This Stock's 30%+ Jump in 2 Days Is a Just a Sliver of its Upside

Description

With financial markets turning sideways of late, looking for stocks that can provide short-term double digit boosts has resulted in many investors experiencing double-digit daily losses in sectors such as cannabis or cryptocurrencies, two areas I have warned investors to avoid for some time now because of obvious bubble-like valuations and astronomical growth expectations, the likes of which the TSX hasn't seen since 1999.

That said, one company I have touted support for recently because of my perceived over-reaction by financial markets on the downside is **Corus Entertainment Inc.** (TSX:CJR.B) for a number of very clear reasons. The reality is that value stocks operating in sectors with very specific headwinds (think oil sands or traditional television media) have been hit very hard of late, with investors focusing more on the "growth" story of companies than their long-term performance and ability to generate cash flows.

As a fundamental long-term investor, what matters is a company's ability to generate long-term cash flow and earnings over time. While I agree that Corus is operating in a sector that will likely completely transform within the next 10-20 years, the reality is that this company's strong cash flow and ability to generate original content are being undervalued by financial markets.

On Thursday, the company announced earnings that were nearly double analysts' expectations. Earnings were expected to decline from $0.12 per share (last year's numbers) to $0.11 per share this year. However, the company posted earnings of $0.19 per share, thereby indicating that revenues from the company's traditional channels may not be under as much immediate pressure as once thought.

It remains committed to content development, an important distinction from other media companies offering traditional platforms for consumers to view content, but no original content themselves. The advertising revenue Corus will be able to generate may be more elastic than many investors think, with the potential to increase long-term viewership by expanding its distribution channels over time.

Corus' 8.3% yield, a yield, which has been higher than double digits in the past, is one that for all intents and purposes remains safe in the medium term. I think a dividend cut may be on the horizon.

However, even if the company's dividend is cut in half, a 4.2% yield is certainly nothing to sneeze at.

Additionally, I believe the vast majority of such a cut has been priced into Corus' current extremely low valuation multiple.

Bottom line

At a price-to-book value of 0.6, price-to-earnings ratio of 7.5, and price-to-sales value of 0.9, few companies display the value of Corus. As I suggested to Foolish readers in late January, picking up shares of Corus at deep value levels instead of other highly-touted growth plays at this point is a strategy that will likely outperform in the next 12 to 24 months.

Stay Foolish, my friends.

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