Corus Entertainment Inc.: Is it the Best ~10% Dividend Yield Around?

Description

If you're an income investor who lives a modest lifestyle with dividend payments, it can be very tempting to jump into the deep end with artificially high-yielding stocks — stocks whose yields have surged beyond their historical average levels due to a plunge in the stock price that happened in the past.

Stocks with artificially high yields come with a higher degree of risk and are usually only suitable for the most aggressive of income investors. A lot of the time, when chasing such high-yielding stocks, you're likely attempting to catch a falling knife, and that's never a good idea, no matter how juicy the dividend yield gets. You could end up with huge capital losses over a short period of time and a dividend that may get slashed by 50% or more. After that, you'd probably sell your stock at a massive loss, and your confidence would take a major hit.

But if you take a contrarian position in an artificially high-yielding stock that eventually turns around, you could end up having your cake and eating it too! Not only would you enjoy the capital gains from a rebound in shares, but the dividend would likely stay intact. That's a huge (potentially safe) dividend locked in!

It's a high-risk/high-reward scenario that I believe non-retirees should consider, but only if they take the time to do their due diligence before pulling the trigger.

Consider **Corus Entertainment Inc.** (TSX:CJR.B), a media and broadcasting company with a whopping 9.88% dividend yield that keeps climbing as the stock falls. The cord-cutting trend is hurting the company, but in the end, content will ultimately be king.

Corus's target audience consists of children, women, and families, who'll continue to tune in despite a lack of hit new TV shows, especially children, who'll pretty much watch any cartoon that happens to be showing at a given time. Corus subsidiary Nelvana has a library of over 4,200 titles, some of which are award winners, so there'll always be something good for Canadian kids to watch.

Corus is a major player when it comes to Canadian content, and I think investor pessimism is way overblown at this point. Corus is in an unattractive industry, and the content isn't groundbreaking by any means, but I do believe the company could bounce back if it invests in the production of higher-quality consumer product programs.

Bottom line

Corus is a high-risk, high-reward type of stock I would only recommend to investors who aren't dependent on their dividends. The dividend isn't the safest in the world, but, then again, what dividend with a yield near 10% is considered safe?

The shareholder-friendly management team will probably do everything to keep its dividend intact, but if it ends up being cut, it'll be for the better of the company over the long term as it chips away at its debt. I think the general public is already expecting an imminent dividend cut anyway, so your downside may be limited should such an announcement occur over the next year.

Should the yield break the 10% mark again, I think it'd be a wise move for contrarians to initiate a position.

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joefrenette