



Why Corus Entertainment (TSX:CJR.B) Stock Fell as Much as 10% on Friday

Description

One of the worst-performing stocks on the TSX Index of the past few years has been **Corus Entertainment** ([TSX:CJR.B](#)). Ever since the company's acquisition of Shaw, the stock price has been in a downward spiral.

Over the past five years, the company's stock price is down by approximately 80%. Did today's quarterly results provide [any hope](#) to shareholders? Let's take a look.

The earnings report

Before the bell on Friday, June 26, Corus Entertainment released fiscal 2020 third-quarter results which ended May 31:

Metric	Reported	Expected
Earnings per share	\$0.09	\$0.15
Revenue	\$348.97 million	\$373.3 million

It wasn't the best quarter, as Corus Entertainment missed on both the top and bottom lines. Earnings of \$0.09 per share missed by \$0.06 and revenue of \$348.97 million missed by \$24.33 million. Given the results are as of May 31, financials are reflective two full months of pandemic mitigation efforts.

Year over year, revenue and profit declined by 23.9% and 35%, respectively. Although viewership was up across all their platforms, ad spends and monetization was significantly impacted.

"With the economy materially impacted by the COVID pandemic, these audiences were not optimally monetized as advertising demand is tightly correlated to sales and economic activity," — Doug Murphy, president and CEO

In the quarter, the company also took a \$786.8 million impairment charge on goodwill and a writedown in the value of certain broadcasting licences.

In terms of segments, Radio is clearly struggling amid the pandemic. Revenue decreased by 52% and it recorded a loss of \$11.5 million. Television revenue and advertising fell by 21% and 31%, respectively. Subscriber revenue came in flat.

No dividend announcement was made. However, Corus Entertainment did post free cash flow (FCF) of \$90.8 million in the quarter. This compares favourably to the \$90.1 million in FCF generated in the third quarter of 2019. It is also plenty to cover the \$12.535 million it paid out in dividends last quarter.

Despite the headwinds, the company is still generating plenty of cash. Given this, the dividend is likely safe and it continues to buy back shares. In the quarter, it repurchased an additional 1.15 million shares for cancellation.

The year ahead

All eyes are on the year head. However, Corus Entertainment announced little in terms of future expectations. According to the release "It is too soon to gauge the medium to long-term impacts of the current outbreak, given the many unknowns related to COVID-19."

Outside of this, there is little clarity on the lasting impacts of the pandemic. One of the main issues is ad spends. How long will it take for advertising to reach pre-pandemic levels? Months or years?

Despite the uncertainty, one thing is clear: companies are clawing back on advertising during this economic downturn.

Is Corus Entertainment a buy today?

I've been following Corus Entertainment for years. Unfortunately, it is one that I've never been particularly fond of and I've often compared it to "catching a falling knife."

Third-quarter results did little to [change my position](#). The market also didn't react well, sending its share price down by as much as 10% in early trading. The lone bright side: it generates strong cash flows. However, it has been posting strong cash flows for years and yet, it hasn't made a difference. The company is struggling to grow the business in any meaningful way and as such, it is not one I would jump into today.

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