Corus Entertainment Inc. Reports 2nd-Quarter Results: Is it Enough to Turn This Company Around?

Description

Corus Entertainment Inc. (TSX:CJR.B) stock shot up by as much as 24% at one point in a single day's trading earlier this month after the company reported its results for the second quarter ended February 28.

Corus reported earnings per share (EPS) of $0.20, easily surpassing analyst and investor expectations.

But is this just a short-term fad, or is the company really on its way to turning things around?

Understanding what drove Q2 results

Revenues in the company's television and radio businesses were virtually unchanged in Q2 compared to the year-ago period.

Looking at the first two quarters of fiscal 2018, total revenues are down -1% with the television business down the most, and Corus radio division helping to offset some of those losses.

The real driver behind Corus's outperformance in Q2 was the company's ability to keep costs in check.

Sales, general, and administrative (SG&A) costs for the second quarter were $256.7 million, down 3% from $265.5 million a year earlier. Most of those savings came from a reduction in employment expenses, as the company handed out less in stock-based compensation during Q2 compared to a year ago.

Lower interest costs through the first half of 2018 have also helped to restore profitability to the media company as financing charges for Q2 came in at $31.8 million compared to $39 million a year ago and are down to $63.8 million for the first six months compared to $78.7 million in fiscal 2017.

Meanwhile, the costs the company has had to incur as part of its ongoing restructuring initiatives have started to slow as well, with Corus recording charges of $4.1 million through the first two quarters versus $14.1 million a year ago.

Corus made a big splash with its acquisition of **Shaw Communications Inc.** in an attempt to add vital assets to its content portfolio.

But it was a move that came with a costly price tag as well — namely, a large increase in its financial obligations and the need to reorganize and streamline the newly acquired business into its operations.

That the company has been successful in lowering its financing costs, and that the restructuring charges are starting to level off is certainly an encouraging sign for investors.

The real story continues to be the dividend

But the bigger story to come out of Shaw's quarterly results was the affirmation of its monthly $0.095 dividend.

Corus's current dividend yield sits at a whopping 17.6% entering Friday's trading.

But it is a dividend with a very slim margin of safety, simply speaking.

Corus can only afford to cut so many expenses before it has a dramatic effect on the company's top line.

For now, it looks like the company was able to shake off a dividend cut — and in doing so, shake off "the bears" one more time — but this is certainly a stock worthy of approaching with a healthy dose of skepticism until the picture becomes a little clearer.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/26
Date Created
2018/04/21
Author
jphillips