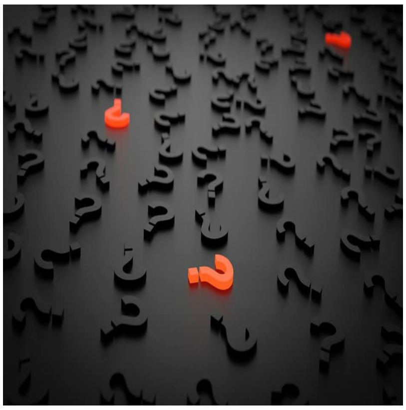

# Which Stock Is a Better Buy: Corus Entertainment Inc. or Shaw Communications Inc.?

## Description

**Corus Entertainment Inc.** (TSX:CJR.B) is a media and broadcasting company formed in 1999 as a spin-off from **Shaw Communications Inc**. (TSX:SJR.B)(NYSE:SJR). Corus bought the rest of Shaw's media assets two years ago, allowing Shaw to focus on its telecommunications business.



Corus and Shaw stocks spiked sharply after they reported their second-quarter results earlier this month. Are one of these two companies a better buy? Let's compare the two companies to find out.

**Corus Entertainment Inc.**

Corus released its 2018 second-quarter results on April 5, which were quite good thanks to the company new cost structure.

The media company earned a profit of $40 million, up 61% from a year ago. On an adjusted basis, the Toronto-based company earned $0.20 per share, up 54% from the second quarter of 2017 and beating analysts' expectations by $0.09.

Revenue was slightly up from $368.2 million to $369.5 million in the second quarter. The increase came as television revenue rose to $336.2 million, up from $335.9 million a year ago as lower advertising revenue was offset by gains in merchandising, distribution, and other revenues. Radio revenue amounted to $33.2 million, up from $32.3 million.

The decline in television advertising revenue leads to questions regarding the future of television. To compete with significant industry players such as **Netflix, Inc.,** Shaw focuses on creating original media content and intends to continue to invest in this strategy.

Corus maintained its annual dividend at $1.14 a share and intends to continue paying a dividend through fiscal 2018. However, the media company is expected to announce a new capital allocation policy with its third-quarter earnings that could allow it to cut its dividend to pay down its high debt more quickly.

So, while the dividend yield is currently very high at 17%, this is due to the share price falling dramatically over the past year. However, that's not expected to last, as Corus doesn't generate sufficient earnings to cover the current dividend.

You may think that Corus' shares are cheap with a forward P/E of only 6, but given that earnings are expected to decrease at an average annual rate of 3.5% for the next five years, it's not a good deal.

**Shaw Communications Inc.**

On April 12, Shaw reported a net loss of $164 million due to $417 million in restructuring costs related to cutting a quarter of its workforce. A year ago, Shaw earned a profit of $150 million.

Excluding the restructuring costs and non-cash amortization costs, the Calgary-based operating income was down 0.4% to $501 million in its 2018 second quarter. Shaw earned $0.50 per share, which is far above the average analysts' estimate of $0.28.

Revenue in the quarter was up 12.4% to $1.36 billion.

Wireline revenue was flat at $1.07 billion, but wireless revenue jumped 106% to $290 million. The main reason for the strong growth in the wireless segment was the addition of **Apple Inc.'s** products to Shaw's offering in the second quarter.



Wireless equipment revenue soared to $148 million from $24 million a year earlier, and service revenue was up 21% to $142 million.

During the quarter, Shaw's Freedom Mobile division added 93,500 new contract customers, thereby doubling analysts' estimates of 45,000 and nearly tripling the 33,400 additions achieved by Freedom in the second quarter of 2017.

Shaw has a forward P/E of 19.8, with earnings are expected to grow at an average annual rate of 5% over the next five years; this is solid growth given the challenges and competition in the telecommunications sector.

**Which stock is a better buy?**

While both Corus and Shaw reported a good second quarter overall, I would choose to buy Shaw over Corus for its better growth perspectives. Corus is facing many challenges regarding the decline of traditional television, and its capacity to adapt to them is still uncertain. Shaw saw strong growth in its mobile division in the last quarter, and I expect this growth to continue in the quarters to come.

**CATEGORY**

1. Dividend Stocks
2. Investing
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2. TSX:CJR.B (Corus Entertainment Inc.)
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