What’s Up With Corus Entertainment (TSX:CJR.B)?

Description

If you tend to like to find those contrarian investments that offer the potential for huge growth, **Corus Entertainment Inc.** (TSX:CJR.B) offers a very interesting opportunity right now.

The company has fallen steadily since 2014, from around $25 per share to where it is at writing at $6.30. But in the last month or so, that share price has started to come up a bit. So let’s dig in to what’s going on with Corus.

Shaw

After the takeover of **Shaw Communications**, Corus has struggled to get back to that $25 share price. Since then, both companies seem to have regretted the move. But what has made this stock move lately is that same deal with Shaw, or rather, the lack of it. After a recent price surge, Shaw announced that it was exiting its position in Corus and selling about 80 million shares in the process at $6.80 per share, a cost of about $548 million, which of course sent Corus shares down yet again.

Financial turnaround

But analysts maintain that this is a strong business. In the past year, some strong quarters have caused there to be a bit of a turnaround. Revenue has grown 4% year over year, with the company topping estimates in its earnings reports.

Its latest earnings report came in at $384 million in revenue and net income of $11.72 million. With the stock finally seeing some positive results, its P/B ratio has improved to 0.9 times earnings, making it slightly undervalued. Analysts now put the stock’s 12 month share price at between $7 and $12 per share, a potential increase of 90%!

Good news? Bad news?

While the Shaw sale may have diluted the share price in the short term, in the long term this could prove to be a good thing. Now, the company has been given an influx of cash that it can use freely, without worrying about a big cable provider and key shareholder.

It all boils down to timing. Shaw saw an opportunity and took it, and now investors have gone again gone into panic mode on whether this stock is headed for a nose dive yet again. Honestly, I don't think it is. Sales show signs of life, and the stock should get right back up to 52-week highs around $8 in no time at all, and perhaps even exceed that figure.

Bottom line

The Shaw sell-off is an opportunity to buy this stock. It's been near rock bottom for a while and is finally starting to move back up again. It offers strong finances, steady cash flow, increasing sales, and a dividend yield of 4.05% at the time of writing that, coupled with an undervalued share price, should make investors happy to buy.

So while this stock continues to recover, I would buy this stock today hoping to hold onto it for the long term. In fact, if Corus returns to its near $25 per share levels of a few years ago, that means an investment of $10,000 today would turn into $39,682, with a dividend near $2,000 in the same time frame. That's definitely quite the paycheque for your patience.

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Date
2025/08/26
Date Created
2019/06/02
Author
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