Is Corus Entertainment Inc. (TSX:CJR.B) Stock a Buy After a Massive Dividend Cut?

Description

Looking at the share price of **Corus Entertainment** (TSX:CJR.B), it seems the game is over for this traditional media company.

After losing almost 70% of its value this year, Corus shares have been through a steep fall, as the company struggled to survive in an environment where media consumers are cutting the cords and shifting to streaming video providers, such as **Netflix**, while Google and **Facebook** eat up the large portion of advertising pie.

While announcing its second-quarter earnings report in late June, Corus dropped the bombshell that many analysts were predicting for a long time. First, the company slashed its quarterly dividend by 80% from $0.095 to $0.06 a share. Second, Corus surprised investors by announcing a one-time non-cash impairment charge of $1 billion related to Corus's non-cash assets such as broadcast licences and goodwill.

After these two extremely negative developments, the biggest concern for investors is whether Corus would be able to survive as a viable entity going forward.

According to the management, the current changes have put the company on a path to recovery. "We have positioned Corus for the future with our revised capital allocation policy," said to Doug Murphy, president and CEO. "Our focus on deleveraging will ensure that we create the balance sheet strength to continue to make these important investments in support of the ongoing transformation of our business model."

The reduced dividend will spare about $150 million per year to reduce the company's $2 billion debt, as it pursues its long-term turnaround plan that includes cutting costs, paying down debt, and diversifying its content.

But that's not an easy undertaking when the broadcaster going through a massive upheaval. The future is so murky that **Shaw Communications** is looking for a buyer to offload its controlling 38% stake in the company.

Bottom line

Trading at $3.72, Corus Entertainment might be an attractive bet for investors who are looking for a deep-value play, as suggested by my fellow writer Chris MacDonald in his article on July 1, but given the magnitude of disruption that's taking place in the media industry, I don't see a quick turnaround taking place for Corus. I find Corus still a risky bet even under $4 a share.

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