

Why Corus Entertainment Inc.'s Stock Has Fallen Over 6% Today

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)), one of the world's leading media and content companies, announced its third-quarter earnings results this morning, and its stock has responded by falling over 6%.

Let's take a closer look at the quarterly results, one other important announcement made by the company, and the fundamentals of its stock to determine if we should use this weakness as a long-term buying opportunity or a warning sign to avoid it for the time being.

A quarter of mixed growth

Here's a quick breakdown of the most notable statistics from Corus's third quarter ended on May 31, 2016, compared with the same period a year ago:

Metric	Q3 2016	Q3 2015	Change
Adjusted net income attributable to shareholders	\$52.95 million	\$31.55 million	67.8%
Adjusted basic earnings per share	\$0.34	\$0.36	(5.6%)
Revenues: television segment	\$321.18 million	\$162.77 million	97.3%
Revenues: radio segment	\$39.65 million	\$40.35 million	(1.7%)
Total revenues	\$360.82 million	\$203.12 million	77.6%
Segment profit: television	\$127.97 million	\$64.08 million	99.7%
Segment profit: radio	\$9.67 million	\$9.46 million	2.2%
Total segment profit	\$130.19 million	\$68.7 million	89.5%
Cash provided by operating activities	\$78.63 million	\$69.28 million	13.5%
Free cash flow	\$67.95 million	\$63.42 million	7.1%

Dividends? Yes, please

Corus also announced that it would be maintaining its monthly dividend of \$0.095 per share in August, September, and October, and those payments will come on August 31, September 30, and October 31 to shareholders of record at the close of business on August 15, September 15, and October 17, respectively.

What should you do with Corus's stock today?

It was a great quarter overall for Corus, and it showed that its acquisition of Shaw Media Inc., which closed on April 1, is already providing a major boost to its revenues and cash flows. With this being said, I do not think the sell-off in its stock is warranted and actually represents a great buying opportunity for the long term for two primary reasons.

First, its stock is undervalued. Corus's stock now trades at just 10.2 times fiscal 2016's estimated earnings per share of \$1.26 and a mere nine times fiscal 2017's estimated earnings per share of \$1.42, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 13.4. These multiples are also incredibly inexpensive given the earnings growth it could achieve by maximizing the cost synergies from its acquisition of Shaw Media.

Second, it has one of the best dividends in the market. Corus pays an annual dividend of \$1.14 per share, which gives its stock a very high yield of about 8.9%, and this yield is supported by its ample free cash flow generation. Investors must also note that the company's 4.6% dividend hike last year has it on pace for 2016 to mark the 13th consecutive year in which it has raised its annual dividend payment, making it both a high dividend and dividend-growth play.

With all of the information provided above in mind, I think all 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. Investing

TICKERS GLOBAL

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

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