Let's Stop Bottom-Fishing for Corus Entertainment Inc. (TSX:CJR.B) Stock

Description

Corus Entertainment Inc. (TSX:CJR.B) got punished by shareholders following the release of its latest earnings report and the 79% dividend reduction which followed.

One event that I'm not too surprised by is the intent of **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) to dispose of 80.6 million worth of Corus shares over the foreseeable future, as it looks to raise capital to double-down on its wireless business. This loss of confidence probably severely exacerbated the ensuing two-day 26% decline in shares.

Corus's CEO surprised many when he shed light on the company's somewhat promising plan to leverage tech like artificial intelligence (AI) to better target audiences in improving the value of its televised ads.

Investors didn't seem to care, though, as the company has been a falling knife that's severely injured many contrarians hoping to lock-in a high dividend to go with a bounce-back in shares. The peak in Corus shares now seems years away, as shares are currently down about 82% from the top.

It's been a bloodbath, and given the amount of pain it's put shareholders through thus far, it's tough to call a bottom after many failed attempts by many on prior occasions.

In many previous pieces, I've urged investors not to bottom-fish for the stock, at least until the dividend reduction came to fruition, which I predicted would happen sooner rather than later. Also, I've urged investors to wait for additional commentary from management with regards to how they plan to stop the bleeding.

Now that the dividend is reduced and management has announced its new strategy, I'm still not convinced it's time to buy. Shaw's loss of confidence seems to be a confirmation that Corus is a dud and that it's time to stop trying to bottom-fish for the firm in an industry that's going the way of the Dodo bird.

I believe the cord-cutting trend will continue to accelerate over the foreseeable future, and as the monopolistic, competitive video-streaming market becomes even more crowded, I suspect video streaming service providers will become even more content rich and price competitive. This rapidly advancing video-streaming market will likely entice a majority of remaining consumers to ditch their cable TV subscriptions.

Foolish takeaway

Shaw's intent to monetize its stake in Corus, I believe, is a confirmation that the company won't be bouncing back anytime soon, unless it's taken over by a video-streaming firm for its library of content, which would be better off in the content roster of a **Netflix Inc.** or the like.

While free cash flow generation and a commitment to continued debt reduction may seem promising, I'd urge income investors to steer clear of the name, because, over the long term, rising competition within the video-streaming market will severely exacerbate the continued decline in advertising revenues.

In the near term, targeted ads may serve to reduce some of the bleeding, but in the grander scheme of things, I don't believe these efforts will mean much as viewers continue flocking to streaming platforms.

While the stock is exceptionally cheap after the recent fall, I don't think that's enough to justify initiating a position in a company with its lack of a meaningful turnaround plan.

As such, I believe shares remain nothing more than a speculation. The stock may soar if it's taken over and gutted for its content, but betting on such an unforeseen event is not advised, unless you've got the disposable cash to risk.

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Date
2025/08/26
Date Created
2018/07/03
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