



Looking for a Juicy Yield? Check Out Corus Entertainment Inc.

Description

With a yield at almost 9%, **Corus Entertainment Inc.** ([TSX:CJR.B](#)) can be a fantastic choice for a yield-focused investor looking for income in the short to medium term. This stock has been on a bumpy ride over the past two years and has declined substantially to a level which is approximately half its 2014 price. The stock is currently trading at a forward price-to-earnings ratio of nearly 15, which makes this stock not cheap, but not expensive either.

Is the dividend safe?

With a yield of 8.7%, the first thing many income investors will ask is, how safe is the underlying dividend? To assess this, an investor must look at the company's fundamentals, paying particular attention to the cash flow the company is able to generate from its operations.

In Q1 2017, Corus has generated \$34 million of free cash flow from operations, which amounts to approximately \$11.3 million per month. The company paid a monthly dividend of \$0.094583 per share, meaning a monthly dividend disbursement of \$18.5 million per month, given the number of shares currently outstanding.

While the current dividend is higher than the cash flows generated by the company, Corus has been paying down debt and has a cash position in addition to an unused credit facility amounting to \$300 million that Corus will likely use to keep its dividend yield constant. Given that Corus's stock is heavily focused on dividend disbursements to shareholders, investors can be confident that, at least in the short term, the company will continue to pay dividends to satisfy investor demand for its stock.

The flip side of a high dividend yield

The argument that can be made for Corus is that the company should invest the free cash flow generated from its operating business back into the business to earn higher yields in the future. Corus appears to have taken the position that it wants to remain a dividend or yield stock and appeal to a specific investor base based on its dividend history. Corus has paid dividends in each month for the past 10 years — dividends that have continued to increase over time.

Whether or not Corus decides to slow down its dividend payments or cut its dividend remains to be seen; however, the effect of a dividend cut on the company's stock price would likely be severe, and management will likely steer clear of a cut, at least in the short term. What is more likely: a "hold" on dividend payments, depending on the ability of the company to continue to generate cash flow. Should Corus approach a 100% dividend-payout yield, investors may begin to speculate further about a potential dividend cut.

The other thing to consider is that the dividend yield of Corus remains high due to the company's stock price having declined over the past two years. In 2014, Corus stock was trading at the \$25 level — approximately double today's stock price. Its dividend yield at the time was roughly half of today's (still decent), and since the media company has continue to maintain and raise its dividend, the yield has improved substantially.

For investors less concerned about principal stock appreciation and looking for a significant and stable dividend (at least for the short term), Corus is a stock that should definitely be looked at further.

Stay Foolish, my friends.

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Date

2025/08/25

Date Created

2017/01/30

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