Corus Entertainment Inc.: Is the 9.2% Dividend Yield Worth the Risk?

Description

Many retirees who depend on the income from their stocks are continuously on the hunt for higher yields to give themselves raises. While chasing yield is a dangerous game which can often lead to massive capital losses and dividend cuts, I believe it's possible for retirees to safely give themselves a raise from investing in a higher-yielding security, as long as they do their due diligence.

There are plenty of securities with yields north of 9%, but most of them could see their dividends slashed over the medium term, so it's important to really weigh the potential risks of giving yourself a raise. Most retirees should stay far away from artificially high-yielding securities with yields north of 6%; however, for those who've decided that they're willing to take on more risk to receive a higher yield, there are stocks out there that may make sense to own in moderation.

Consider **Corus Entertainment Inc.** (TSX:CJR.B) and its massive 9.2% dividend yield. The company is in the media and entertainment business and took a massive ~65% peak-to-trough plunge a few years ago. The stock rallied ~35% from its trough, but it has since taken several steps backwards following its Q4 2017 results.

Revenues came in flat on a year-over-year basis, but the company was able to clock in earnings per share of $0.14, up from $0.00 during the same period last year. The Shaw Media assets acquired last year gave a nice bump to annual sales, but the acquisition caused Corus to raise a considerable amount of debt which needs to be addressed as soon as possible or the dividend may face immense pressure going forward.

The 9.2% dividend yield may seem too good to be true, and it very well may be if Corus continues to show declining sales over the medium term; however, I believe the management team is too shareholder friendly for their own good to cut the dividend, even if it's the best course of action.

Bottom line

Corus is still going against a major long-term headwind as more consumers cut the cord, but in the near term, the dividend looks to be safe when you consider its free cash flow generation and the shareholder-friendly nature of the company, which probably won't cut the dividend until absolutely necessary.

If you're looking for a 9% yield, and you understand the risks involved, Corus is probably one of the safer bets out there. If you're a retiree, you should realize that Corus is an extremely aggressive income investment, so make sure you don't bet the farm on it.

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