Canada’s Cheapest Stock: You Won’t Believe the Value Here

Description

Thanks to the recent market sell-off, there are a bunch of really cheap stocks available to stuff your portfolio with today. But only one of these companies can have the title of Canada’s cheapest stock.

You simply won’t believe the valuation this company offers. It’s not only ultra-cheap on a price-to-earnings ratio, it’s also cheap when compared to book value or the company’s historical dividend yield. And, as you’ll see, earnings should do relatively well even if we have a prolonged recession.

Let’s take a closer look at this company, the undisputed cheapest stock in Canada

The skinny

Back when markets were bumping up against new highs, a stock at 10 times earnings was considered cheap. A stock that traded at seven or eight times earnings was virtually unheard of. Sure, these companies existed, but they had some major warts.

Things are a lot different now. In fact, there are companies out there that trade at under five times earnings. As long as you think the economy will come back, that’s unbelievably cheap.

Canada’s cheapest stock today is **Corus Entertainment** (TSX:CJR.B), a media company that owns some of Canada’s top television channels, radio stations, various types of media content, and some of Canada’s top digital properties. Prominent TV channels include *Global, The Food Network, History Channel, Teletoon*, and *HGTV*, among others. It has 39 different radio stations in Canada’s 10 largest markets. And each channel (and radio station) has its own website, digital property that continues to grow in value.

Corus shares have struggled over the last few years for a number of different reasons. The company acquired a bunch of television assets back in 2016, in a deal that was financed with a lot of debt. Then thousands of Canadians cut the cable cord for good. Now the streaming revolution is here and Corus’s assets seem ancient in comparison.

These issues, plus weak stock markets, have pushed Corus shares down to the $2.50 level, which is about as cheap as the company has ever been. We're talking really cheap here. Like Canada's cheapest stock low.

How cheap is Corus, anyway?

Let's start on a price-to-free cash flow perspective. Corus uses free cash flow as a metric for earnings because big amortization costs eat away at its traditional profit numbers. Corus earned $310 million in free cash flow during its last fiscal year. The stock has a market cap of $528 million today.

That's right. Corus shares trade at less than two times free cash flow.

A low price-to-free cash flow ratio isn't the only thing that makes Corus Canada's cheapest stock. The company also trades at a fraction of book value, with the price-to-book ratio a mere 0.31. Book value is around the $8 per share range. The stock even offers a massive 9.5% dividend yield, a payout that can easily be maintained.

Some might argue Corus's main business – which is selling advertising on its television channels and digital properties – is about to fall off a cliff. There's no doubt the advertising market will be weak for a little while. But with all the stimulus money that's about to come pouring into the economy, I like the chances of the advertising business bouncing back quickly. Especially if we get a quick overall economic recovery.

The company also has a bit too much debt, but I must give management credit. Corus has been relentlessly paying down its borrowings from a peak of well over $2 billion to today's level of under $1.7 billion. That's decent progress in just a few years.

The bottom line on Canada's cheapest stock

I won't deny there are cracks in Corus's business model today. But there are cracks in just about every company's armor, and they don't trade at under two times trailing free cash flow.

I simply can't believe how cheap this stock is. Perhaps now is the time to add Canada's cheapest stock to your portfolio. There's certainly some nice upside potential with this one.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider

2. Msn
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