1 TSX Value Stock to Buy and 1 to Sell

Description

These days with so many **TSX** value stocks trading at attractive prices, investors have the chance to make a considerable fortune.

However, investors shouldn't forget why markets sold off in the first place. Plus, its crucial to remember that a lot of the cheapest stocks are priced this way for a reason.

You can't just buy any stock that's trading undervalue. Investors have to make sure to really do your due diligence and avoid value traps.

For a company to be worth an investment today, it will need a few qualities. A good business model, strong management team, and stable financial position are all required. This is normal in any recessionary period.

However, in our current environment, with so many businesses disproportionately affected, the industry the stock is in can play a significant factor in its outcome.

So, investors should make sure any stock they are buying can weather this current environment and the impact it will have on its business.

A TSX value stock to buy

One extremely cheap stock is **Corus Entertainment** (TSX:CJR.B). Corus has been sold off because investors are concerned it will be affected by an economic slowdown.

And while this is a risk, being affected by a recession is far less impactful than having to shut down because of the coronavirus.

The stock may suffer slightly in the short run, but it will likely be only small impacts on its advertising revenue, and the company should be able to bounce back quickly.

At just over $3 a share, the stock is trading more than 60% below its 52-week high. This represents a trailing price-to-earnings ratio of only 3.5 times. Plus, its dividend yields roughly 7.75% — an exceptionally appealing rate.

Corus looks attractive and shouldn't have too much trouble as it weathers short-term impacts. Despite the incredible value, it doesn't completely erase the risk of the stock, though. The dividend is still up in the air in case Corus wants to cut it to help shore up the balance sheet and save cash.

Long term, however, you are buying a great business extremely undervalued. And when this is all behind us, and ad revenues start picking back up again, the dividend, if it were to be cut, would be reinstated rather quickly again.

A value trap stock to sell

Another super cheap stock, but one that looks like a value trap to me, is **Boston Pizza Royalties Income Fund** (TSX:BPF.UN).

In late February and early March, the stock lost more than 50%. However, since the stock bottomed and bounced back, the shares haven't done much. It's only up roughly 10% from the bottom on March 23 compared to the TSX, which has rallied by more than 30%.

This suggests that the market views Boston Pizza as highly risky, although it also makes the stock look incredibly cheap.

The problem with restaurant stocks is that a prolonged period of forcing the restaurants to do takeout only could cause mass restaurant closures, which I mentioned last week.

Unlike Corus, Boston Pizza could face significant trouble and take a long time to get back to pre-coronavirus levels.

Despite Boston Pizza looking like it has tremendous value, trading at a trailing price to earnings of just eight times, I would avoid the stock.

To me, the restaurant sector is uninvestable until we can get clarity on the future of the industry.

Bottom line

As much as business operations and financial position matter for all companies, the most critical factor today is its industry.

Certain industries are being disproportionately affected because of the nature of their makeup. Investors should avoid these and stick with TSX value stocks like Corus.

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1. Editor's Choice

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1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:CJR.B (Corus Entertainment Inc.)

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