Has Corus Entertainment's (TSX:CJR.B) Stock Finally Turned a Corner?

Description

If you are a long-time **Corus Entertainment** (TSX:CJR.B) shareholder, you've seen your investment obliterated. Over the past five years, Corus's share price has dropped from approximately $25, losing 70% of its value. Ouch.

Over the past year, I've warned investors that Corus fit the description of a falling knife. Investors who have averaged down are still sitting on significant losses. In 2018, the company's share price dropped from $11.71 to close the year at $4.76. This is equal to a 60% loss in 2018. It also slashed its dividend, losing its status as a Canadian Dividend Aristocrat.

Will 2019 be the year it finally turns a corner? On Friday, the company posted third-quarter results. The market reacted positively, sending its share price up 5.78%.

First-quarter results at a glance

The market ignored a big miss on earnings, which came in at $0.33 per share versus the consensus of $0.40 per share. Instead, the focus was on higher-than-expected revenue of $467.75 million, which beat estimates by $16.23 million.

Strong advertising TV revenue, which jumped 4% year over year and improved profit in the segment, took centre stage. Perhaps TV isn't quite dead just yet. According to Doug Murphy, president and CEO, "We returned to growth in television advertising revenue, driven primarily by a strong fall schedule and a significant improvement in television advertising demand."

The headlines point to an improving picture.

Digging deeper

Is this the start of a renewed uptrend or a blip on the radar as part of a continued decline? The earnings miss can be overlooked. It is spending heavily on original content and its video-on-demand product. This is a necessary evil to compete with streaming services such as **Netflix** and Crave.

It is important for investors to note that the revenue beat may be a one-time event. Murphy admitted that the fall's strong TV schedule played a large part in higher advertising, and there is no guarantee that the momentum will continue throughout 2019.

Another point of concern is the company's declining cash flow. Free cash flow dropped from $83 million to $42 million. Thanks to the most recent dividend cut, it's more than enough to cover its dividend. However, it is certainly something to keep an eye on.

Strong start to the year

There is no doubt that it was a strong start to the year. Can it build momentum throughout 2019? One quarter does not make a trend, and the strong revenue growth experienced in the first quarter may be a one off. As per CEO Murphy, "the marketplace is so dynamic … viewers will go from platform to platform and find the shows that they want."

This makes predicting future performance very difficult. As such, the stock still carries considerable risk.

Foolish takeaway

Shareholders breathed a sigh of relief. It was the first quarter in which it saw TV revenue and advertising growth in some time. Whether or not it is a one-off remains to be seen. It is still operating in a highly competitive industry, where consumer viewing trends are unpredictable. Although Corus's risk/reward profile has improved, I still believe there are better options for investors.

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