Is There Any Reason to Pick Up Corus Entertainment Inc. (TSX:CJR.B) Right Now?

Description

Corus Entertainment Inc. (TSX:CJR.B) is a Toronto-based media and content company. Shares of Corus were down 1.62% in early morning trading on July 5 and the stock is down 57.8% in 2018 so far. What has been behind this precipitous decline? Is its high dividend reason enough to buy low today? Let’s take a look.

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The decline of traditional television

Old media is facing a terminal crisis due to the success of streaming and other home entertainment options. This is especially true among younger demographics. Many report in recent surveys that they have abandoned traditional television altogether. When we look at ongoing trends, the data is troubling when we consider the future of this medium.

According to a study from PwC, by 2021 online and multi-channel advertising investment will account for nearly a third of all television spending. Cable cutting is another concern for traditional television, a trend which has forced telecoms to increasingly rely on growth in wireless and internet customers. A report by the Media Technology Monitor this year reported that one in four Anglophone Canadians had cut the cord and no longer pay for traditional television service.

The greatest threat remains the rise of streaming services and the potential for big tech to eat into regular consumption. Data in the U.S. and Canada have shown that citizens are using digital video devices more frequently to consume media, and this is eating into time spent watching traditional television.

Big tech companies like **Amazon.com, Inc.**, **Facebook Inc.**, and even **Apple Inc.** have charted out large investments in streaming services. Facebook is expected to spend close to $1 billion on original television in 2018. Amazon recently acquired the rights to *Lord of the Rings*, and the television series is projected to cost anywhere from $500 million to $1 billion when all is said and done. These companies are flush with cash and boast larger market shares than traditional providers. Big tech is more than capable of presenting a legitimate challenge to the old guard.

Corus earnings fail to impress

Corus released its fiscal 2018 third-quarter results on June 27. Free cash flow rose to $87.8 million compared to $82.5 million in the prior year, but this was among the few positives to glean from the report.

Consolidated revenues fell 4% year over year, and consolidated profit declined 3%. President and CEO Doug Murphy pointed to "challenging television market conditions" when unveiling the earnings report. The company reported a net loss of $935.9 million in the quarter, which was driven by a $1.01 billion impairment charge. Segment profit in its radio division actually increased to $31.2 million year to date, while its television segment had shed over $20 million from the same period in fiscal 2017.

Corus still offers a strong monthly dividend of $0.095 per share, which now represents a staggering 23% dividend yield. Of course, there are serious questions as to whether Corus can maintain this dividend if these conditions continue. Investors may want to take a flier for the income alone, but I cannot recommend Corus with the challenges faced by traditional television in the present day.

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