



4 Stocks to Watch This Week

Description

Among the stocks that we highlighted last week, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) delivered oil equivalent production results up 2.3% from 2012 despite setbacks from the Libya platform. Free cash flow was better than expected, the dividend was raised and share buybacks continued. Despite the lowering of production expectations for 2014, the outlook for this Warren Buffet investment is positive.

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) delivered results that indicated a declining trend in the important fixed line business counterbalanced by solid growth in the wireless, high speed intranet and television segments. Cash flow remained strong and the dividend for 2014 was raised by 6%; the stock now yields a very attractive 5.3%.

Fortis Inc. ([TSX:FTS](#)) announced results in line with expectations and provided further information on the regulatory approval process required for the US\$4.3 billion UNS Energy acquisition. The dividend was increased by 3.2% and is still covered more than two times by the free cash flow of the business.

Stocks to watch in the week ahead

Thomson Reuters ([TSX:TRI](#))([NYSE:TRI](#)) will announce results on Wednesday. The adjusted earnings per share expectation for the final quarter is \$0.52 compared to \$0.54 a year ago. The company announced at the time of the third-quarter results that it would lay off 3,000 employees, take a \$350 million charge for “simplification costs” (which would result in an annual cost saving of \$300 million) and would contribute \$500 million to pre-fund pension plan obligations.

Although this is now public knowledge, the share is not priced cheaply and the 2013 results announcement may create some pressure on the stock price and possibly a buying opportunity given the restructuring benefits that will start to flow later in 2014 and 2015.

Rogers Communications ([TSX:RCI.A](#))([NYSE:RCI](#)) will announce results on Wednesday. Adjusted earnings per share of \$0.72 for the fourth quarter is expected compared to \$0.80 a year ago. The lower profit will mainly be the result of a smaller contribution from the media segment. Positive growth in gross profit is expected from the wireless and cable segments. Some areas for concern for Rogers is the traditional “clean up” actions normally taken by newly appointed CEO Guy Lawrence, the outcome

of the 700MHZ spectrum auction and considerable balance sheet debt levels.

Telus ([TSX:T](#))([NYSE:TU](#)) will complete the major communication companies' quarterly reporting season with its results announcement expected on Thursday. Earnings per share for the fourth quarter of \$0.48 is expected compared to \$0.43 a year ago. Both cash flow and dividends per share increases are also expected.

Although the company operates in a virtual oligopoly with Rogers and BCE, the share price performed considerably better than its main competitors over the past five years. The question is whether this outperformance will continue. We intend to explore this question in a follow-up report in the next few weeks.

Finally, we also expect results from **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) on Thursday. Earnings per share of \$0.43 is expected compared to \$0.41 the year before. This is a high quality operation with stable and relatively predictable profits, cash flows and dividends. However, the business is not without risk (read execution risk on \$36 billion of planned projects, regulatory intervention and delays, pipeline leaks) and the stock is not priced cheaply. Missteps will not be well received by investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:T (TELUS)
6. TSX:TRI (Thomson Reuters)

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