This Value Stock Is Cheaper Than Air Canada and Cineplex

Description

Both **Air Canada** (TSX:AC) and **Cineplex** (TSX:CGX) have been two of the most heavily impacted businesses by the pandemic and, consequently, two of the most sold-off stocks.

Because these stocks have been sold off by so much and for so long, they are two of the most popular companies among investors.

There is certainly potential for these stocks to recover, especially now, as the economy makes great progress in getting through the pandemic.

Despite the potential that Air Canada and Cineplex offer for recovery, one stock that's far cheaper than either is **Corus Entertainment** (TSX:CJR.B).

A value stock cheaper than Air Canada and Cineplex

Corus Entertainment is a Canadian media company that makes the majority of its money through its TV assets. That income is split between selling advertising and commercials on its conventional cable channels and subscriptions to its specialty channels and streaming platforms.

This is not a business that was immune from the pandemic. In fact, at the start of the pandemic, Corus saw its advertising revenue fall quite severely.

Add that to the fact that investors had already been worried about Corus and its significant debt load, the stock was sold off heavily and became extremely cheap.

So, if you look at the chart and see its progress, up roughly 160% over the last year, you may think it's already recovered. However, the stock remains extremely cheap and offers a lot more potential than Air Canada or Cineplex.

For starters, its business is already up and running smoothly and would be much less impacted should further shutdowns happen. That can't be said for Cineplex or Air Canada stock.

Investors in Air Canada, for example, still have to worry about global travel restrictions, too, even if Canada's economy is open completely.

So, not only is there less risk with Corus, but the stock has been transitioning for some time, and today it looks to be firing on all cylinders.

Because it's a media company owning cable TV assets, it's had to adapt the last few years, as numerous streaming services have created competition in the space.

In addition to Corus's streaming platform and advertising revenues recovering over the last year, its content-creation business offers a tonne of growth potential.

The stock is in a much different position than Air Canada or Cineplex. Whereas these recovery stocks are focused on opening back up and making up for lost time, Corus is already looking forward to the future and life after the pandemic.

More importantly than all these factors that show Corus has more potential going forward, the company also offers a lot more value today.

Corus is trading extremely cheap

In addition to the fact that Corus has less risk going forward and is already working toward life after the pandemic, one of the major reasons to buy the stock is, its trading undervalued.

While the chart may not look as cheap as Air Canada or Cineplex stock, the value of its current business is.

Currently, Corus has a forward price-to-earnings ratio of just 6.9 times. That means at the current market price, Corus is trading at just under seven times more than what analysts expect the company to earn in net income over the next four quarters.

Air Canada, for example, is not even expected to turn a profit over the next 12 months. At the moment, neither is Cineplex. And while these estimates could change as the economy opens, it's clear that Corus offers a lot more potential today.

Looking at the price-to-book ratio, Corus is still the much cheaper option. Cineplex stock has negative equity after the last year. Meanwhile, Air Canada stock has lost over 75% of its equity since the pandemic began.

So, today, Air Canada's price-to-book ratio is roughly 9.9 times compared to Corus with a ratio of just 1.2 times.

On the cash flow front, comparing the businesses is not even close. Because Air Canada and Cineplex stock have been closed for so long, their operations have been bleeding cash.

Corus, however, has been a cash cow lately, paying down debt while keeping the dividend stable, showing it’s one of the cheapest stocks in Canada and one of the best investments to make today.

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