



Invest Like Warren Buffett and Buy This Top TSX Stock

Description

Warren Buffett is the greatest investor of all time and the perfect person to emulate as an investor. Not only are his lifelong returns exceptional, but his strategy is not overly complicated and is easy to replicate.

It makes sense that so many investors want to know what Buffett's buying and what he's thinking. Sometimes it's worth looking at the stocks he is buying to get a good idea of what quality businesses he is interested in.

However, investors will have to be confident in their own ability to judge a stock.

For example, Warren Buffett has said himself that with the massive size of his company **Berkshire Hathaway**, investing in stocks with smaller market caps isn't worth it anymore.

Consider a stock with a \$500 million market cap that doubles in value. For many investors, that would be a significant return, but for Buffett, even if he owned the entire company, a \$500 million return is peanuts.

This is why you won't see Warren Buffett investing in a lot of these [small-cap stocks](#). It's up to the investor to decide if each company is a Buffett-worthy stock.

One stock today that passes all that major Buffett tests is **Corus Entertainment** ([TSX:CJR.B](#)).

Warren Buffett rule #1: A simple business

The first thing that is a necessity before Warren Buffett buys a stock is that he understands the business. If the business is very complicated, and it's difficult to understand all aspects of it, how can you adequately judge risk?

Corus Entertainment owns television and radio stations, although [more than 90%](#) of its revenue comes from TV. The business gets 65% of its money from advertisers (commercials), and 30% of its revenue

comes from subscribers to its specialty channels.

It's also begun to really focus on content creation, which will help integrate the business and improve margins substantially.

Warren Buffett rule #2: Long-term prospects

The second thing Warren Buffett wants to see out of any potential investment is the potential for it to continue growing and operating well into the future.

Corus operates in the media industry, which has gone through a lot of changes in the last decade. With the rise of **Netflix**, people have been expecting cord-cutting. This has yet to pan out significantly.

Advertising dollars were declining for a few years, but a lot of that has come back. Many advertisers actually prefer to advertise on TV as a better way to target specific audiences.

Corus has the advantage of having numerous specialty channels that allow advertisers to target niche audiences.

Furthermore, with the launch of STACKTV, Corus can target some of those cord cutters, especially the ones that are already fans of its shows.

Warren Buffett rule #3: Margin of safety

When you buy a business, it's because you believe that it's trading below its intrinsic value. The larger the discount, the larger the margin of safety in case things don't pan out as you'd expect. This is a requirement Warren Buffett has when buying a business to ensure that he is minimizing risk.

At the moment, Corus may be the cheapest stock on the **TSX**. On top of it having a trailing price to earnings of just 2.9 times, its price-to-book ratio is just 0.35 times.

Some of the worst-case estimates still have the company earning a profit this year. And when things get back to normal, and advertising dollars pick back up, the valuation is exceptionally low.

Not to mention, the decline in advertising from some industries is being at least partially offset by Government ads and those industries that are thriving.

In 2019, Corus had free cash flow per share of \$1.37. That means at today's prices, Corus is trading at just 1.9 times its 2019 free cash flow.

On top of everything else, Corus pays a dividend that yields more than 8.8%. Management has reiterated that it's not cutting the dividend yet, it's going to wait and see how things progress in the coming months before making a decision. Although in 2019, the dividend had a payout ratio of just 30%.

Bottom line

In terms of Warren Buffett requirements, Corus is the ideal long-term stock. Most importantly, though, the stock is incredibly cheap.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

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