enter an environment where consumers will stash away their wallets for some time, I do think most of the recession damage has already worked its way into the share prices of the hardest-hit firms.

It's been a painful crash for Netflix stock

Netflix had some serious issues going into the year. Most notably, its multiple was way too high. It's easy to look back and realize that NFLX shares should never have traded north of 40 times trailing price-to-earnings (P/E), given limited growth prospects in a rather crowded industry.

Fast-forward to today, and Netflix stock goes for just a hair shy of 20 times trailing P/E. That's a more reasonable multiple. But there's concern that it's still too high, given the perfect storm of headwinds that have moved in and the growing number of rivals that are so hungry to get into the business of video-streaming or SVOD (streaming video on demand).

Netflix may face challenges, as it looks to diversify its business into video games, while continuing to fend off rivals from going open season on its subscriber base (Netflix recently saw 2 million subscribers leave in its latest quarter). That said, Netflix is still a great company with some of the best managers in the game. And, of course, let's not forget about its founder and CEO Reed Hastings, who knows the ins and outs of the industry.

Netflix stock: Can it stream its way back to the top?

It's hard to recover from a 70% decline. Though the ad-based tier of Netflix is encouraging, count me as one of the many folks who'd rather wait and see before backing up the truck at these prices. Indeed, ads could be the way of the future for streaming, even after the recession ends. Netflix's new ad-based subscription tier will debut in November and could bring in $3.5 billion in revenue by 2027 through subscription fees and ad revenue.

Regardless, I do prefer inching my way into NFLX stock, rather than going all-in at one price. Despite recent troubles, I think the odds favour Reed Hastings.

Netflix is a pioneer and one that may very well reinvent itself again. In any case, dip-buyers should have a game plan for if shares tumble further into the abyss. Netflix isn't exactly a staple in a consumer's budget when times get tough. It's an easy subscription to cancel, especially once one is finished all seasons of *The Crown*. Eventually, consumers will get upbeat again, and Netflix subscribers could turn a corner. But until then, investors must brace for a slow and steady slog.

Is Netflix stock a buy?

It's hard to tell when Netflix will turn a corner. Ads may be the catalyst, or perhaps the next big series. Regardless, I think a buy-and-hold strategy is likely to work out for Canadian investors willing to give the investment time (at least three years) to pan out. Netflix stock is a buy. Just don't get too greedy because the bottom may not have happened yet!

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joefrenette