Corus Entertainment Inc.'s Q4 Results Beat Expectations Despite Declining Sales

Description

Corus Entertainment Inc. (TSX:CJR.B) released its fourth-quarter results today. They showed the company's revenues to be flat from the prior year, although the company was able to generate a modest 2% increase in its segmented profit. Overall, net income of $29 million attributable to shareholders for the quarter was significantly up from the $25,000 the company posted last year, as it barely broke even. Earnings per share of $0.14 were up from the $0.00 that was posted one year ago.

Those are the highlights of the report. Let's take a closer look to see what drove these numbers and if Corus is a good buy today.

Strong free cash flow growth ensures a strong dividend

The company saw free cash flow for the year rise to almost $300 million for a 55% increase from 2016. Free cash is essential for a company that has a lot of investment needs or pays a dividend. Corus has an attractive yield that pays 9% per year to its shareholders with payments being made on a monthly basis. With less than 50% of its free cash being paid out as dividends this past year, it remains a very safe payout.

Shaw Media acquisition boosts annual sales

In April 2016, the assets of Shaw Media purchased by Corus were fully consolidated and included in the company's operational results. As a result, annual sales growth of 43% will be distorted since a significant part of 2016 did not include the new assets.

Adjusted net income up 71%

After removing costs related to restructuring, acquisitions, debt refinancing, and gains on discontinued operations, adjusted net income of $220.5 million was up significantly from $129 million that the company recorded a year ago.

If we look at the full fiscal year, the company's income before taxes of $306 million was almost double the $185 million that was recorded in fiscal 2016. However, the Shaw Media assets increased sales and helped contribute an additional $168 million to gross profit. Total operating costs for 2016 were actually lower as a gain on disposition for $86 million offset many expenses that year, and expenses totaling $226 million came in less than the $271 million posted this year.

For the quarter, Corus saw its income before taxes finish just shy of $50 million, significantly up from the $10 million the company recorded last year in Q4. The main drivers of that improvement come from a decrease in amortization expense, lower integration costs, as well as an additional $16 million the company netted from other income compared to a net loss in other expenses last year of $1 million.

Is the stock a buy today?

Corus is a great stock with lots of opportunities to grow, and its dividend is a cherry on top. The company has a lot of untapped potential, since it owns a lot of the most popular channels in the country and so has opportunities to leverage that through online streaming solutions. However, with **Shaw Communications Inc.** being a large shareholder of the company, there may not be a big incentive to cut out cable providers just yet. Companies are shifting towards content rather than hardware and physical components, and that is where Corus could be a great long-term buy.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/07
Date Created
2017/10/18
Author
djagielski