



Why I'm Buying Corus Entertainment Inc. Stock

Description

At some price, every company becomes a buy – even those with seemingly nothing going for it.

For **Corus Entertainment Inc.** ([TSX:CJR.B](#)), nothing could be further from the truth. On Wednesday, the company reported earnings that left investors chagrined, sending shares plummeting more than 20% at one point during the day.

Despite beating analyst earnings estimates on an adjusted basis, shares took a plunge because of two key factors that have been on the radar of most investors for quite some time. First, the company slashed its dividend; while expected, the cut was much larger than anticipated, with the current monthly distribution of \$0.095 changing to \$0.06 paid quarterly (a cut of nearly 80%). Second, and perhaps more important, the company announced a one-time non-cash impairment charge of \$1 billion related to Corus' non-cash assets such as broadcast licenses and goodwill.

The paper loss Corus shareholders were faced with is reminiscent of a "ripping the bandaid off" strategy, or "taking a bath." When making a negative announcement such as a dividend cut, it is much better to lump in as many negative things at once to avoid having to do so in the future. This strategy has been employed historically, with evidence showing that one terrible quarter is typically lagged by a number of very good quarters – something value investors may be salivating over given the Corus' current valuation.

Corus is a company operating in a [secular decline](#), much like companies such as **Cineplex Inc.** ([TSX:CGX](#)). Unlike Cineplex, however, Corus has been hit much harder in recent years, losing approximately 65% of its value in the past year alone.

On a fundamental cash flow basis, I like Corus as a deep value play, despite those who may believe the stock is plunging to zero. Traditional media is not yet dead, and at this price, I would expect the buzzards to start circling given the underlying value of the company's assets to a larger media conglomerate or a private equity firm.

Bottom line

I have not yet initiated a position; however, at below \$5 per share (as of the time of writing), shares of Corus offer a near-5% yield at current levels, enough to make this a decent dividend play. If the company is indeed able to use the cash, it would have paid to investors to pay down debt. This blip may well prove that the market has truly [overreacted](#), once again.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:CJR.B (Corus Entertainment Inc.)

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