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Should You Buy Corus Entertainment Inc. on the Dip?

Description

Corus Entertainment Inc. (TSX:CJR.B) has seen its stock decline over 6% in the past week, and the share price has reached levels not seen since June. As a result of the decline, the dividend yield has increased to just under 8.9%, and if the stock drops to $12.66, the yield will hit a full 9%.

Let’s take a closer look at the media company to see if it is a good buy today.

Recent performance

The company has not had any negative press recently or poor earnings results to warrant a significant decline, making it more likely for Corus to recover from this latest drop in price. In its most recent quarter, the company saw revenues increase year over year by 28% as Corus’s top line got a boost from recently acquired Shaw Media, which wasn’t included in last year’s financials. More importantly, the company grew its bottom line from a loss of $16 million a year ago to a profit of $67 million this past quarter.

Growth opportunities

Corus owns a wide array of content in Canada, including big names like Global, HGTV, Disney Channel Canada, and many others. Despite the rising popularity of cord cutting, the company has not ventured too far into online streaming. Corus has not made many of its channels available online without a television subscription the way that providers south of the border have.

There is a lot of potential for growth here since Corus owns a great deal of content and has yet to really explore this growing opportunity. However, one reason might have to do with media and cable giant **Shaw Communications Inc.**, as the company is a significant shareholder of Corus.

Dividend yield of almost 9%

The further the stock drops, the closer it gets to an incredible yield of 9%. Investors might be concerned that the company’s earnings per share of $0.61 in the past four quarters is far below the $1.14 per share that is expected to be paid out in dividends this year. However, the $104 million the company paid out in the last 12 months was just 43% of its free cash flow.

A look at earnings per share when assessing the strength of a dividend can be misleading, since earnings include non-cash items like depreciation, which will not impact a company's ability to pay cash dividends.

The dividend looks healthy, and although it has not increased since 2015, you'll be hard-pressed to find a better and more sustainable monthly payout elsewhere.

Bottom line

Corus has earnings coming up, and the dip in price could mean more upside in the stock price if the company has a good result. In the past 18 months, the stock has had good support at about $12.75, so I would not expect a lot more downside in the price. Unless Corus has a bad earnings result, you should be able to see decent growth from the stock, and a good result could send the share price back to over $14.

Corus is a great buy at this price, and if you get greedy waiting for it drop further, you may be too late.

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