What's Ahead for Corus Stock in 2023?

Description

For years now, as Canadians have been cutting their cable subscriptions and the popularity of streaming services continues to increase, there has been a major shift in the media landscape. Furthermore, with the rise of social media, a lot more advertising is being spent online rather than on TV, severely impacting stocks like **Corus Entertainment** (TSX:CJR.B).

Because of these major shifts in the media industry, Corus has faced significant headwinds in recent years, impacting both its operations and stock price.

And due to the significant debt load, the stock's been selling off quite consistently, dating back to 2018.

The pandemic was no help either. Significant amounts of advertising dollars were cut in the early quarters while there was still a tonne of uncertainty.

However, despite these consistent headwinds, Corus has done an impressive job of running its business. It recovered quickly from the early months of the pandemic and managed to continue paying down much of its debt, as well as keep its dividend intact.

In fact, from the end of its fiscal 2018 year up until today, Corus has paid down over $800 million in debt. Furthermore, the Shaw media spin-off paid another $200 million in dividends back to investors.

Undoubtedly, the mass media company continues to face headwinds and is now once again being impacted by falling advertising dollars. Yet, Corus is not only in a better financial position, it has proven that it can continue to generate impressive free cash flow no matter what the market conditions.

So if you're wondering how Corus stock will perform and weather the storm through 2023, here's what to consider.

Corus Entertainment is being heavily impacted by the economic environment

How Corus stock performs in the short term will depend heavily on the economic environment. Corus has a number of revenue streams, including its own streaming services. However, its primary source of revenue is still advertisements, which are already down as marketers anticipate a recession on the horizon.

Advertising is always one of the first expenses to be cut when companies expect a recession, which makes sense. When interest rates are rising and the economic environment is bad enough that many companies are laying off employees, naturally, businesses won't be advertising as much.

Therefore, while advertising spending is down, Corus' stock will likely struggle to rally. However, if you're interested in buying Corus stock, it should be for its long-term potential.

Corus stock is trading undervalued

The stock is significantly undervalued right now. So, if it can continue to weather the storm in this economic environment, it could offer a tonne of potential when the market recovers.

For example, in fiscal 2023, Corus is expected to earn $371 million in earnings before interest, taxes, depreciation and amortization (EBITDA). That's down over 16% from the $440 million of EBITDA it earned in fiscal 2022.

However, today after its stock price has sold off so significantly, Corus has an enterprise value of just $1.9 billion. Therefore, its forward EV-to-EBITDA ratio is a low 5.1 times. Furthermore, analysts expect it will start its recovery in fiscal 2024, when EBITDA should rebound to almost $400 million.

That's not all, though. Corus is still expected to be profitable in fiscal 2023, with consensus estimates calling for $0.22 of earnings per share (EPS). That's slightly lower than Corus' annual dividend of $0.24, which may be why its yield has ballooned to 11.5%.

However, not only is its EPS expected to recover and grow by 64% in fiscal 2024, but Corus' free cash flow in 2023 is expected to be more than $162 million. So considering it costs less than $50 million to fund its dividend for an entire year, Corus' dividend is actually much safer than it looks.

With that being said, there certainly is a lot of risk in owning Corus stock, especially in the short term with such an uncertain economic environment.

However, given how cheap Corus is and its ability to earn impressive free cash flow year in and year out, it certainly has the potential to recover considerably over the next few years.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cleona
2. danieldacosta

Category

1. Investing

Date
2025/06/27
Date Created
2023/02/14
Author
danieldacosta