Corus Entertainment: The Top Canadian Value Stock in 2021

Description

There's no question that 2021 is all about recovering from the coronavirus pandemic. Whether companies have been impacted severely or only saw minor effects, every company is looking forward this year and planning for business after the pandemic. This makes earnings reports key in 2021 to track each company's performance and their strategies throughout the year. Yesterday, **Corus Entertainment** (TSX:CJR.B) kicked things off, posting stellar earnings to start 2021.

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Corus is a stock that's been highly attractive throughout the last 10 months. The stock was sold off heavily at the start of the pandemic, much like **Air Canada**. Except Corus never saw close to the impacts that some of the most distressed businesses have experienced.

This has left Corus as one of the most attractive Canadian value stocks in 2020, and the company continues to offer a tonne of value to start 2021.

As of late, however, investors have finally started to notice Corus's insane valuations. So, unsurprisingly the stock has rallied recently as a result. Since its bottom in 2020, Corus has already gained 130%.

However, as the stock continues to appreciate and may look like value is eroding, the company is starting to offer great long-term growth potential.

Corus has been in a multi-year turnaround long before the coronavirus pandemic. And while most investors thought the pandemic would cause Corus's turnaround to be delayed, the company has proven it can work right through it.

So, let's take a look at how it performed over the last few months as well as its potential going forward. This will show exactly why Corus is still one of the top stocks you can buy today.

Corus's performance last quarter

Corus is primarily in the T.V. business, earning most of its revenue from advertisers. Ad dollars are something that all investors have been concerned about through the pandemic.

However, in most quarters, Corus manages to outperform analyst expectations for advertising revenue. That was the case again in its most recent quarter.

While advertising revenue was down 14% year over year, that was much better than analysts were expecting. The higher-than-expected revenue coupled with Corus once again taking advantage of cost-cutting measures and government subsidies meant Corus had another impressive quarter.

So, while revenues were down 14%, the company managed to report earnings per share of $0.37. Those earnings were flat year over year, showing how impressive Corus's operations have been.

Furthermore, its free cash flow generation was incredibly impressive once again. For the quarter, free cash flow was $62 million — an 18% increase year over year.

Corus's business going forward

This free cash flow generation has been key. It shows just how impressively Corus has been operating. However, it also continues to allow Corus to pay down its debt load that investors have been so worried about.

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Plus, going forward, management believes revenue will grow in fiscal 2021. That's significant because it's expecting growth, even despite the first two quarters of fiscal 2020 being unimpacted by the coronavirus pandemic.

Several new T.V. shows will hit markets this spring. These have been delayed by the pandemic from the fall and should attract a lot of advertising dollars. In addition, Corus's streaming platforms continue to offer long-term growth, as well.

The company's outlook seems promising, but its most attractive feature continues to be its value.

As the company points out in its shareholder presentation, its dividend yields over 5% at a free cash flow payout ratio below 20%. Plus, at current market prices, it has a free cash flow yield of 34%.

Bottom line

Corus has come a long way in this pandemic. On top of having to weather the storm, it continued to execute its turnaround strategy. This makes the company even more impressive.

It's managed to keep the dividend intact and pay down debt. Now, with the company focused on looking forward, its growth potential only continues to expand.

So, in a year where it's going to be significantly harder to find high-quality value stocks, Corus is a no-brainer.

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