4 Top Entertainment Stocks to Watch for 2021

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2020 has turned out to be a historical year for many reasons. While the pandemic delivered a brutal blow to theatres and all in-person forms of entertainment, it has been very kind to video-streaming services thanks to the ‘stay-at-home’ trend. A study from Grabyo showed that Americans are collectively spending an average of $1 billion a month more on video streaming since January.

Entertainment companies that are digitally focused have delivered huge returns to investors this year. Also, keeping with changes in consumer behavior in mind, these companies are preparing for the post-pandemic world through constant innovations. The global streaming market size is projected to grow at a CAGR of 12% to reach $842.93 billion by 2027, according to Fortune Business Insights.

Going into 2021, it is wise to consider established entertainment companies such as Walt Disney Company (**DIS** – *Get Rating*), Netflix, Inc. (**NFLX** – *Get Rating*), Comcast Corporation (**CMCSA** – *Get Rating*), and Charter Communications, Inc. (**CHTR** – *Get Rating*) that have displayed business resiliency amid these trying times and are getting ready to maintain their momentum in a post-pandemic economy.

Walt Disney Company (**DIS – *Get Rating***)

DIS operates as an entertainment company worldwide. The Company operates through four business segments – Media Networks, Parks Experiences and Products, Studio Entertainment, and Direct-To-Consumer and International. DIS' Parks, Experiences and Products segment was adversely affected by the ongoing pandemic with many of the parks and resorts being closed or operating at a reduced capacity. However, the company made huge progress in its direct-to-consumer business.

For the quarter that ended September 2020, DIS' total revenues increased 24.9% sequentially to $14.7 billion. Revenues from the media network segment increased 10.8% year-over-year to $7.2 billion, while revenues from direct-to-consumer & international segment increased 40.8% year-over-year to $4.9 billion. Disney+ launched in November 2019 and reported more than 73 million paid subscribers, which surpassed DIS' expectations. The total number of paid subscribers for Hulu increased 28.4% year-over-year to 36.6 million.

Analysts expect DIS' revenue to increase 6.1% in 2021, and 22.5% in 2022. The company's EPS is expected to increase 190.1% in 2022 and at a rate of 41.6% per annum over the next five years. DIS' earnings surprise history looks impressive with the company missing the consensus estimate in just one of the trailing four quarters.

The company held its Investor Day 2020 on December 10th and announced that it will launch Star, its international general entertainment content brand. It is expected to be launched in Europe and several other international markets on February 23rd, 2021 as a fully integrated part of Disney+. On October 26th, DIS announced that Disneyland Paris has embarked on one of the largest solar canopy energy projects in Europe, which

is expected to be completed by 2023. The stock has gained nearly 98% since hitting its 52-week low in mid-March. It is currently trading 2.1% below its 52-week high of $179.45.

How does DIS stack up for the POWR Ratings?

A for Trade Grade

A for Buy & Hold Grade

A for Peer Grade

A for Industry Rank

A for Overall POWR Rating

The stock is also ranked #1 out of 15 stocks in the Entertainment – Sports & Theme Parks industry.

Netflix, Inc. (NFLX – *Get Rating*)

The world's leading streaming entertainment service, NFLX provides a subscription based streaming entertainment service. Streaming in more than 30 languages and 190 countries, members can watch shows without commercials. The company has increased its focus on original shows and content in local languages in order to increase and expand its membership base. The company offers a variety of streaming membership plans, the price of which varies by country and the features of the plan.

NFLX's revenue increased 22.7% year-over-year to $6.4 billion for the third quarter that ended September 2020. Global streaming paid memberships increased 23.3% year-over-year to 195.15 million. The company is working with local partners like Reliance Jio in India and launched a bundle with their mobile and fiber broadband plans. As part of this partnership, the company will also integrate with two of Jio's set top boxes. Net income increased 18.7% year-over-year to $790 million. EPS increased 18.4% year-over-year to $1.74.

Analysts expect NFLX's revenue to increase 20.7% for the current quarter ending December 2020, 23.8% this year, and 18.2% next year. The company's EPS is expected to increase 51.8% this year, 44% next year, and at a rate of 41% per annum over the next five years. On a year-to-date basis, NFLX has rallied 55.5% to close Friday's session at $503.22. During the past six months, NFLX has soared 18.3%.

The company announced on December 9th that it has teamed up with Headspace to launch three new shows in 2021 – Headspace Guide to Meditation, which will be premiering globally on January 1st, Headspace Guide to Sleep, and an interactive experience. On November 30th, NFLX announced that it acquired Joe Penna's Sci-fi thriller 'Stowaway' for most of the world. The company has restarted production on some of its biggest titles including season four of Stranger Things, action film Red Notice, and The Witcher season two.

