



Why Corus Entertainment Inc. Is Plummeting Over 9%

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)), one of the world's leading media and content companies, announced its fiscal 2018 first-quarter earnings results this morning, and its stock has responded by plummeting over 9% in early trading. Let's break down the results and the fundamentals of its stock to determine if this sell-off represents a long-term buying opportunity or a warning sign to avoid it for the time being.

The results that ignited the sell-off

Here's a quick breakdown of eight of the most notable statistics from Corus's three-month period ended November 31, 2017, compared with the same period in 2016:

Metric	Q1 2018	Q1 2017	Change
Television revenues	\$415.46 million	\$425.56 million	(2.4%)
Radio revenues	\$41.92 million	\$42.42 million	(1.2%)
Total revenues	\$457.39 million	\$467.98 million	(2.3%)
Total segment profit	\$177.89 million	\$191.99 million	(7.3%)
Adjusted net income attributable to shareholders	\$78.89 million	\$80.83 million	(2.4%)
Adjusted basic earnings per share (EPS)	\$0.38	\$0.41	(7.3%)
Cash provided by operating activities	\$85.68 million	\$22.35 million	283.4%
Free cash flow	\$83.22 million	\$33.91 million	145.4%

What should you do now?

It was a disappointing quarter overall for Corus, which it attributed to a weak television advertising market, so I think the sell-off in its stock is warranted; however, I also think it represents an attractive buying opportunity for long-term investors for two reasons in particular.

First, it's undervalued. Corus's stock now trades at a mere 9.2 times this year's estimated EPS of \$1.09, which is very inexpensive when compared with its five-year average multiple of 14.5; these

multiples are also inexpensive given the strength and stability of its cash flow.

Second, it has [a fantastic dividend](#). Corus pays a monthly dividend of \$0.095 per share, representing \$1.14 per share annually, which gives it a massive 11.4% yield. A double-digit yield may make you question its stability, but the entertainment giant generated free cash flow of \$83.22 million and paid out dividends of just \$61.06 million during the quarter, resulting in a sound 73.4% payout ratio, which makes me believe that it is safe, and my fellow writer [Joey Frenette agrees](#).

With all of the information provided above in mind, I think Foolish investors should consider beginning to scale in to long-term positions in Corus Entertainment today.

CATEGORY

1. Dividend Stocks
2. Investing

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

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