3 Reasons This Dirt-Cheap Canadian Value Stock Could Soar

Description

There's no question that if you want to buy a high-quality Canadian value stock on the **TSX** today, one of the best businesses to consider is **Corus Entertainment** (TSX:CJR.B).

Corus is a media company that earns almost all of its income from its TV business. Corus earns revenue for the advertisements that run on its TV channels, it earns revenue for subscriptions to its specialty channels and streaming services, and creates and sells content all around the world.

The company has been one of the top value stocks for some time, as it continues to trade cheap while its operations and finances are consistently improving.

With markets rallying impressively for months and continuing to hit new all-time highs, there are few value stocks for investors to consider. And the few that are cheap all have significant risks to consider.

So the fact that Corus stock continues to remain undervalued is an excellent opportunity for value Canadian investors. However, this discount might not last much longer, and here are three reasons why.

Corus' debt load is no longer a major concern

Even before the pandemic hit, back in 2018 one of the biggest concerns that investors had with Corus was its massive debt load. This forced the company to have to trim the dividend, and the stock sold off massively while Corus went into turnaround mode.

And Corus, to its credit, was on a decent path to recovery before the pandemic hit. It was also one of the top Canadian value stocks to buy before the pandemic.

However, that wasn't a long period of time between the start of the turnaround in 2018 and the pandemic hitting in early 2020.

So, in addition to these concerns about debt, there was also a new concern about the Canadian value stock's revenue and operations.

Corus's advertising revenue is no longer being heavily impacted

When the pandemic first hit, many companies cut their advertising campaigns on TV, leaving businesses like Corus with significant impacts on revenue. This, coupled with the concern for its debt, caused the stock to become extremely cheap.

However, as was the same with the stock market, advertising quickly jumped back. Companies started to learn the culture around the new normal, and tonnes of advertising revenue returned for Corus.

As of its most recent earnings report, its revenue was down only about 10% from its pre-pandemic level. Plus, on top of everything else, Corus continued to earn tonnes of free cash flow throughout the pandemic.

And since 2018, when its turnaround began, Corus has already reduced its long-term debt by over $600 million or roughly 35%.

Corus is one of the best Canadian value stocks to buy now

Corus is already one of the cheapest stocks on the market, trading with a price-to-earnings ratio of 6.9 times and paying a dividend that yields 4%.

However, as the company continues to improve its operations and its financial position, the value that this Canadian stock is offering investors will only continue to grow.

At a market cap of $1.2 billion, Corus is trading at a price to free cash flow of just 4.0 times, so the stock is clearly undervalued.

And on top of everything else, Corus is set to report earnings next week. If these earnings are once again strong, which there is no reason they shouldn't be, it could be the catalyst that starts a major rally.

So if you're looking for a top Canadian value stock to buy, Corus is one I'd put at the top of your watch list.

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