NFLX's POWR Ratings reflect this promising outlook. It has an overall rating of "Buy" with an "A" for Trade Grade and Industry Rank, and a "B" for Buy & Hold Grade. Among the 59 stocks in the Internet industry, it's ranked #18.

Comcast Corporation (CMCSA – *Get Rating*)

Based in Philadelphia, Pennsylvania, CMCSA is one of the largest cable providers in the United States. It operates as a media and technology company worldwide. The company primarily has two businesses – Comcast Cable and NBCUniversal. Its Comcast cable business operates in the cable communications segment, which provides video, high-speed Internet and voice services to residential customers under the XFINITY brand. Its NBCUniversal business, on the other hand, operates through four business segments – Cable Networks, Broadcast Television, Filmed Entertainment and Theme Parks.

CMCSA’s revenue climbed 7.7% sequentially to $25.5 billion for the third quarter that ended September 2020. Driven by the industry-leading platform and strategic focus on broadband, aggregation and streaming, the company’s total High-Speed internet customer net additions were a record 633,000 and cable communications total customer relationship net additions were 556,000, reporting the best quarterly result on record. CMCSA’s Sky, which is one of Europe’s leading media and entertainment companies, recorded a revenue growth of 5.2% year-over-year to $4.8 billion. The OTT streaming service, Peacock, launched by the company in April had nearly 22 million sign-ups at the end of September across the United States.

Analysts expect CMCSA’s revenue to increase 1.3% for the quarter ending March 2021, and 7.8% next year. Its EPS is expected to increase 14.3% next year, and at a rate of 5.8% per annum over the next five years. CMCSA has an impressive earnings surprise history with the company beating consensus EPS estimates in each of the trailing four quarters. The stock has gained 29.8% in the past 6 months and is currently trading 3% below its 52-week high of $52.49 which it hit on November 24th.

On December 10th, the company announced that it has reached an agreement with DIS such that CMCSA will have the right to distribute the Disney+ and ESPN+ services on its Xfinity X1 and Flex platforms. It is expected to be launched in the first quarter of 2021. CMCSA’s Universal Studios Japan is expected to hold its grand opening of the world’s first Super Nintendo World on February 4th, 2021. On November 30th, the company announced that the Mental Health Center of Denver selected Comcast Business solutions for broadband connectivity at 35 locations across the city.

It’s no surprise that CMCSA is rated “Buy” in our POWR Ratings system. It also has an “A” for Trade Grade, and Buy & Hold

Grade, and a “B” for Industry Rank. In the 14-stock Entertainment – TV & Internet Providers industry, it is ranked #9.

Charter Communications, Inc. (CHTR – *Get Rating*)

Founded in 1999, CHTR is a holding company. Through its subsidiaries, the company provides cable services to residential and commercial customers in the United States. The Company offers its customers subscription-based video services, including video on demand (VOD), high definition (HD) television, and digital video recorder (DVR) service, Internet services and voice services.

The company’s total revenues increased 5.1% year-over-year to $12 billion for the third quarter that ended September 2020. Revenue from the internet segment increased 12.5% year-over-year to $4.7 billion. Revenue from the mobile segment increased 91.8% year-over-year to $368 million. Residential customer relationships increased 6.9% year-over-year to 28.9 million. Net income increased 110.3% year-over-year to $814 million. EPS increased 124.1% year-over-year to $3.90.

Analysts expect CHTR’s revenue to increase 6.9% for the current quarter ending December, 5% this year, and 5.8% next year. The company’s EPS is expected to increase 89.9% this year, 48.3% next year, and at a rate of 51.9% per annum over the next five years. CHTR’s earnings surprise history looks impressive with the company missing the consensus estimate in just one of the trailing four quarters.

The company’s SportsNet announced its comprehensive broadcast schedule for the first half of the Lakers 2020-21 regular season schedule on December 10th. The Lakers regular season live game coverage on SportsNet will begin from December 27th.

CHTR announced an agreement with AccuWeather on December 8th to launch the AccuWeather TV Network in January for Spectrum TV Select. The stock has gained 34.4% so far this year to close Friday's trading session at $651.76.

CHTR's strong fundamentals are reflected in its POWR Ratings It has a "Buy" rating with an "A" for Trade Grade and Buy & Hold Grade, and a "B" for Industry Rank. Within the Entertainment – TV & Internet Providers industry, it's ranked #10.

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DIS shares were trading at $172.69 per share on Monday morning, down $3.03 (-1.72%). Year-to-date, DIS has gained 19.40%, versus a 16.32% rise in the benchmark S&P 500 index during the same period.

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