Why Now Could Be a Great Time to Buy Corus (TSX:CJR.B)

Description

Corus Entertainment Inc. (TSX:CJR.B) had a rough a day last week when it tumbled more than 18% after **Shaw Communications Inc** (TSX:SJR.B)(NYSE:SJR) announced that it was selling its shares in the company.

Why is Shaw selling the shares?

Shaw is going to be using the $548 million that it is going to collect from the sale of the shares for what it calls "general corporate purposes," which may or may not mean paying down some debt as well. However, given that the company recently acquired WIND Mobile, which has since been re-branded as Freedom Mobile, it's likely that the new wireless segment of its business could use the cash to help grow and compete with some of the bigger names in the industry.

The sale is for all of Shaw's shares in Corus, and it doesn't appear to be indicative of the company's outlook for Corus or a result of concerns it has about the company. It looks to be mainly about freeing up cash, and this certainly looks like the easiest way to do so.

Why did Corus fall so heavily in price?

The shares are being sold at $6.80, well below the more than $8 the stock was trading at just before the news was announced. A flood of shares onto the market at a much lower price will have a downward pressure on the stock, as investors won't want to be buying shares at $8 if they're going to be made available, to some investors anyway, at a much lower price.

While it might suggest a lower valuation, it could just be as simple as timing. It was less than two months ago that the stock was trading at under $7, and Shaw may have not wanted to risk pricing the stock too high for fear of them not getting sold. The challenge with selling so many shares is finding the optimal price — not unlike what new issuers have to deal with.

Why this makes Corus an attractive buy today

Ultimately, Corus' business is still as strong as it was before the news of the Shaw sale was announced. If anything, the company could feel a bit more freedom in not having a big cable provider as a key shareholder anymore, giving it more options. It could therefore lead to more opportunities for Corus, perhaps with other investors and partners.

With the stock now falling back under its book value, it could be a very opportune time for investors to buy Corus. It had been performing very well up until that point, rising more than 60%. However, even with the drop in price, Corus is still up around 40% year to date.

Investors also have the opportunity to score a good dividend as well, which is currently yielding around 3.6%. There's a lot to like about the stock, which has turned a profit in all but one of the past five quarters. And with sales showing signs of life, the stock could be headed back up in no time.

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Date
2025/06/29
Date Created
2019/05/20
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