Corus Entertainment Inc. Now Has a 12.5% Dividend Yield: Buy Now or Bail Out?

Description

Corus Entertainment Inc. (TSX:CJR.B) shares plunged nearly 17% to a new 52-week low on Wednesday following the release of Q1 2018 results, which saw year-over-year declines across the board, missing expectations and underwhelming aggressive income investors who were looking to lock in Corus's artificially high yield, which was just south of 10% at the time.

After Wednesday's nosedive, shares of Corus now have a mouth-watering (or terrifying) ~12.5% dividend yield. The management team at Corus has a history of keeping its dividend intact through tough times, but as the pressures continue, can Corus afford to keep the dividend alive?

There's no question that management is too shareholder friendly for their own good. While it may seem like the assurance of a safe dividend, I think we've reached a point where investors are hoping for a dividend cut for the long-term betterment of the company, which continues to fall farther into the abyss.

A tough Q1 2018 with nothing to feel optimistic about

Corus clocked in $457.39 million in total revenues, down 2.3% on a year-over-year basis. Television and radio revenues both fell by 2.4% and 1.2%, respectively, to $415.46 million and $41.92 million on a year-over-year basis. Adjusted EPS fell by 7.3% year over year to $0.38, falling short of the expectations of many.

In the conference call, management noted that it'll miss its target of hitting three times debt/EBITDA by the conclusion of fiscal 2018. In terms of guidance, management stated its cash investments in programming are likely going to be flat or marginally higher in fiscal 2018.

It also appears that Corus is intending to review it dividend commitment in 2019, so bottom fishers who are looking to lock in a ridiculously high yield on their original investment may have the chance to do so if they believe Corus can plug the hole in what appears to be a sinking ship.

Although the survival of the dividend is a positive to income investors, I think it's disappointing news that management is deciding to keep the dividend intact when it could be used to invest in more intriguing programming.

Bottom line

The whopping ~12.5% dividend yield is mouth watering, and although it appears the dividend is safe this year, one must not rule out a further plunge in the share price for the rest of the year, which may be followed by a drastic cut next year.

I'm sticking with my original recommendation on Corus: only the most aggressive of contrarian investors should be bottom fishing for the stock, and retirees should continue to avoid it like the plague.

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Date
2025/08/24
Date Created
2018/01/11
Author
joefrenette