# Why You Should Stay Away from Corus Entertainment Inc.

## Description

**Corus Entertainment Inc.** (TSX:CJR.B) shares plunged on January 10 after the media company reported first-quarter results that fell short of expectations due to lower ad sales and higher costs in TV.

Corus shares closed down 17% at $9.17 after reporting a first-quarter profit of $77.7 million, or $0.38 per diluted share, up from $71.1 million or $0.36 per share a year ago.

However, on an adjusted basis, Corus earned a profit of $78.9 million, or $0.38 per share for the quarter, down from an adjusted profit of $80.8 million, or $0.41 per share a year ago. That result fell short of analysts' expectations, who forecasted a profit of $0.44 per share.

default watermark

**Shift in TV viewing habits hurt ad revenue**

Revenue at the television and radio media company totalled $457.4 million, down 2.2% from the same period a year ago.

Advertising revenues decreased 4% in the first quarter, while subscriber revenues were flat. TV expenses rose 2.4%, bringing the consolidated segment profit margin down to 38.9% compared to 41.1% a year ago.

The decline in advertising revenue is occurring just as consumers are changing their habits around television viewing. Fewer people are watching traditional TV, and more people are watching television shows and movies through the Internet and via platforms such as **Netflix, Inc.**, which doesn't show ads.

Internet advertising now accounts for more than 45% of Canada's advertising market. Much of that revenue is consolidated in the hands of **Alphabet Inc.'s** subsidiary, Google, and **Facebook Inc.,** which account for more than one-third of Canadian advertising spending. In contrast, television advertising accounts for about 23% of the overall market, down from 27% in 2013.

Corus is planning to increase its capital investment in data analytics this year, with the aim of reaching specific, better-defined audiences by selling target ads on TV.

**Corus is not a good buy on the dip**

Corus' share price is still dropping, and you shouldn't expect it to rise much in the next years, as no growth is forecasted. Indeed, a negative growth rate of -3.45% is expected for the next five years. That means earnings per share will decrease, which will hurt the stock's price.

Earnings per share have been lower than the dividends paid since 2015, which is worrisome. The company hasn't cut its dividend yet, but I think it may have to cut it if earnings continue to decrease. You shouldn't be fooled by the yield over 13%: the yield is rising because the share price dropped sharply. Corus payout ratio is 118%, which means that the dividend isn't sustainable because it is not covered by earnings, so you should look elsewhere if you're looking for safe dividends.

**Telus Corporation** (TSX:T)(NYSE:TU) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) pay a dividend that is sustainable because their earnings are higher than the dividends they pay and are increasing. Their payout ratio is 92% and 88%, respectively. Telus and BCE increase their dividend every year. They pay a higher annual dividend per share than Corus, but their yield is lower – in the 4% range – because they are trading at much higher prices.

Some may argue that Corus is a good buy because it is cheap. The P/E of 8.6 is indeed very low and much lower than the 17.2 P/E of its competitors. The one-year forward P/E is also very low at 8.8. However, if you calculate the PEG, which determines if a stock is cheap relative to its growth, you get a one-year forward PEG of -4.24 and a five-year forward PEG of -2.63. The PEG is negative because future earnings are going to decline. In other words, Corus is not a bargain at all because you're paying a low price for declining growth.

default watermark

To sum up, Corus is not a buy for growth, value or income investors. I think there are better stocks out there to choose from.

**CATEGORY**

1. Dividend Stocks
2. Investing
3. Tech Stocks

**TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:CJR.B (Corus Entertainment Inc.)
5. TSX:T (TELUS)

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing
3. Tech Stocks

**Date**
2025/08/24
**Date Created**
2018/01/18
**Author**
sbchateauneuf

default watermark

default watermark