



Contrarian Investors: Should You Buy Corus Entertainment Inc. (TSX:CJR.B) or BlackBerry Ltd. (TSX:BB)?

Description

Contrarian investors are always searching for [beaten-up stocks](#) that might be getting oversold.

Let's take a look at **Corus Entertainment Inc.** ([TSX:CJR.B](#)) and **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) to see if one deserves to be on your buy list right now.

Corus

Corus investors just received a harsh lesson on the risks of owning stocks with astronomical [dividend yields](#).

The company slashed its distribution by 80% in an effort to redirect cash flow to pay down debt. The market had expected the move for some time, but the extent of the selloff in the stock may have caught investors and pundits alike by surprise.

Corus plunged from \$6.25 per share to \$4.50, taking the stock to an all-time low. Long-term followers of the company know Corus has struggled for some time as it tries to survive in a rapidly changing media market that is seeing advertisers shift spending from traditional TV and radio stations to online alternatives. Five years ago, Corus traded for \$24 per share.

The challenging times are expected to continue, but the pullback might be overdone.

Corus reported a net loss of \$935.9 million for the most recent quarter due to a non-cash impairment charge connected to a \$1 billion writedown on its broadcast assets.

However, adjusted earnings per share came in at \$0.37, compared to \$0.35 in the same period last year. The company generated \$87.7 million in free cash flow, compared to \$82.5 million for the quarter ended May 31, 2017.

Television revenue fell from \$422 million to \$403 million, and radio revenue slipped from \$39.3 million to \$38.4 million, so things are certainly moving in the wrong direction, but the company is still making

decent money.

Investors are also shaken by the fact that **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) is looking to unload its 38% stake in Corus to help fund the build out of its mobile operations. Shaw sold its media division to Corus for \$2.65 billion in 2016.

With the dividend cut out of the way and Shaw's intentions now out in the open, Corus can get down to the business of paying off debt. If a white knight comes in to buy the Shaw stake and provide the cash Corus needs to work through its turnaround program, the current stock price might prove to be a bargain.

BlackBerry

BlackBerry's recovery has certainly been bumpy, with the stock bouncing around in a range of \$6.50 to \$17 over the past five years. Investors are still trying to decide if the multi-year turnaround effort will eventually be a success.

The latest results met expectations, but Mr. Market didn't like the growth guidance, and the stock is down from its recent high above \$16 to below \$13 per share, hitting new 2018 lows. Growth forecasts for 2019 are now 8-10% for the software and services business, compared to 20% in the current year, as BlackBerry says it is changing to a subscription-based model. Investors are wondering whether the strategy will work.

Volatility will likely continue in the stock until investors finally see a clear light at the end of the tunnel, but BlackBerry's worst days should be behind it, and contrarian investors with a buy-and-hold strategy might want to take advantage of the latest dip to start a position in the stock.

The bottom line

Corus and BlackBerry carry risk, but the recent price drops could be attractive opportunities for a contrarian portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:BB (BlackBerry)
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