Corus (TSX:CJR.B) Stock Just Smashed Earnings, Here’s How High It Could Go

Description

Earnings season has kicked off, and already plenty of stocks are seeing big movements. **Corus Entertainment Inc** (TSX:CJR.B) is one of those stocks, up more than 7.5% yesterday after reporting earnings.

Corus is one of the top stocks I have been recommending to investors throughout the pandemic, and earlier this week, was a stock I suggested could surprise the street.

That seemed to be the case on Thursday as Corus managed to earn more than double the consensus estimates for free cash flow and earnings per share in the quarter.

Corus is just one of many value stocks on the **TSX** that have been left behind by the market and were trading dirt cheap. When stocks recovered after their fall in March, much of the recovery was focused on big blue-chip names or stocks in defensive industries.

However, there are still plenty of value opportunities, such as Corus, all over the TSX. So let’s take a look at why Corus is so attractive today.

Still one of the cheapest stocks on the TSX

When Corus reported these impressive earnings to end its fiscal year on Thursday, naturally, the stock was going to see a significant uptick in share price. However, even after Thursday’s 7.5% rally, the stock is still incredibly cheap.

As of the close, at a market price of $3.38 per share, Corus has a market cap just shy of $700 million. However, for the year, more than half of which was impacted by coronavirus, Corus reported free cash flow of 296 million.

So as of Friday morning, with Corus at $3.38, the stock still has a trailing free cash flow yield of 43%. That shows how much value the stock has.

Furthermore, its 7.1% dividend now looks to be very safe, and the company even has a considerable amount of spare cash left over to pay down its debt.

With Corus' history, any time it pays down debt, it's something that long-term investors like to see. The company continues to decrease its debt position, now having decreased its long-term debt for 11 straight quarters and roughly $700 million since 2017.

Outlook for Corus

Although advertising was still down 25% in the fourth quarter and 31% in the third quarter for comparison, the company still managed impressive results. In fact, for the full fiscal year, Corus saw a 15% decline in revenue yet still managed to earn $300 million in free cash flow.

Corus' ability to post these incredible results shows how well management and the whole team have been able to execute. Even more attractive than its past performance, though, is management pointing to expected revenue growth over the next three years.

As advertising picks back up and Corus' streaming platform gains popularity, there should be plenty of upside potential for the stock.

So I wouldn't wait long to pick up this high-potential TSX stock, trading at 4.5 times its 2020 (pandemic-effected) earnings and offering a safe 7.1% dividend.

Bottom line

Finding stocks like Corus are the types of undervalued investments to look for. It's easy to want to avoid Corus due to some of the past issues it's had. However, doing a quick analysis would have shown what a much better position the company is in compared to a few years ago.

It's showing it can weather the storm through the pandemic and rebuilding its trust with investors. So at just 4.5 times earnings and 2.8 times free cash flow, I would expect the stock to continue to rally and soon reach a reasonable valuation.

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danieldacosta