



Why Corus Entertainment Inc. (TSX:CJR.B) Looks Like an Attractive Takeover Target for This Magical Company

Description

It's the cheap stock that [keeps getting cheaper!](#)

Corus Entertainment ([TSX:CJR.B](#)) stock keeps spiraling into the abyss and is now down around 84% from its high. The dividend has been reduced, and it appears that most income-oriented investors have already had the chance to throw in the towel. If you're a true contrarian, then that's probably music to your ears, as Corus stock looks to be a compelling rebound candidate with its severely depressed valuation metrics and its ample free cash flow stream.

Corus has shied away from innovation and is paying the ultimate price. As such, I think the stock will continue to tumble until takeover rumours start coming about. If the price is right, Corus looks like an appealing takeover target for **BCE Inc.**'s Bell Media division, as the traditional media industry continues to consolidate.

While this deal makes a tonne of sense, I think there's a better acquirer that should pull the trigger on the vast library of children's content at some point over the next year or so. And that (partial) acquirer, I believe, is **Walt Disney** ([NYSE:DIS](#)).

The subsidiaries in Nelvana and Toon Boom Animation would bolster Disney's streaming platform and would make it an even more dominant powerhouse in the world of children's entertainment.

I'm sure you'd agree that Corus's library of content is worth way more in the hands of Disney than in anyone else's, so if I were Bob Iger, I'd look closely at making a deal with Corus for the content library and other exciting assets, leaving the news and other undesirable assets for Bell Media.

Why does the deal make sense for Disney?

Disney's streaming platform is coming online next year, and it's going to be an absolute hit with younger audiences. Disney is about to get a hold of **Twenty-First Century Fox** assets, and I think many more smaller content acquisitions could be in the cards, as the company prepares to launch its much-anticipated streaming platform to compete with the likes of some fierce competitors within the

video-streaming market.

Corus and Disney have landed licensing deals in the past, and if Disney's streaming platform were to enter Canada, Corus would probably need to surrender its licences to localized versions of the Disney Channel and various other Disney assets. That would be undesirable, to say the least, so Corus would probably be more inclined to sell its massive library of children's content to Disney rather than compete with the likes of the juggernaut. If you can't beat them, join them!

Foolish takeaway

At this point, Corus looks like it's in a [downward spiral](#) that will ultimately lead to a liquidation of assets at some point down the road. That is unless Corus produces its own streaming service, which I find highly unlikely.

If Disney doesn't grab Corus's content library, I find it likely that sooner or later Corus's prized assets will end up in the hands of another video streamer, possibly **Netflix, Inc.**

Corus is definitely a cheap stock, and if a deal is made, shares could pop like a coiled spring. So, with that in mind, I'd urge investors to only bet what they're willing to lose, as shares could continue to plunge further before any potential takeover talks.

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