



Why I Decided to Buy Corus Entertainment Inc. (TSX:CJR.B)

Description

I've been saying for a while that **Corus Entertainment Inc.** ([TSX:CJR.B](#)) is a great buy, and with the price continuing to fall, I knew it was simply too good of a bargain that I just couldn't ignore it anymore. Below are the reasons why I bought Corus, and why I believe it has a lot of upside for investors that buy today.

The stock is down over 60% this year, and for no good reason

Whether its hype or pessimism, a stock can easily get overwhelmed by investor panic or excitement. While textbooks will claim that markets are efficient and that a stock will represent its value based on all available information, in practice, I see no reason to believe that.

Corus is a perfect example of how the market has overreacted. With such a mammoth decline in share price, you might expect that the company is on the brink of going out of business or that it is widely overvalued. However, neither of those assertions are true.

The company had a [bad quarter](#) recently, although that was largely due to write-downs that are unusual for the company and unlikely to reoccur any time soon. But in the four preceding quarters, Corus was able to turn a healthy profit, averaging a margin of 13% during that time.

However, for investors that may focus on ratios, Corus will show a negative earnings per share, and so it might be seen as a stock that's in trouble. The problem with looking at raw numbers is that the context is easily ignored.

But the fall in price didn't happen because of one bad quarter, and the decline started back in January when the company's disappointing [first-quarter results](#) left investors concerned about whether advertisers would still prefer to spend their dollars online, and whether Corus still had a good business model.

The sell-off was a big overreaction then, and it is an even bigger one now. This is where I see a big inefficiency in the market, and why this is a great opportunity to take advantage of a severely undervalued stock.

Corus is oversold and at an all-time low

I really regretted not buying **Cenovus Energy Inc.** last year when the stock was trading at an all-time low, and my returns would have been around 50% had I held on until now. Finding a company that is trading at its all-time low can be rare, especially when the business is likely to rebound, and that's what I expect to happen with Corus.

While you may not necessarily want to waste time waiting for a stock to go down in value, you also don't want to ignore a great opportunity when it presents itself, and that's why I decided to finally pull the trigger.

With the stock trading around half of its book value, there's a lot of opportunity there for the share price to produce significant returns.

Bottom line

I invested in Corus because the company strong fundamentals, a good business with quality content, positive free cash flow, and I see a strong likelihood that the company will be able to recover in future quarters.

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