



Corus Entertainment Inc.: A Once-in-a-Lifetime Opportunity

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)) has had a very [volatile recent history](#), with shareholders being taken on an unexpected ride.

The stock is down 23% in the last three months and 41% in the last year, but it has recovered somewhat from lows of \$5.82 that were hit in the beginning of April, and it's up 21% to \$7.04 in the last week or so.

So, it is very clear that the weak advertising market has taken its toll on the company and that this weakness has been more pronounced than expected, sending the stock on a tailspin. But what is less clear is the way forward, as analysts and even management of the company fully admit that visibility is low.

What do we, as investors, have to get excited about?

Well, there are a few things.

First is the dividend yield, which is currently at a whopping 16.6%. It seems unreal, I know. But we'll look further into the company's financials to assess this.

Second is that fact that this dividend is supported by the company's free cash flow generation, which keeps going strong.

For the six months ended February 28, 2018, Corus generated free cash flow of \$165 million compared to \$130 million in the same period last year for an increase of 27%. Dividends paid totaled \$115 million, capital expenditures were minimal at \$5 million, and the company had room to reduce its debt by \$55 million.

Third is the balance sheet.

Cash on hand at the end of the period was \$80 million, and net debt to income was 3.4 times versus 3.5 times last year. And while the dividend may have to be cut sometime in the near future,

management has stated that they are committed to leaving it as it, at least for the year 2018.

And lastly is the company's management of its costs.

While revenue growth is pretty much flat, bottom-line numbers have been increased, with cost of sales as well as selling, general, and administrative expenses declining by 1% in the quarter.

Cuts have been made and will continue to be made, so Corus will be a leaner, more efficient media and content player that will emerge after this period of repositioning is over.

This changing media landscape offers a place for Corus, and with the right strategy moving forward, Corus is financially fit and able to claim it.

Trading [below book value](#), which is above \$10, with strong, healthy cash flow generation and manageable debt, Corus has options. And its shareholders can have comfort in its ability to successfully execute its options.

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