



Got \$500 to Invest? Here's a Top TSX Stock for 2021

Description

After an eventful 2020 with several opportunities, 2021 is going to be all about the economic recovery. With most **TSX** stocks already trading back around their pre-pandemic highs, the best opportunities will be in those stocks still trading at significant discounts.

These companies will offer investors the best upside in 2021. However, they will also inherently come with a lot of risk. Many of the stocks that haven't recovered yet are trading at discounts due to significant risk or because their businesses have yet to recover.

So with these TSX stocks naturally having more risk, it's crucial that investors playing [the recovery](#) understand all these risks as well as what to watch for as we progress through 2021.

A top TSX stock for a 2021 recovery

While many investors have focused on stocks like **Air Canada** or **Cineplex**, one company with just as much upside potential but significantly less risk is **Corus Entertainment Inc** ([TSX:CJR.B](#)).

Corus was sold off heavily in the early part of the coronavirus pandemic for several reasons. Firstly, in past recessions, T.V advertising has declined somewhat substantially, so there was fear from investors that we could see that again.

Secondly, the TSX stock has struggled in recent years and has been going through a multi-year turnaround. So the pandemic posed a major threat to Corus' business just as it was turning the corner.

Both of those concerns led to investors worrying about Corus' dividend stability and whether its debt would again become a problem.

Since then, though, the TSX stock has performed better than many expected it to. Despite advertising dollars that were down substantially in the early part of the pandemic, Corus has managed to keep its dividend stable.

Furthermore, the company has found a tonne of cost savings and used government subsidy programs to its advantage. This has resulted in strong free cash flow generation throughout the year, which Corus has used to pay down debt.

This has resulted in Corus being in an even stronger position heading into 2021, despite the economy still being in the midst of the pandemic.

Corus stock is primed for a bounce-back 2021

As I mentioned before, the TSX stock was in the midst of a years-long turnaround when the coronavirus pandemic hit. While this was a concern early on, Corus has proven it can weather the storm quite handily.

That concern that has kept Corus trading severely undervalue means that there is a lot more upside recovery for investors as we continue to emerge from the pandemic.

So, in addition to its traditional businesses recovering, you can bet that Corus will be trying to grow subscriptions to its streaming services for the next few years. This growth potential is highly appealing for investors in 2021. However, at the moment, Corus is most attractive for its value.

Although it only trades down roughly 20% from its 52-week high, Corus is actually extremely cheap. This makes sense given that the TSX stock is trading lower than it was a year ago despite having a more promising outlook.

In 2020 it earned an adjusted EPS of \$0.75. That's roughly what analysts are expecting for 2021. This means it currently trades at a price to earnings ratio of roughly 6.1 times.

Its free cash flow generation is even more impressive. In fiscal 2020 [Corus](#) earned free cash flow per share of \$1.21. That means the TSX stock trades at just 3.8 times its trailing free cash flow, an insane bargain.

In addition to the incredible value, Corus' dividend also yields an impressive 5.2%, giving investors yet another reason to consider this TSX stock in 2021.

Bottom line

Corus reports earnings this morning, and many expect it to be another quarter of rebounding sales and impressive free cash flow generation. Whether or not the earnings for the most recent quarter match analysts' expectations won't quite matter either.

Corus is a long-term play, and its recovery will offer investors considerable upside over the next few years.

CATEGORY

1. Dividend Stocks
2. Investing

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

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