

# Corus Entertainment Inc.'s Q4 Earnings Fail to Impress: What Should You Do Now?

## Description

**Corus Entertainment Inc.** ([TSX:CJR.B](#)), one of Canada's largest integrated media and entertainment companies, announced weaker-than-expected fourth-quarter earnings results on the morning of October 22, but its stock responded by remaining relatively unchanged in the day's trading session. Let's take a closer look at the results to determine if this lack of movement is signaling a long-term buying opportunity, or if we should avoid the stock for the time being.

### Lower television and radio revenues lead to lacklustre results

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

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted earnings per share	\$0.28	\$0.29	\$0.31
Revenue	\$193.60 million	\$195.37 million	\$201.56 million

Source: *Financial Times*

Corus's adjusted earnings per share decreased 9.7% and its revenue decreased 3.9% compared with the fourth quarter of fiscal 2014. The company's near double-digit percentage decline in adjusted earnings per share can be attributed to its adjusted net income decreasing 10.5% to \$23.97 million and its weighted average number of diluted shares outstanding increasing 1.4% to 86.96 million.

Its slight decline in revenue can be attributed to negative growth in both of its major segments, including a 3.4% decline to \$154.34 million in its television segment and a 6% decline to \$39.26 million in its radio segment.

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

1. Consolidated segment profit decreased 4.9% to \$55.49 million
2. Profit decreased 7.8% to \$52.58 million in its television segment
3. Profit decreased 10.5% to \$8.5 million in its radio segment
4. Advertising revenues decreased 8.2% to \$78.05 million
5. Revenue from subscriber fees decreased 0.8% to \$85.38 million
6. Merchandising, distribution, and other revenues decreased 0.8% to \$30.17 million
7. Cash provided by operating activities increased 1,624.8% to \$55.94 million
8. Reported free cash flow of \$45.17 million, compared to a cash use of \$7.16 million in the year-ago period

On a positive note, Corus announced that it will be maintaining its monthly dividend of \$0.095 per share in November, December, and January, and those payments will come on November 30, December 30, and January 30 to shareholders of record at the close of business on November 16, December 15, and January 15, respectively.

### **Should you buy or avoid Corus's stock today?**

The fourth quarter was far from impressive for Corus, but I think its stock represents an attractive long-term investment opportunity for three primary reasons.

First, Corus's stock has already fallen more than 45% year-to-date, so I think the lack of movement following its weak fourth-quarter earnings release is a good indication that it has bottomed.

Second, Corus's stock trades at just 7.9 times fiscal 2015's adjusted earnings per share of \$1.58 and only 7.8 times fiscal 2016's estimated earnings per share of \$1.60, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 14.3 and its industry average multiple of 20.3.

I think the company's stock could consistently trade at a fair multiple of at least 10, which would place its shares around \$16 by the conclusion of fiscal 2016, representing upside of more than 28% from today's levels. Even at this projected level, the stock would still sit over 35% below its current 52-week high of \$24.75 reached on October 22, 2014.

Third, Corus pays an annual dividend of \$1.14 per share, which gives its stock a very high 9.2% yield. It is also important to note that the company has raised its annual dividend payment for 12 consecutive years, and its increased amount of free cash flow, including 14.8% year-over-year growth to \$201.21 million in fiscal 2015, could allow this streak to continue in 2016.

With all of the information provided above in mind, I think Corus Entertainment represents one of the best investment opportunities in the media and entertainment industry today. All Foolish investors should strongly consider beginning to scale 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**

2015/10/23

**Author**  
jsolito

default watermark

default watermark