# Should You Buy Corus Entertainment Inc. Ahead of Earnings?

## Description

**Corus Entertainment Inc.** (TSX:CJR.B) isn't that bad of a stock, but if you looked at the share price, you'd be convinced it's going nowhere but down. The company will release its second-quarter results on April 5, and that could send the stock into an even bigger free fall or give it some life.



Back in January, Corus released its first-quarter results, which were not bad, but they didn't impress investors. Struggling advertising revenues raised alarm bells for investors, as concerns about cable subscriptions giving way to online streaming were renewed, and the worry was that advertising revenues would follow that path as well.

**Did the CEO say too much?**

We've seen in the past how a company's results sometimes take a backseat to its guidance and what its executives have to say, especially in the markets. It's likely that Doug Murphy, CEO of Corus, spooked investors when he said that the company's advertising bookings "saw a shift towards shorter-term buys" and that as the year came to a close, "it also became apparent that certain advertising commitments would not be fulfilled as forecast."

Short-term buying and not meeting forecasts might have suggested to investors that advertisers were having second thoughts about advertising via cable. However, it could also be that advertisers may have been concerned about their budgets and not knowing if there would be reductions in the coming year, which could have scaled back spending and resulted in buyers being a bit more conservative in their commitments. We will certainly get a clearer picture of that when the Q2 results come out.

Year to date, the stock has crashed more than 40%, with the company's first-quarter earnings being the catalyst behind the massive sell-off.

**What to watch for in Q2**

Advertising revenues will be a focal point for investors, and any bullish news on that front could immediately reverse fortunes for the stock. However, if that's not the case, investors will also want to look for any word regarding the company's dividend, which sits at an unbelievable ~18% of the share price.

While Corus can certainly still afford to pay its dividend, this could be an opportunity for the company to reduce its payout and free up some cash flow while still being able to offer investors a high dividend rate.

**Why the stock is still a good buy today**

Corus has recently hit a new 52-week low, and the stock keeps in dropping value almost beyond reason. The company has strong financials, and with a price-to-earnings ratio of just six and the stock trading heavily below its book value, it's a downright bargain. By comparison, **BCE Inc.** (TSX:BCE)( NYSE:BCE) trades at more than three times its book value and 17 times earnings, which is similar to what **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) trades at.

While a bad quarter could send the stock further down, there's a lot more upside potential for Corus than there is downside risk at this point. Either way, investors can expect some big movement from this stock on earnings day.

**CATEGORY**

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