2 Streaming Stocks to Buy Now and 1 to Run Away From

Description

When the pandemic shuttered theatres, it completely disrupted the movie-and-popcorn business model. That accelerated a shift towards streaming. By extension, it also gave rise to several compelling streaming stocks to buy.

But which streaming stocks should investors consider right now? Here are two options to consider right now as well as one that investors may want to wait on buying.

Buy now: Disney

Disney (NYSE:DIS) is one company that used the pandemic to not only launch its Disney+ streaming service but to also push content creation into high gear.

The house of mouse has inked some stellar content deals over the years. That growing list includes well-known brands such as ABC, ESPN, HULU, Lucasfilm, Marvel, and Pixar. Those acquisitions have provided a treasure trove of content to build off.

Disney's foray into the streaming business has been nothing short of stellar. Disney launched its streaming service just a few months before the pandemic. In three short years, Disney has amassed over 164 million subscribers.

The company is also forging ahead with a mind-boggling list of streaming exclusives that provide additional defensive appeal to an already stellar long-term pick.

In short, Disney is one of the streaming stocks to buy now and hold for the long term.

Buy now: Netflix

Netflix (NASDAQ:NFLX) is one of the first streaming stocks to hit the market. Netflix was also one streaming stock that had a dismal 2022. Over the course of 2022, Netflix's stock shed 50% of its value.

Much of that decline was attributed to falling subscriber numbers. That decline was also an eventual reset of Netflix's valuation.

When Netflix launched, it was the only (major) player in the streaming business. It was also an innovative prospect; subscribers could watch anything from a growing catalogue of content from a growing list of devices.

But as Netflix ramped up its content creation and acquisition business, other studios came to the market. In fact, many of those studios launched just before or during the pandemic. What better time is there to watch endless movies than when you're forced to stay home?

A lack of unique content coupled with a fiercely competitive market led to Netflix bleeding subscribers. Those streamers also carry a lower monthly price point, which is a major differentiator. And fewer subscribers means less revenue, hence the drop in share price.

It's not all bad news, though.

Netflix introduced an ad-supported tier at a lower price point. And despite concerns that former subscribers will not be enticed to pay less to come back and see ads, that's what happened. Netflix saw 7.7 million net subscriber additions in the most recent quarter.

Run away from (slowly): Paramount

Paramount (NASDAQ:PARA) is a newcomer to the streaming world, but, by every other measure, it is a content-producing titan. The studio is also the name behind the best-grossing film of 2022: *Top Gun: Maverick.*

Perhaps coincidentally, *Maverick* hit the streaming platform just in time for Christmas. So then, why is Paramount the platform to steer clear of right now?

There are several reasons. First, when it comes to streaming, Paramount is the youngest of this trio. This means that Paramount hasn't rolled out to as many markets yet and will have lower revenue and subscribers.

Second, there's the offer. Paramount offers both an ad-supported and an ad-free plan. That latter plan costs more than Disney, but at the same level as Netflix's new ad tier. The problem is that Netflix, despite being a smaller production studio, has more content to entice subscribers.

Fortunately, Paramount is ramping up its content. While that mountain of content (pun intended) is coming, it may take a few more quarters for that to trickle down to higher subscribers and, by extension, growth.

Final thoughts

The pandemic may have been the catalyst for a shake-up of the movie-and-popcorn deal, but that volatility wasn't the only factor. Legacy-cable provider numbers have been on a steady decline for years. In a similar vein, streaming services can be seen as the heir apparent to the direct-to-DVD model of the past.

In other words, the streaming stocks to buy now are here to stay and should be part of a well-diversified portfolio.

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