Here’s How a New NAFTA Could Shake Things Up for Corus Entertainment Inc. (TSX:CJR.B)

Description

Corus Entertainment (TSX:CJR.B) stock has plunged 64.5% in 2018 as of close on September 19. Shares are down 69% year over year. In the third quarter, Corus announced a $936 million loss and slashed its dividend by almost 80%. This sent shares tumbling to a record low, which it has continued to hit in late August and early September.

Back in August, Fool contributor Joey Frenette explored why Corus could be an attractive takeover target for a company like **Walt Disney**. On the surface, the deal makes sense, especially considering Corus’s recent woes. Corus boasts a significant footprint in traditional children’s television in Canada, which could provide Disney an attractive entry point and a realistic opportunity to transition material onto its soon-to-be-launched streaming platform.

Ongoing NAFTA negotiations have seen the United States attempting to remove barriers that would prevent such a deal from happening in the future. The debate over cultural exemption could also dramatically impact the telecom industry, as many own top broadcasters anyway. However, this has emerged as another sticky issue during trade talks.

Prime Minister Justin Trudeau has said that he will under no circumstances waive the exemption for cultural industries. This exemption applies to publishing, broadcasting, and media industries and prohibits them from being purchased by American companies. U.S. trade representative Robert Lighthizer has been critical of the exemption. “There’s a legitimate case for some cultural exemptions,” he said earlier this year. “But it’s not for this kind of thing … The cultural exemption is very often just cultural protectionism.”

Some fear that opening barriers would inevitably lead to networks like Corus being targeted for takeover. This could, in turn, stamp out incentives to produce Canadian content and lead to American shows completely dominating Canadian television markets. Last year, it was announced that **Netflix** would open a Canadian production company as the government came to an agreement that would see the streaming giant spend $500 million over five years on Canadian productions.

Traditional television has experienced a significant decline as consumers are turning online and to streaming services. Canadian radio stations, which are required to play a capped amount of domestic content, have also seen a dramatic decline in listeners. Consumer behaviours and technological advancements could make content rules irrelevant going forward no matter what position the government stakes.

Should investors bet on Corus having to fight off suitors in the coming months? Not so, at least for the time being. Canada has stood firm on several sticking points, cultural exemption being one of them. Without a significant shake-up, Corus will likely continue its struggles as Canadian consumers turn away from old media.

It is still worth it for investors to monitor the situation and see if Canada is willing to capitulate in this area. If so, Corus could be headed for big changes down the line.

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