



This \$5 Stock Offers a 5% Dividend and Could Rebound in 2021

Description

Corus Entertainment ([TSX:CJR.B](#)) has been highly attractive, ever since it bottomed out from the COVID-19-induced crash in March of last year. It has since surged to become one of the most attractive value stocks on the market.

Now, a rebound in the advertising business could help the company accelerate free cash flow. Here's why Corus deserves a spot on your 2021 [value stock](#) watch list.

Free cash flow

The stock rising by more than 100% over the past 10 months is a testament to growing investor confidence about its long-term prospects and growth metrics. For Corus Entertainment, primary revenue is in the TV and radio business, which is based on traditional advertising.

Traditional ads, of course, have been cannibalized by digital ones. Social media and online content has attracted far more ad dollars than TV or radio over the past year — especially during the pandemic. However, companies still need to target older demographics and offer them tangible products, which makes traditional ads indispensable.

As the economy reopens in the second half of 2021, corporations may start reinvesting in ads (both traditional and digital) to capture pent-up demand. That should improve Corus's cash flows.

Growth in free cash flow is one factor that has continued to make the attractive stock prospects for income-focused investors. With revenues expected to grow in 2021 at the back of the booming advertising business, free cash flow can only increase.

Lucrative dividend stock

Corus is set to pay about \$49 million in dividends over the course of this year. That dividend is robustly covered. The company has \$48 million in cash and cash equivalents on the book. It also generates \$320 million in leverage-adjusted cash flow per year.

A 5% dividend yield at the back of robust growth in free cash flow is not only attractive but sustainable. The fact that the company was able to keep its dividends intact and pay a debt at the peak of the COVID-19 pandemic attests to its ability to generate long-term shareholder value post COVID-19

With the company currently trading at 6.7 times its forward earnings, it looks fairly valued at current levels. Having navigated the COVID-19 storm with ease, Corus Entertainment could be poised for a [robust rebound](#). At a share price of less than \$5, Corus Entertainment is a value stock for long-term play in the advertising business.

Bottom line

Corus stock has been losing value for years. Even before the pandemic, the company was challenged by the shift to digital ads. However, it's now trading at a bargain valuation and offers a 5% dividend yield that's covered by cash and cash flow.

As the economy reopens and businesses start advertising again, Corus's cash flows could surge. That puts it in a favourable position for a rebound.

This could be a value stock worthy of your watch list in 2021.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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1. Business Insider
2. Koyfin
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