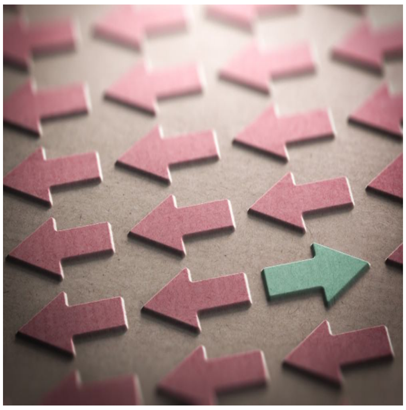

TFSA Investors: 2 Media Stocks for Contrarian Investors

Description

There are some stocks that are beaten down, because they are thought of as irrelevant. When that happens it's a good time to understand the business model, figure out if rumours of its extinction are true, and if they aren't true, one can look to buy the stock. If you do find a stock that fits these categories, chances are, you will be able to buy them at a very good bargain, and you can watch your investment soar, as the markets realize what they have overlooked.

One such stock is **Corus Entertainment** (TSX:CJR.B). Corus has been battered in the past decade, going down from $21 in 2015 to $5.31 today. A major reason for this is because Corus is seen as an old fuddy-duddy in the market. It owns and operates 35 TV networks and 15 TV stations as well as 39 radio stations — all entertainment options that people today are moving away from.

However, a quick look at Corus's revenues for the last three years put those rumours to rest. Whatever the naysayers have said about the company, the fact is that Corus has held revenues steady between $1.65 billion and $1.69 billion in the last three fiscal years.

The first-quarter results for fiscal 2020 showed revenues of $468 million, slightly more than the same period for fiscal 2019. Q1 consolidated segment profit was $184 million, with a free cash flow of $53 million (up $3.9 million from the previous year) for the quarter, which enabled it to pay down $49 million of bank debt. Clearly, Corus is doing something right.

The company has also taken some hard calls, disposing of a non-core asset, Telelatino, in March 2019 and shutting down smaller services in its portfolio, such as Sundance in fiscal 2018, IFC, Cosmo, and, most recently, FYI, in fiscal 2020.

In 2019, the company partnered up with **Amazon** to launch STACKTV, which is available for Amazon Prime subscribers and features many popular Corus channels. As a cherry on the cake, Corus offers a forward dividend of 4.48%, which should work well for investors. Analysts have given it a price target of $8 in this year, which is a gain of over 50% from current levels.

Stingray Group

Another media stock that has taken a beating is **Stingray Group** (TSX:RAY.A). Stingray provides curated direct-to-consumer and B2B services, including audio television channels, over 100 radio stations, SVOD content, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps.

The company has over 400 million subscribers in 156 countries. At a market cap of almost $516 million, it is one of the smaller players in the media sector, but it hasn't missed a dividend payout since 2015. The dividend has more than doubled in the last five years, and the yield now stands at 4.03%.

Stingray's revenues for the second quarter of fiscal 2020 increased 120.7% to $76.6 million. Adjusted net income was up 78.6% to $12 million and adjusted free cash flow went up 226.1% at $18.8 million compared to $5.8 million in the same period last year.

The stock is trading at $6.78 right now, and analysts tracking the stock have given it an average target of $9.38, an upside of over 38% from current levels. It looks like a great buy for the contrarian investor.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:CJR.B (Corus Entertainment Inc.)
3. TSX:RAY.A (Stingray Group Inc.)

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