

## Does the Post-Earnings Drop in Corus Entertainment Inc.'s Stock Represent a Buying Opportunity?

### Description

**Corus Entertainment Inc.** ([TSX:CJR.B](#)), one of the largest integrated media and entertainment companies in Canada, announced second-quarter earnings results before the market opened on April 9, and its stock has responded by falling over 5%. Let's break down the results to determine if this weakness represents a long-term buying opportunity or a warning sign.

### The mixed results that sent shares lower

Here's a summary of Corus' second-quarter earnings results compared to what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$0.33	\$0.35	\$0.32
Revenue	\$191.48 million	\$190.48 million	\$191.41 million

Source: *Financial Times*

Corus' adjusted earnings per share increased 3.1% and its revenue increased 0.04% compared to the second quarter of fiscal 2014. The company's slight earnings-per-share growth can be attributed to its adjusted net income increasing 6.4% to \$28.5 million. Its minuscule consolidated revenue growth can be attributed to revenues increasing 2% to \$155.18 million in its television segment, but this growth was almost entirely offset by revenues declining 7.6% to \$36.31 million in its radio segment.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1. Advertising revenues decreased 7.5% to \$81.31 million
2. Revenues from subscriber fees increased 2% to \$85.25 million
3. Merchandising, distribution, & other revenues increased 24.8% to \$24.93 million
4. Consolidated segment profit increased 0.7% to \$59.72 million
5. Television segment profit increased 2.9% to \$59.7 million
6. Radio segment profit decreased 26.5% to \$6.23 million
7. Free cash flow decreased 19.3% to \$59.24 million
8. Ended the quarter with \$38.21 million in cash and cash equivalents, an increase of 37.3% from the beginning of the quarter

Corus also revised its full-year outlook on fiscal 2015, stating that it does not expect to achieve the low end of its segment profit guidance of \$300-320 million, but it went on to state that it still expects free cash flow in excess of \$180 million.

## Should you buy shares of Corus Entertainment today?

Corus Entertainment is one of Canada's leading integrated media companies, but slowed demand for its services led to mixed second-quarter results that forced the company to revise its full-year profit outlook, and its stock has responded by falling over 5%.

Although I think the post-earnings weakness in Corus' stock is warranted, I also think it has led to a long-term buying opportunity because it trades at inexpensive forward valuations and because it has a very high dividend yield.

First, Corus' stock trades at just 9.4 times fiscal 2015's estimated earnings per share of \$1.85 and only nine times fiscal 2016's estimated earnings per share of \$1.93, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 13.5. I think the company's stock could consistently command a fair multiple of at least 12, which would place its shares upwards of \$22 by the conclusion of fiscal 2015 and upwards of \$23 by the conclusion of fiscal 2016, representing upside of more than 26% and 32%, respectively, from current levels.

Second, Corus pays a monthly dividend of \$0.095 per share, or \$1.14 per share annually, giving its stock a very high 6.55% yield at current levels. The company has also increased its dividend six times since 2010, showing that it is dedicated to maximizing the amount of capital it returns to shareholders, and I think this makes its stock a value and dividend-growth play today.

With all of the information provided above in mind, I think the post-earnings weakness in Corus Entertainment's stock represents a great long-term buying opportunity. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions today.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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

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