



Is Corus Entertainment Inc. a Buy as it Nears All-Time Lows?

Description

Corus Entertainment Inc. ([TSX:CJR.B](#)) has seen its share price get cut in half over the past year, and although the stock got a bit of a boost from a good earnings result in [Q2](#), its decline has continued. The share price is trading near all-time lows, and it could be a great time for investors to buy the stock at a heavy discount. However, let's take a closer look at the company's fundamentals to assess whether or not it is a good buy today, or whether the stock carries too much risk.

A look at the company's financial performance

The company had a positive quarter in Q2, and while it may not have seen strong sales growth, it was able to boost its profits up by 60%. For all the negativity around the share price, the company has been able to consistently post a profit in each of the past five quarters, averaging a very good 12% profit margin during that time.

If we look at a wider range, we see that Corus has actually seen its sales double since 2015, and outside of one disappointing year, where the company finished in the red, the company has been able to stay profitable over the past five years. But while profits are important, cash is critical to help manage day-to-day operations.

In the trailing 12 months, Corus has accumulated free cash flow of \$320 million, which is more than double the \$158 million that it generated in its 2016 fiscal year. Even the company's dividend, which, at over 18%, is alarmingly high, was less than half of its free cash in the past four quarters. The one concern to investors may be that the company is not investing a lot in its own operations, as cash used for investing activities totaled just \$21 million over the past year.

Is the stock too risky?

A big concern when Corus released its [Q1](#) results earlier this year was that we might see advertising revenues slowly disappear, as online mediums continue to gain more momentum. And while cord-cutting may be a danger to the industry, the company's improved Q2 should have helped alleviate some of those concerns.

BCE Inc. recently released strong results, which suggest that the industry is still in good shape, and with Corus having a strong, stable shareholder like **Shaw Communications Inc.**, there's little reason for investors to be raising alarm bells today.

Should you buy Corus today?

Corus currently trades at around half of its book value, which is a significant discount for a company that does not have any glaring problems or concerns weighing it down, other than bearish investors. At ~\$6 a share, Corus could have tremendous upside for investors that can see beyond the paranoia.

Not only that, but with a huge dividend, you can easily pad your portfolio with some great monthly cash flow. Although it may be tempting to think that the share price will just keep going down in price, it's not reasonable to expect that to happen, and sooner or later we'll see the stock start to recover, as it is well overdue for a recovery.

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