



Corus Entertainment Inc.: Is a Dividend Cut Around the Corner?

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)) has been hit hard over the last few years. The stock plummeted 62% from its high in 2014. Cable cutters continue to pick up, and the CRTC's pick-and-pay subscription system continues to add to Corus's big list of troubles.

The stock currently yields a whopping 8.86% dividend yield, which appears to be safe considering the fact that the company hasn't cut its dividend in the past decade. I believe Corus will do everything in its power to prevent the dividend from being cut, but right now the payout ratio has reached an unsustainable 119%.

If things don't start to pick up for Corus, then we may see the dividend get slashed within the next 12 months, and it will be for the better of the company in the long run. This cash would be better used to invest in high-quality content, so the business has catalysts to drive a rebound.

If Corus decides to cut its dividend, the stock will tank even further, as many contrarians and income investors are in the stock just for the high dividend yield. Sometimes short-term pain is necessary for long-term gain, and it might be in management's best interest to just slash the dividend to a more sustainable level, so the company can invest in growing its subscriber base.

Impressive dividend history; could it be tarnished?

Corus has been a great dividend-growth name over the past decade. The dividend was raised eight times in the last 10 years. The company didn't even lower its dividend during the Great Recession, so it's clear that management will do everything in its power to keep the current dividend, no matter how unreasonable the payout ratio gets.

While this may seem like a great management decision, not cutting the dividend may actually hurt the long-term prospects of the business, which will inevitably lead to a bigger dividend cut down the road.

Corus has enough free cash flow to pay this dividend for the next year and beyond, but could this cash be put to better use? It will be interesting to see what the management team decides to do this year, but, as of right now, I don't see a rebound coming anytime soon.

The company is ridiculously cheap with a 1.1 price-to-book multiple, which is a lot lower than the company's five-year historical average multiple of 1.5.

I believe the dividend is relatively safe for the short term since the company has no record of dividend cuts in the last decade. But I would be cautious if you're a long-term holder of the stock. The risk of a dividend cut is the highest it has ever been for the company, and if it does happen, a further decline in the stock could be in store.

The stock is attractively priced and would be a great speculative buy for a contrarian dividend investor who doesn't mind taking on a bit more risk.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Date

2025/08/28

Date Created

2017/01/12

Author

joefrenette

default watermark