2 Streaming Stocks to Buy and 1 to Avoid Like the Plague

Description

Fierce is the word that best describes competition in the streaming services market. Canadian investors have two brilliant investment choices right now: one at home and one across the border.

Corus Entertainment (TSX:CJR.B) is a sound choice, despite a one-time impairment charge recently. The launching of Disney+ by **Walt Disney** (NYSE:DIS) in 2019 was very timely, and subscription growth continues to be impressive. Meanwhile, **Roku** (NASDAQ:ROKU) is deep in the red and one to avoid like the plague.

Cheap, high-yield dividend stock

Corus Entertainment reported decent revenue growths in the fourth quarter (Q4) and full-year fiscal 2022, although the $350 million goodwill impairment charge during the quarter resulted in net losses in both periods. According to its chief executive officer (CEO) Doug Murphy, the lower financial results in Q4 were due to the negative impacts of the uncertain economic environment on advertising demand.

While total revenue for the 12 months ended August 31, 2022, rose 4% to $1.59 billion versus fiscal 2021, net loss reached $245.05 million compared to $172.55 million net income a year ago. Notably, free cash flow (FCF) in Q4 increased 27% year over year to $44.71 million.

Murphy was happy with impressive subscriber revenue growth and increased international content sales despite the cross-currents in the advertising market. He added, “We are taking appropriate actions to tightly manage our expenses while maintaining a disciplined focus on capital allocation, shareholder yield and the ongoing execution of our strategic plan and priorities.”

On the streaming side, Troy Reeb, executive vice president for Broadcast Networks, said, “Corus is expanding our streaming strategy to reach and engage audiences.” The $469.68 million media and content company is confident about the potential success of TELETOON+, its brand-new premium streaming service for kids.

Corus, through TELETOON+, will leverage its deep relationships with studio partners to bring the world's best kids' content to Canadian families. Reeb added, "TELETOON is a Corus-owned, Canadian brand that already resonates with families as a beloved place to find their favourite cartoons."

Diversification strategy

Canadians can invest in U.S. stocks, although gains from foreign investments are subject to a withholding tax (15%). However, it's tax free if you hold them in a Registered Retirement Savings Plan (RRSP).

Investing in Walt Disney because of Disney+ is a way of diversification. The popular media and entertainment company is now a formidable streaming services player in a very short span. Based on estimates, the service accounts for more than one-third of the company's valuation. DIS trades at US$95.93 (-37.99% year to date) and pays zero dividends.

Roku isn't an attractive option today following downgrades by market analysts. At US$56.42 per share, the stock is down 75.15% year to date. The issue with this once popular TV streaming platform is declining market share and profitability.

Lucrative choice

Corus Entertainment is a better choice if you want exposure to a streaming service company. It's a low-priced, high-yield dividend stock. Management expects the extension of TELETOON+ to provide a much larger and differentiated offering of premium kids' content. D.C. Animated Universe smash hits are also available on the Corus platform.

At $2.35 per share, Corus is down 48.20% year to date. But besides the discounted price, you can partake of the generous 10.04% dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. NASDAQ:ROKU (Roku)
3. NYSE:DIS (The Walt Disney Company)

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