

Corus Entertainment Inc.'s Q2 Earnings Are out: What Should You Do Now?

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)), one of Canada's largest integrated media and entertainment companies, announced its second-quarter earnings results this morning, and its stock has responded by making a slight move higher. Let's break down the results and the fundamentals of its stock to determine if we should consider initiating long-term positions today or if we should wait for a better entry point in the trading sessions ahead.

Breaking down the second-quarter performance

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

Metric	Q2 2016	Q2 2015
Adjusted Basic Earnings Per Share	\$0.24	\$0.33
Revenue	\$197.71 million	\$191.48 million

Source: *Financial Times*

Corus's adjusted basic earnings per share decreased 27.3% and its revenue increased 3.2% compared with the second quarter of fiscal 2015. The company's steep decline in earnings per share can be attributed to its adjusted net income decreasing 26.5% to \$20.94 million.

Its slight revenue growth can be attributed to its revenues increasing 5.3% to \$163.43 million in its Television segment, and this growth was only partially offset by its revenues decreasing 5.6% to \$34.27 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. Adjusted segment profit increased 9.5% to \$65.39 million
2. Adjusted profit increased 12.6% to \$67.22 million in its Television segment
3. Profit decreased 16.8% to \$5.18 million in its Radio segment
4. Advertising revenues decreased 7.7% to \$75.04 million
5. Revenue from subscriber fees increased 5.2% to \$89.65 million
6. Merchandising, distribution, and other revenues increased 32.5% to \$33.02 million

Corus also announced that it will be maintaining its monthly dividend of \$0.095 per share in May, June, and July, and those payments will come on May 31, June 30, and July 29 to shareholders of record at the close of business on May 16, June 15, and July 15, respectively.

What should you do with Corus stock today?

Overall, it was a decent quarter for Corus, but no statistics really stood out in the report, so I think its stock has responded correctly by only making a slight move higher. With this being said, I think the stock represents a great investment for the long term for three reasons.

First, it's wildly undervalued. Corus's stock trades at just 10.3 times fiscal 2016's estimated earnings per share of \$1.16 and a mere 8.3 times fiscal 2017's estimated earnings per share of \$1.43, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 14.1 and the industry average multiple of 28.1.

Second, Corus completed its acquisition of Shaw Media Inc. on April 1, and the company stated that it is "fully focused" on integrating its operations, capturing cost synergies, and unlocking future growth potential from these new assets. I think this acquisition will lead to significant revenue, free cash flow, and earnings growth in the quarters and years ahead, which will likely lead to price appreciation in its stock and increased returns to shareholders through dividend payments and share repurchases.

Third, Corus has one of the best dividends in the market. It pays an annual dividend of \$1.14 per share, which gives its stock a yield of about 9.5%, and its ample free cash flow generation, including \$58.82 million in its first-half of fiscal 2016, makes this one of the safest +9% yields you will find. It is also very important to note that the company has raised its annual dividend payment for 12 consecutive years, and its 4.6% hike in February 2015 has it on pace for 2016 to mark the 13th consecutive year with an increase.

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

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

2016/04/13

Author

jsolitro

default watermark