1 Underrated Stock That Could Double This Year

Description

Finding good, cheap value buys on the markets is more difficult than ever. With the markets looking very bullish in recent years, many stocks are trading not just near their highs for the year, but they're also at multi-year highs as well. And the likelihood that they'll continue soaring from those heights makes it less probable that you can still earn a good return if you buy at those levels.

However, there is one stock that does have a lot of potential, one that I'm continuing to hold because of it, and that's **Corus Entertainment** (TSX:CJR.B).

The entertainment stock has been struggling the past few years, as investors have given it the cold shoulder out of concern that advertisers are moving away from cable and towards online streaming services instead. However, the company continues to generate solid results, and the numbers don't show a mass departure in ad revenue.

Corus's Q1 numbers show good EPS growth

Last week, Corus released its first-quarter results for fiscal 2020, and although there wasn't much growth in the top line, cost reductions helped the company report a stronger earnings per share figure of $0.37 compared to $0.28 in the prior-year quarter. And with $53 million in free cash flow up more than 25% from a year ago, Corus is showing that the company is still alive and well.

Although the results could have been better, the Q1 numbers are important in reminding investors that Corus still has a strong business. And for those who remain concerned that it's not keeping up with changing consumer preferences, the company has started to get involved in streaming with its STACKTV offering that it has made available through **Amazon**. It's still very early on, and it could contribute to the company's growth down the road.

Significant value for investors today

The Q1 results gave the company's stock price a shot in the arm on Friday, as its shares rose by more than 6% during the day. However, Corus is still a very cheap buy, trading at well below its book value at a price-to-book multiple of 0.75. Its price-to-earnings ratio of seven also suggests there could be significant upside for the stock from where it is today.

One of the reasons I continue hanging on to the stock is because I know it is grossly undervalued, even though its business isn't in any danger. While there may be competition and more options for advertisers and consumers in search of content, Corus remains a very relevant player in the industry in Canada, and one that isn't going away anytime soon.

It may not be leading the way in terms of innovation, but it's also not pretending that content doesn't have to be available without a cable subscription, either.

Not only does the stock offer lots of room to climb in value, but it also pays investors a decent dividend yield of more than 4% per year. Although the company did cut its payouts over a year ago, its dividend is more sustainable today and looks to be much more secure.

CATEGORY

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

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