Why Did Corus Entertainment (TSX:CRJ.B) Stock Soar Higher Last Week?

Description

The earnings season kicked off last week, and there are several stocks that are moving after quarterly results. Shares of **Corus Entertainment** (TSX:CRJ.B) were up close to 10% on Friday after it announced its results for the August quarter.

Corus reported sales of $318.39 million in the fiscal fourth quarter of 2020 ended in August with adjusted earnings per share of $0.16. While the company's sales were down 16% for the quarter, its earnings rose by over 20% in Q4. Comparatively, for fiscal 2020, Corus sales fell and earnings fell over 10% year over year.

While Bay Street analysts forecast Q4 sales at $319.3 million, they expected earnings per share of $0.05. We can see the company's massive earnings beat drove the stock higher on Friday.

What impacted Corus sales in Q4?

The company's ad sales fell 27%, while subscriber revenue was down 1%. Comparatively, merchandising, distribution, and other revenues were up 11% year over year in Q4. Corus attributed revenue decline in ad sales to market-wide contraction of demand due to the COVID-19 pandemic. Further, revenue in the television vertical fell 13% and radio sales declined 43% in Q4.

Cash flow from operations was $94.2 million in the last three months and stood at $313.3 million in the last 12 months. Comparatively, these figures stood at $115 million and $343.6 million, respectively, in the prior-year period. The decline in cash flow in Q3 was due to lower cash provided from working capital offset by a lower spend on program rights and lower net spend on film investments.

In fiscal 2020, Corus repaid bank debt of $229.5 million and paid dividends of $70.4 million to shareholders. It also repurchased shares worth $16.9 million in 2020 and ended the year with a cash balance of $46 million as well as $300 million under a revolving facility.

The company expects cash flow from operations and existing credit facilities to provide it with sufficient financial resources to fund operations in the next 12 months.

What's next for investors?

Despite the recent upward spiral, Corus stock is still one of the cheapest companies on the TSX. The company has a market cap of $704 million and is valued at a forward price-to-sales multiple of 0.45 and a price-to-book ratio of 0.8.

Corus stock has lost around 40% in market value since the start of 2020, which means it has a forward dividend yield of 6.5%. We can see that the company is generating enough cash flow, making a dividend cut highly unlikely. Further, Corus has reduced its debt for 11 consecutive quarters by a cumulative $700 million since 2017.

Despite a sluggish macro environment and a 16% decline in annual sales in fiscal 2020, Corus managed to earn over $300 million in free cash flow. This means its dividend-payout ratio is less than 50%, allowing the company to easily increase dividends going forward as well as focus on reducing its long-term debt.

Corus stock is trading at $3.71, which indicates a forward price-to-earnings multiple of 5.3. Compare this to its earnings growth of 7.7% for 2021 and tasty dividend yield, and we can see that Corus has significant upside potential.

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