Here’s Why This Stock Is at the Top of My Buy List

Description

The media industry has undergone a lot of ups and downs over the last decade as the growth in social media and many internet entertainment businesses have stolen viewership away from traditional forms of media.

This led advertisers to seek other ways of trying to market their products or services to their target consumer, which hasn’t gone all that well.

Although there is no question that T.V. and cable specifically is a maturing industry, it’s still one of the best ways of targeting specific demographics for companies trying to advertise to a target market.

Because of this, we have begun to see advertising money move back into the T.V industry, which is really helping the likes of a company like **Corus Entertainment Inc** (TSX:CJR.B) as it attempts to turn its struggling business around.

So far Corus, a Canadian media and content company, has been executing its turnaround plan to almost complete perfection. It started by trimming its dividend in order to reduce some of the major debt load.

Once Corus got into a better financial position, it then turned its focus to growing the business and finding new opportunities.

This of course was helped by a return of some advertising dollars, which has specifically given a boost to Corus and helped with its turnaround efforts.

The company just released its 2020 fiscal reports Friday morning, and it looks as though it was another positive quarter for the media company.

The initial highlights show a slight increase to its consolidated revenues, but looking toward, the bottom line we can see the real improvement it’s made.

Corus reported much larger net income per share and free cash flow figures in the quarter, compared to the same quarter a year ago. It also saw its fifth straight quarter of increasing advertising dollars, reflecting the strong economics surrounding the industry at the moment.

While growing advertising is a big deal for the media companies, the biggest thing to take away from these earnings is the double-digit revenue growth that Corus saw in its content business.

During Corus' turnaround, one of the growth opportunities it decided to pursue was the content business and the creation of content, and so far it has been proving to be a rewarding decision.

Going forward, Corus can be expected to continue to advance its strategic priorities, which include diversifying its revenues and finding additional ways to deliver its premium content.

Plus, with its growth in free cash flow it plans to use the funds to its advantage whether that's reducing debt or finding new ways to invest the money.

Corus' turnaround won't happen overnight, but so far what I'm seeing out of the company makes me believe in what management is trying to do, and with its share price still below $5.60 as of Thursday's close, it still offers investors a compelling opportunity.

There is major opportunity for the share price to increase, especially when you consider Corus is trading at a price to earnings ratio of just 7.1 times and it's returning a tonne of cash to shareholders.

Until now the company has been paying out a dividend that yields roughly 4.3% and is highly sustainable but now, Corus will also return funds to shareholders through share buybacks, which I think is the most opportunistic way to return cash, given Corus' severely undervalued share price.

I have a lot of faith that Corus can execute on its targets and complete this turnaround, and with its stock trading at such a large margin of safety, you can't go wrong owning a piece of this high-potential company.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)

PARTNER-FEEDS

1. Business Insider
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