2 Streaming Stocks I'd Buy and 1 I'd Sell

Description

Streaming stocks are massively out of favour right now. **Roku** (NASDAQ:ROKU) and **Spotify** are both down around 70% for the year, larger tech companies that do streaming in addition to other things are down to a lesser extent. To an extent, this selloff has been deserved. The streaming space is extremely competitive. Not only are most of the big tech companies getting into streaming, media companies like **Disney** and **Warner Bros** are, too.

So, there are many players in streaming chasing a limited amount of business. Economics 101 teaches that the more competitors there are in an industry, the lower the industry's profits. So, it should come as no surprise that many streaming stocks are down.

Nevertheless, there are some decent buys in the streaming space. If you look at companies that do streaming as just one service among many, you'll see that in many cases they are doing well. Using streaming services as a way to market your own content, headphones, and other services can be profitable, despite all the competition for streaming fees.

In this article, I will explore two streaming stocks I consider buyable and one I'd definitely sell.

Buy: Apple

Apple (NASDAQ:AAPL) is a company that needs no introduction. It's a diversified tech company that does streaming along with many other things. It has two main streaming offerings: Apple Music and Apple TV. Apple music is a subscription app where you pay a fee each month to listen to all the music you want. Apple TV is a similar concept but for television. Apple's streaming services are theoretically exposed to the same issues that the smaller streaming companies are, but Apple has two main advantages:

1. Apple One: this is a cloud business that lets you buy *all* of Apple's streaming services, plus its game collection and extra cloud storage, for one monthly fee.
2. Hardware: Apple uses its streaming apps to help sell its hardware. For example, Apple Music songs often advertise that they are compatible with "spatial audio," a special 3D sound format

only available on Apple's AirPods.

Because of the advantages above, and because Apple has investments in many other things apart from streaming, it's likely to make more money than the average streaming company.

Buy: Sierra Wireless

Sierra Wireless (TSX:SW) is a Canadian technology company that develops a variety of technologies that are adjunct to streaming. It develops routers, 5G smart modules, Bluetooth modules, and more. Sierra isn't a streaming business in itself, but it benefits from the rise of the streaming economy by building devices that people need in order to stream content at fast speeds.

Its business is doing quite well this year, unlike the big streaming companies. In its most recent quarter, revenue grew 42%, and earnings swung from a $10 million loss to a $10 million profit. That's very impressive!

Sell: Roku

Roku is one streaming stock I would definitely sell this year. It's not that it's a terrible service — its revenue did grow 15% in its most recent quarter, and it keeps gaining subscribers. The problem is that it just has too many costs.

In its most recent quarter, ROKU had -$147 million in operating income and -$34 million in adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). "Operating income" is how much money a company earns from day-to-day operations. Adjusted EBITDA is an unconventional profit metric management teams use when they think conventional accounting rules understate their profit. ROKU achieved profits by neither of these standards. So, it appears that the company has issues with cost management.

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