# Monthly Income: Is This 9% High Dividend Yield Safe?

## Description

If you are an investor dependent on monthly dividend income, you should be careful investing in companies that offer payouts that are higher than the market average.

There are a few warning signs you should always look for before picking a stock that pays a high dividend yield.



If a company's dividend yield has swelled, it suggests that the market is not willing to pay a higher price for the shares due to various risk factors.

Another warning sign you should look for is the company's growth in earnings. If a company's profit is not growing, or it is sliding, then there is a good chance that the dividend will be cut down the line.

**Corus Entertainment Inc.** (TSX:CJR.B) stock, which offers a high attractive 9.3% dividend yield, should be a matter of concern for investors given its unstable earning outlook and question mark on its future.

The company pays a monthly dividend of $0.095 a share, which is trading at $11.98 at the time of writing after losing almost half of its value in the past three years.

Corus, which operates a network of Canadian radio stations and children's TV channels, including YTV, Nickelodeon, and Cartoon Network, is facing a challenging operating environment.

It will be tough for Corus to sustain this extremely high payout at a time when consumers are discontinuing cable connections and the pattern of content consumption is changing fast. CEO Doug Murphy highlighted this after announcing the company's latest quarterly earnings.

"As you know, our business is changing dynamically," Murphy said. "We've got over-the-top players coming in — **Netflix, Apple, Amazon,** others. That's clearly a new development that is going to be taken into consideration as we look at consolidation."

**Payout ratio**

On the trailing 12-month basis, Corus's payout ratio is 187%, meaning that the company pays more in dividends than what it earns.

Its earnings trend is also highly volatile. For the past four quarters, its net income has fallen from $71 million to $29 million, suggesting that Corus has to work really hard to generate cash to justify this high dividend payout.

One of the biggest challenges for Corus is to cut its high debt load to make investors comfortable in owning its shares. The positive development on this front is that the company has been able to sell some of its assets in October to generate some cash.

In a deal to sell French-language specialty channels Historia and Series+ to Bell Media (**BCE**), Corus is expected to get $200 million once the regulatory approvals are in place.

**The bottom line**

There is no hard rule here that tells us that Corus is going to cut its dividend, but retirees and investors have to consider all the risks that come with a high-yielding stock. Corus is definitely the one that needs a careful evaluation before you commit your dollars.



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