Corus Entertainment Inc.'s Q3 Results Send Shares Lower: Should You Buy on the Dip?

Description

Corus Entertainment Inc. (TSX:CJR.B), one of Canada's largest integrated media and entertainment companies, announced third-quarter earnings results before the market opened on July 15, and its stock has responded by falling over 3%. Let's take a closer look at the results to determine if this weakness represents a long-term buying opportunity, or if we should wait for an even better entry point in the trading sessions ahead.

The results that ignited the sell-off

Here's a summary of Corus' third-quarter earnings results compared with its results in the same period a year ago.

Metric	Q3 2015	Q3 2014
Adjusted Earnings Per Share	$0.36	$0.49
Revenue	$203.12 million	$214.04 million

Source: Corus Entertainment Inc.

Corus' adjusted earnings per share decreased 26.5% and its revenue decreased 5.1% compared with the third quarter of fiscal 2014. The company's steep decline in earnings per share can be attributed to its adjusted net income decreasing 24.1% to $31.55 million. Its slight decline in revenue can be attributed to revenues falling in both of its major segments, including declines of 4.6% to $162.77 million in its Television segment and 7.2% to $40.35 million in its Radio segment.

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

1. Advertising revenues decreased 10.2% to $97.05 million
2. Revenue from subscriber fees decreased 2.6% to $84.28 million
3. Merchandising, distribution, and other revenues increased 11.9% to $21.79 million
4. Consolidated segment profit decreased 13.8% to $68.7 million
5. Free cash flow increased 6.8% to $63.42 million
6. Ended the quarter with $43.85 million in cash and cash equivalents, an increase of 14.7% from the beginning of the quarter

Corus also announced that it will be maintaining its monthly dividend of $0.095 per share, and the next payment will come on August 31 to shareholders of record at the close of business on August 17.

Should you buy on the dip?

It was a weak quarter for Corus, so I think the weakness in its stock is warranted. However, I also think it has led to an attractive long-term buying opportunity.

First, Corus's stock now trades at just 9.1 times fiscal 2015's and 2016's estimated earnings per share of $1.74, which is inexpensive compared with its five-year average price-to-earnings multiple of 12.9 and the industry average multiple of 21.3. I think the company's stock could consistently command a fair multiple of at least 12, which would place its shares upwards of $20.75 by the conclusion of fiscal 2016, representing upside of more than 31% from today's levels.

Second, Corus pays an annual dividend of $1.14 per share, giving its stock a very high 7.2% yield at current levels, which is more than double the industry average yield of 3%. The company has also increased its annual dividend payment for five consecutive years, and its increased amount of free cash flow could allow this streak to continue for another five years.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Corus Entertainment's stock to begin scaling in to long-term positions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/28
Date Created
2015/07/15
Author
jsolitro