



Corus Entertainment (TSX:CJR.B) Just Skyrocketed 89%: Is Now the Time to Buy?

Description

Corus Entertainment ([TSX:CJR.B](#)) stock popped 15% on Wednesday, bringing shares up around 89% from their March lows. The battered old-school broadcasting and media company has been shunned by many investors on the way down, as it found itself on the wrong side of a dominant long-lived secular trend.

Canadian consumers continue to cut the cord at a rampant rate. For a firm like Corus, which [derives around 90% of revenues from TV](#), it seems as though the company is next up to belly under, as entertainment consumption gravitates toward more flexible and convenient video streamers and away from traditional cable subscriptions.

The death of cable TV? Don't bet on it!

While traditional cable TV as we know it may be headed for the Dodo Bird, I'd argue that given cable rates are poised to decline that it makes more sense for Canadian consumers to return to cable TV, especially since there are now a plethora of streaming options that can be hard to keep track of.

As the number of streaming platforms increases and the price of traditional cable continues dropping, Canadians will embrace old-school media consumption again.

The value proposition and flexibility could, in theory, improve relative to streaming, and Corus's advertising business would be a significant beneficiary of such a resurgence in traditional media.

Corus derives around 65% of its cash from TV commercials, the value of which has gone down, as Canadian continue cutting the cord. With intriguing tech-leveraging initiatives to improve the value of its old-school advertising, I do see a scenario where Corus could give itself a nice margin boost amidst continued pressures.

If the price is right, every stock can become a buy, even Corus

Entertainment

Despite the seemingly insurmountable headwinds that lie ahead of Corus, I am a firm believer that every stock, even those behind businesses of less-than-stellar calibre, can be a buy if the price is right.

Given Corus still generates ample free cash flow, I am a bigger fan of the fundamentals than most bears and think there's still a considerable margin of safety to be had in the name, even after the stock's latest upward move.

At the time of writing, Corus stock trades at 0.48 times book, 2.3 times cash flow, and 2.2 times EV/EBITDA, all of which are lower than the stock's five-year historical average multiples of 0.85, 5.4, and 13.6, respectively.

Nobody wants to be caught on the wrong side of a profound secular trend and be left with deteriorating operating cash flows. But with the rock-bottom valuation that you're getting with Corus, I'd be more inclined to buy than sell the roller coaster-ride of a stock that is CJR.B.

Foolish takeaway on Corus Entertainment

In [prior pieces](#), I highlighted potentially meaningful catalysts that could help Corus "sustainably reverse the negative long-term trend."

"In the case of Corus, I'd noted that the beefing up of premium content and the fragmentation of the video-streaming market were potential boons for Corus's business as content consumers became more promiscuous with entertainment offerings," I said.

Management's efforts may or may not pay dividends, but at these ridiculously low multiples, the risk/reward trade-off looks compelling for long-term deep value investors who are no stranger to volatility.

The 6.4%-yielding dividend looks well covered and acts as a nice incentive for those willing to pick up the "cigar-butt" that likely has many more puffs (or years' worth of ample free cash flow generation) left in it.

So, if you're in the belief that traditional media isn't dead yet, Corus is the prefect value play.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Stocks for Beginners

Date

2025/07/05

Date Created

2020/06/04

Author

joefrenette

default watermark

default watermark