The Number 1 Stock to Sell Ahead of October

Description

Deciding to sell a stock can be difficult. The stock could have been a big winner for you, and it’s tough to sell it and move on because of the past performance it has put up. Conversely, it could have been a loser and you have been waiting for a turnaround.

Regardless, it can be a difficult task to do, but one that is necessary for the well-being of your portfolio.

Identifying these companies is key, especially ahead of the market, where you can save yourself quite a few percentage points by acting quickly and rotating out of your overvalued stocks.

There are a number of specific indicators that show when it’s time to abandon an investment. Flat or declining revenue and earnings, problems with debt, or a maturing of the industry, are all main reasons why a company’s troubles could become too much.

It’s paramount for investors to manage their portfolios, looking for any weakness in companies they hold and purging the portfolio of any deficiencies before it’s too late.

One company I’d watch carefully and consider selling soon is **Corus Entertainment** (TSX:CJR.B).

Corus is a mass media and broadcasting company that has a number of channels and services. It also has a radio segment, but it makes up less than 10% of the company’s operations. Its T.V. assets are made up of 15 conventional channels and 37 specialty channels.

It has been a tough few years for Corus, as it has had to deal with debt issues which caused it to severely trim the dividend.

It has also had to deal with the threat of cord cutting and declining T.V advertising, as a number of different advertising mediums are being created all the time through the internet and social media.

With so much more of our time spent on phones and computers, it is natural for many of the advertising dollars to flow there rather than to T.V.

It doesn't seem like cord cutting will get any better either, as more companies move to introduce their own streaming services and attempt to attract more viewers away from traditional T.V.

Corus's financials show its struggles over the last few years. Its five-year average return on equity is roughly negative 3%. It also has a five-year average return on capital of less than 1%.

The company has a five-year average P/E ratio of nearly 14 times, so today, at a P/E of less than seven times, it is clear what the market thinks of it.

Its stock may seem like it is trading at a low P/E, but the market has valued it that way for a reason, and investors seeking value should look elsewhere, as there are too many unknowns in the industry.

In order for an investment to be warranted, I think there needs to be at least a few consecutive quarters of T.V advertising growth. If this materialized, and the value in Corus stock still existed, then it could be time to look at it as an investment.

Bottom line

The future will continue to be tough for T.V., as more streaming services increase and more advertising mediums are created.

While it is trading for what seems to be a cheap price now, it seems like the stock is probably a value trap, and I would avoid it or at least tread very carefully, as it's a top stock that investors may want to sell.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)

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Category

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