

Corus Entertainment Inc. or DHX Media Ltd.: Which Entertainment Stock Is the Better Buy?

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)) and **DHX Media Ltd.** (TSX:DHX.A) are two of the largest entertainment companies in North America, each with market caps of over \$1 billion, and both of their stocks represent great long-term investment opportunities today. However, the laws of diversification state that we cannot own both, so let's take a closer look at each company's most recent quarterly release, their valuations, and their dividend yields to determine which stock is the better buy today.

Corus Entertainment Inc.

Corus Entertainment's stock has fallen over 23% year-to-date and it has fallen over 5% since it announced second-quarter earnings results on the morning of April 9. Here's a summary of 10 of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income increased 6.4% to \$28.5 million
2. Adjusted earnings per share increased 3.1% to \$0.33
3. Total revenue increased 0.04% to \$191.48 million
4. Revenues increased 2% to \$155.18 million in its Television segment
5. Revenues decreased 7.6% to \$36.31 million in its Radio segment
6. Advertising revenues decreased 7.5% to \$81.31 million
7. Revenues from subscriber fees increased 2% to \$85.25 million
8. Merchandising, Distribution, & Other revenues increased 24.8% to \$24.93 million
9. Total segment profits increased 0.7% to \$59.72 million
10. Free cash flow decreased 19.3% to \$59.24 million

At today's levels Corus' stock trades at 10.1 times fiscal 2015's estimated earnings per share of \$1.75 and 9.9 times fiscal 2016's estimated earnings per share of \$1.78, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.5.

In addition, Corus pays a monthly dividend of \$0.095 per share, or \$1.14 per share annually, giving its stock a 6.5% yield at current levels. The company has also increased its dividend six times in the last six years, and its consistent free cash flow generation could allow for another increase in 2016.

DHX Media Ltd.

DHX Media's stock has fallen about 4% year-to-date, but it has risen over 12% since it released third-quarter earnings on the morning of May 14. Here's a summary of 10 of the most notable statistics from the report compared with the year-ago period:

1. Normalized net income increased 598.9%
2. Earnings per share increased 650% to \$0.15
3. Revenue increased 194.8% to \$85.58 million

4. Proprietary production revenues increased 153.4% to \$15.05 million
5. Distribution revenues increased 210.1% to \$30.48 million
6. Television revenues increased \$20.41 million to \$20.41 million
7. Production and service fee revenues increased 48.6% to \$21.47 million
8. Gross profit increased 156.2% to \$44.79 million
9. Adjusted earnings before interest, taxes, depreciation, and amortization increased 216.2% to \$29.8 million
10. Adjusted cash provided by operating activities increased \$30.13 million to \$23.19 million

At current levels, DHX's stock trades at 28.8 times fiscal 2015's estimated earnings per share of \$0.33 and 21.1 times fiscal 2016's estimated earnings per share of \$0.45, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 77.6.

Additionally, DHX pays a quarterly dividend of \$0.014 per share, or \$0.056 per share annually, giving its stock a 0.6% yield at today's levels. The company has also increased its dividend four times in the last three years, and its rapid growth could allow for another increase in the very near future.

Which stock should you buy today?

After comparing the most recent quarterly reports, valuations, and dividend yields, I think Corus Entertainment's stock is the better buy today. DHX Media reported much stronger earnings results in its most recent quarter, but Corus' stock trades at more attractive forward valuations and it has a much higher dividend yield, so it was the clear victor in this match-up. Foolish investors should take a closer look and strongly consider beginning to scale in to positions in Corus today.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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

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