

# Corus Entertainment Inc.: Does This Stock Offer Huge Yield and Attractive Upside Potential?

## Description

Contrarian investors are always searching for unloved stocks that could be on the verge of a turnaround.

If you can pick up some decent yield along the way, it's a bonus.

Let's take a look at **Corus Entertainment Inc.** ([TSX:CJR.B](#)) to see if it might be an attractive pick right now.

## Tough times

Corus really took it on the chin last year as investors bailed out of the media company in anticipation of the new pick-and-pay system for Canadian TV subscriptions.

What's the story?

As of March 2016 Canadian TV viewers have the opportunity to sign up for a basic TV package and then add their favourite channels on a pick-and-pay basis.

Corus isn't a cable or telecom company with physical lines running into the homes of Canadian TV owners, so the new system threatened to see the company's revenue stream get cut significantly once its programming was no longer bundled with large packages.

To make matters worse, most of the content was targeted at kids, so the niche focus really put the company at risk.

## A smart deal

In order to ensure it remains competitive, Corus beefed up its content base by purchasing Shaw Media from **Shaw Communications**.

The deal added all of Shaw's popular TV content, including the Global TV network and a wide variety of specialty channels. It also came with a number of additional radio stations to complement the company's existing portfolio.

With the new assets, Corus now controls about one-third of the English language TV market in Canada. That should give it enough scale to compete under the new system.

## Dividend safety?

Corus says it is committed to maintaining the existing dividend, which yields 9%.

A look at the cash flow from the Shaw assets last year and Corus's ongoing operations suggests the distribution should be sustainable even with the huge addition to the outstanding share base.

The next report will be the first look at a full quarter of the combined operations under the new pick-and-pay system, so we'll see how things are panning out.

### **Should you buy?**

The stock has recovered some of its lost ground, but there could be more upside on the way if the business proves to be more resilient than the market expected.

Corus certainly comes with some risk, and I would keep the position small until the next round of results come out, but there is potential here to lock in a fat dividend ahead of a possible rally in the stock.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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

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### **Date**

2025/07/08

### **Date Created**

2016/08/26

### **Author**

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