



## Contrarian Investing: 2 Comeback Stocks for 2020

### Description

While there are some clear-cut, top-growth stocks to own going into 2020, there are also some contrarian turn-around picks that could surprise some people.

Buying well-known growth stocks is a great strategy and has the ability to earn a decent return due to the momentum in the name and as long as the company can execute.

However, stocks with more upside are those that aren't yet on most investors' radar. These stocks have the same level of upside opportunity, but trade at undervalued prices as the market doesn't fully appreciate them yet.

Once the market gets a full understanding of the potential of these companies though, and investors flock to buy some shares while they are still undervalued, you can expect great appreciation, that may end up being some of the most promising opportunities on the markets in 2020.

The top two contrarian turn-around stocks to own going into 2020 are **Peyto Exploration and Development Corp** ([TSX:PEY](#)) and **Corus Entertainment Inc** ([TSX:CJR.B](#)).

### Peyto

Peyto is a natural gas producer in Western Canada that's had its stock destroyed recently, with roughly 90% of its shares' value eroded in the last five years.

This year it's continued to cut its production, which has led the stock fall another 50%; however, recently it's kept its production flat and just recently announced its 2020 capital budget.

The flattening of its production levels and its shareholder-friendly 2020 budget has helped to give the stock some momentum, and given that it looks as though all the tax-loss selling in the name is over, it's starting to see some upside as we move into the new year.

Though its stock has run up by roughly 25% in the last few weeks, it's still extremely undervalued,

especially when you consider its potential if incentivized to increase its production rapidly, which it's more than capable of doing.

Since it's one of the lowest-cost producers of natural gas in Western Canada, Peyto is in a great position going forward, and because it's hoarding its reserves at these low prices, you know when natural gas inevitably increases, Peyto's growth will be unimaginable.

On top of everything else, Peyto pays a dividend which currently yields more than 7.5%, which is sustainable and can easily be increased as it grows its production.

## Corus

Corus is another great opportunity for investors to consider going into 2020, as it's now entering its third year since the start of its rebuild and turnaround.

Corus runs a portfolio of media assets, mostly TV channels and content. It also owns some radio stations too, but those make up only a small part of its business.

After it took care of some pressing issues like trimming its dividend to reduce its high debt load, Corus turned its focus to its operations, investing to develop its business by acquiring content and through its own content creation.

The new business model has paid off and it's been seeing an increase in revenue from advertising in recent quarters, which led to Corus reporting more than \$300 million in free cash flow in fiscal 2019 and a net debt to segment profit of just 2.8 times.

Now that it has re-positioned its business well, Corus is focused on growth and finding new ways to expand its business, as well as diversify its revenues.

In the meantime, it pays a dividend that yields roughly 4.3% at a payout ratio of just 25%, so there is no risk of another cut anytime soon.

## Bottom line

Comeback stocks are some of the hardest stocks to wrap your head around and gain confidence in, to buy and own for the long-run, but once you've done your due diligence and know these companies can deliver, an investment will make it one of the most promising stocks in your portfolio.

These stocks represent two companies that have been there before, and for whatever reason have been sold off heavily, but with strong market conditions and management making prudent decisions, when these stocks get back on track, they could easily offer investors returns north of 100%.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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