Corus Entertainment (TSX:CJR.B) Could Realistically Double

Description

Corus Entertainment (TSX:CJR.B) has been in the doghouse for far too long. While I may sound like a bottom-fisher, cigar-butt investor, or reckless falling-knife catcher, I believe there's a certain price where every stock, even the not so wonderful ones, becomes a buy.

Corus had a tremendous fall from grace, and I've encouraged investors to avoid the stock when on the way down until more recently. You see, in spite of the robust cash flow metrics, Corus was still drifting on the wrong side of the secular cord-cutting trend. While traditional media isn't completely dead yet, I think Corus is making the right moves to persevere given the horrible hand it's been dealt.

Fellow Fool Mat Litalien seems to think that Corus is both a dud and a value trap. Many months ago, I would have agreed with him wholeheartedly, but given the depressed valuation, a somewhat encouraging plan, and the ample free cash flow that's still being generated, I'd have to say Corus was a value trap and is now a stock that's got a fairly decent risk/reward trade-off.

At the time of writing, Corus shares trade at 0.8 times sales and 0.87 times book — not a bad price to pay for a stable, albeit likely decaying free cash flow stream. Although I believe Corus will probably never see its high again, I think the bar is low and the chances of doubling are pretty high given the firm's new trajectory.

"The value proposition and solid cash flows, which have existed for the entirety of Corus's fall from grace, are still there. But [neither of these are my primary] reason for believing Corus shares have finally hit a bottom. With a name that's in an industry in secular decline, you have to do *better* than just value or fundamentals to form a solid investment thesis." I said in a prior piece.

I'd noted that "going against the grain with a company in secular decline is dangerous" and that one needed a meaningful "catalyst that could help sustainably reverse" the negative trend. In the case of Corus, I'd noted that the "beefing up of premium content" and the fragmentation of the video-streaming market were potential boons for Corus's business as content consumers became "more promiscuous" with entertainment offerings.

At this juncture, you're getting a dirt-cheap valuation, relatively decent fundamentals for a company that's suffered such a massive fall, and a potential catalyst that could propel the stock back to the double digits. While Corus is still a high-risk bet, I'd say it's a relatively sound double-up play compared to most other borderline speculative plays that other investors are throwing money at.

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