Canadian Value Stocks: Corus Entertainment Continues to Outperform

Description

Corus Entertainment (TSX:CJR.B), the Canadian media stock, reported earnings last week, and the company showed once again why it's one of the top Canadian value stocks to buy today.

Corus is a stock that I've been recommending for a while. The stock was ultra-cheap last summer and has been on the road to recovery ever since.

Even at the start of the year, though, after it had rallied by 108% since its low in August 2020, I still recommended Corus as the top value stock to buy in 2021.

Still, today, the stock is undervalued. However, it continues to rally on its road to recovery, so you won't want to wait much longer to buy the stock.

Why is Corus Entertainment so cheap?

To understand why Corus was so cheap in the first place, you need to understand the position Corus was in when the coronavirus pandemic hit.

The Canadian value stock had been on the road to recovery for a few years. High debt loads and a maturing cable television industry were major issues that the company was working on overcoming.

The company was working on improving its operations and cash flow. This included focusing more on content creation and improving its streaming services.

So, when the pandemic hit, many investors bailed, assuming that Corus would be impacted heavily.

That actually was the case for Corus and the whole media industry, as T.V advertising was impacted quite significantly to start the pandemic.

However, Corus managed to weather the storm exceptionally well. It also showed how robust and resilient it could be, not to mention how much of a cash cow it is.

So, ultimately, despite a significant impact on revenues, Corus's operations have stayed strong. Furthermore, its work to improve its operations and long-term growth potential has been paying off, as you'll see in the financial results.

Corus again shows it's a top Canadian value stock

Corus was up 7% on Friday, reacting to earnings. That's no surprise; the company smashed expectations and showed why it's still one of the top Canadian value stocks.

Corus has robust operations creating significant margins and impressive free cash flow, as you'll see. In the second quarter of 2021, the stock again saw a decline from last year in advertising revenue.

This makes sense, as this year the quarter was fully impacted by the pandemic compared to last year, when the pandemic hit toward the end of the quarter. The T.V. advertising revenue is important for Corus's operations and profitability today. However, the real growth potential lies with Corus's streaming platforms.

Its revenue from its digital and streaming business now accounts for almost 10% of total T.V. revenue. That's exceptionally positive and will continue to be a driver of growth for Corus.

Looking at the numbers, though, is where you really see how attractive this Canadian value stock is.

Despite that impact on revenue in the quarter, Corus managed to earn over $80 million in free cash flow. In total, it's earned $150 million of free cash flow in the first half of its fiscal year. That means at this rate, Corus is trading a little over 4.3 times its free cash flow.

Analysts expect Corus to earn nearly $0.90 in earnings per share for fiscal 2021. That puts the stock trading at a 7.8 times forward P/E ratio.

Bottom line

It's clear that Corus is exceptionally cheap. And on top of everything else, it pays a dividend which currently yields 3.8%.

So, if you're looking for one of the top Canadian value stocks to buy today, Corus is one of the best. I'd buy it soon, though. The stock only continues to get more expensive.

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