
# Don’t Buy These 2 Cheap Dividend-Paying Media Companies Yet

## Description

Pretty much every parent in the country has, at some time, seen their small children watching some of the many shows offered by the entertainment content companies **DHX Media** (TSX:DHX)( NASDAQ:DHXM) and **Corus Entertainment** (TSX:CJR.B). These programs have kept our kids entertained and sedated more often than we probably want to admit, so as parents, we definitely acknowledge their babysitting power and value.



But as investments, these stocks have come under pressure in recent years, falling significantly from their highs. With each of these stocks, there appears to be no end in sight. However, are their reduced share prices excellent entry points, or are these investments dead money, no matter how much we enjoy the hypnotic quality their content has over our children?

**DHX Media**

During the height of its success a few years ago, I remember many people calling this stock a mini **Walt Disney**. The company owns a number of brands, such as Super Why, Cloudy With a Chance of Meatballs, Bob the Builder, and, of course, the beloved Teletubbies. If you know any of these titles, you probably have a child under the age of eight.

Much of its content is available not only on standard television but also online through platforms such as a **Netflix** and **Amazon.com’s** Prime Video. The company is also expanding its toy brands associated with its programming, building diversification across its business.

While its content is well known to many of us, its financials may not be. As of Q3 2018, DHX’s total revenues were up 60% year over year from the same period in 2017 with 67% of that growth being driven organically. DHX also pays a 3% yield, which it has been steadily increasing. The problem is that a lot of their content has been purchased using debt, driving their leverage level up significantly.

**Corus Entertainment**

While Corus is also heavily involved in children’s programming, it is also involved in a multitude of adult programming. The company owns well-known brands such as National Geographic and the History

Channel as well as radio stations and traditional TV channels.

In its Q3 2018 report, Corus reported a 4% decrease in total revenues, which was not exactly encouraging to shareholders. The company also reported a loss for the quarter, although it attributed this primarily to strategic investment costs. On the positive side, free cash flow increased 6%.

As was the case with DHX, Corus has a tonne of debt related to its pursuit of content. It recognized the debt and decided to cut its dividend by almost 80% to preserve cash for investment and repayment purposes, which was probably a wise plan in the long run. While this was not thrilling for its long-term investors, a new investor still receives a decent yield.

**Should you invest?**

Well, the content of these companies is excellent. If it were for the content alone, these would be excellent companies to own. But it is disconcerting to see so much debt on the balance sheets of these companies. If they start to pay down the debt, they may be worthwhile investments. But at the moment, there are probably better dividend-yielding stocks in which to put your money.

**CATEGORY**

1. Dividend Stocks
2. Investing



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**Date**
2025/08/26
**Date Created**
2018/08/12
**Author**
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