High Dividend Yield: A Stock to Buy if You’re a Risk Taker

Description

There is nothing wrong with chasing a high dividend yield. But before you make a decision to buy any stock that offers an above-average return, you should ask this important question: Is this payout safe in the long run?

Most of the time, attractive dividend yields come with a greater risk. If you’re picking stocks just because they offer yields that beat the market, and you ignore other business fundamentals that should support those returns, then you’re running the risk of losing your investment.

Let’s see if investing in **Corus Entertainment Inc.** (TSX:CJR.B) — a high-yielding stock — is safe.

Dividend yield

Corus Entertainment stock offers 14.32% dividend yield on today’s price. The company pays about $0.10 a share for the monthly dividend, which comes to $1.14 a share on yearly basis. The company hasn’t hiked its payout since 2015.

This high dividend yield also shows that investors are extremely doubtful about the company’s ability to maintain its payout and are expecting a dividend cut down the road. Trading at $8.07, Corus stock has lost more than 30% of its value this year, as the company’s earnings continue to disappoint.

On a trailing 12-month basis, Corus’s payout ratio is 117%, meaning that the company pays more in dividends than what it earns.

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, as customers shift to digital content providers, such as **Netflix**, depriving the company from its TV ad revenue.

In the company’s first-quarter earnings report released on January 10, both TV and radio revenue declined, suggesting that Corus is still struggling, and its future is uncertain in these tough operating conditions.

“We remain committed to advancing our strategic priorities, as Canada’s only pure-play media and content company,” said Doug Murphy, president and CEO, in the earnings statement. “Our ongoing financial discipline balanced with strategic growth investments in content and Advanced Advertising initiatives position us well over the longer term in a rapidly evolving media and content marketplace.”

Investor takeaway

Corus stock is certainly not a good investment for risk-averse investors. There is no guarantee that the company will be able to sustain this payout at a time when it needs to preserve cash amid falling revenues. But for investors who are willing to bet on the company’s turnaround plan, this investment might be worth a shot.

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