



## TFSA Investors: Start 2017 With a Dividend Stock That Pays 9%

### Description

Canadians are constantly searching for quality dividends to help them boost their TFSA savings.

Let's take a look at **Corus Entertainment Inc.** ([TSX:CJR.B](#)) to see why this stock might deserve to be in your TFSA in 2017.

### Turbulent times

To say that 2016 was transformational for Corus is an understatement.

The company began the year under heavy pressure as investors ran for the exits ahead of the CRTC's March launch of the new pick-and-pay TV subscription system.

In fact, the exodus started in late 2014 when the stock traded for \$25 per share and continued right through the following year with an ultimate bottom coming in close to \$9 in February 2016.

Why the bloodbath?

Corus was viewed as being one of the companies that might get the short end of the stick under the new system because its kid-focused content had historically piggy backed on large TV bundles provided by the telcos and cable companies.

Corus isn't a service provider, so it doesn't have the power to influence customers on what channels or mini-packages they choose.

Investors weren't sure if the company's content would be left out in the cold by Canadians when they had the choice, in theory, to cobble together their own TV packages, so they bailed out instead of waiting to see how things would evolve.

Corus's management team knew they had to make a move, and that led to the deal that probably saved the company, and is now providing an attractive opportunity for dividend investors.

What happened?

Corus struck a deal with **Shaw Communications** to buy Shaw Media. The acquisition changed everything, giving Corus the scale and diversified content it needed to compete in the new Canadian TV landscape.

When added to the existing programming, the new assets gave Corus control of roughly 35% of the English content viewed in Canada.

The new pick-and-pay rules went into effect in March, and Corus closed the Shaw Media deal at the beginning of April 2016, at which time the stock had recovered to \$12 per share.

Since then it has traded between \$11 and \$14 per share and can be picked up at the time of writing for \$12.60.

### **Dividend safety**

Based on the latest earnings report, Corus is still generating enough free cash flow to comfortably cover the \$0.095 per share monthly dividend, which currently yields 9%.

### **Should you buy?**

The pick-and-pay system is still working through its first year of life, and tweaks are being made along the way. Investors won't get a full-year view of how things are going until the spring, but the indications to this point suggest Corus is holding its own.

If you want an oversized dividend that looks sustainable, Corus is worth putting on your TFSA radar.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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

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