Corus Entertainment Inc. Is a Bargain You Shouldn’t Pass Up

Description

Corus Entertainment Inc. (TSX:CJR.B) has had a horrible 2018 so far with its share price declining more than 40% to start the year. The stock went off a cliff after its Q1 results in January disappointed investors and raised concerns about the future of advertising on cable and whether the medium could compete with online streaming services.

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The company rebounded with a stronger Q2 earlier this month, and while that initially gave the stock a boost, it ultimately gave back some of those gains and has since struggled to stay above even $7 a share. The big question for investors is whether the stock has found a bottom or if it is destined to decline even further.

Support levels have not held

Every time Corus looks to have found some support, it drops further to reach an even lower level, and the pattern continues to repeat. Most recently, the share price hit a 52-week low of $5.56, and it now looks to have found support at ~$6, but the question is for how long?

While it’s hard to imagine the stock continuing to decline, time and time again it has found a way to do so. The share price has gone into oversold territory several times in the past six months, and while normally that would be an indicator that a reversal is on the horizon, that simply hasn’t happened.

In the case of Corus, technical indicators have not been very helpful in determining if the stock has reached a bottom and underlines a big problem with buying on a dip, and that is that a bigger decline could always be around the corner.

Should you buy the stock anyway?

Regardless of whether you think the stock has reached a bottom, it doesn’t change the fact that Corus is a great value buy that is currently priced very well.

The stock continues to be very discounted, trading near half of its book value and at a multiple of just six times its earnings. A case could be made for Corus being one of the best bargains on the TSX.

The company is undoubtedly facing challenges, but as a content owner it holds a lot of the cards, and thus far it has only dabbled into offering its content online, and that could be a big source of growth when it decides to make that leap.

Not only is Corus a great value buy, but its dividend is yielding an incredible 17%. While investors might be concerned about the viability of such a high payout, Corus continues to accumulate free cash flow — a crucial element in determining whether a company can continue to distribute earnings to its shareholders.

Bottom line

Value investors will get a lot for their money by investing in Corus, and whether the stock has bottomed out or not is irrelevant. If Corus stock continues to decline, it will only be an even better buy.

Investors should ignore the doom and gloom surrounding Corus and other media stocks. With a strong investor in **Shaw Communications Inc.** and a lot of potential for growth, investors don't need to worry about Corus being in any serious trouble.

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