



3 Stocks to Watch This Week

Description

The **Toronto Stock Exchange 300 Composite Index** (^GSPTSE) came in for some punishment in the second half of last week, closing 1.6% lower for the week. Losses were widespread but companies linked to the resource sector were particularly hard hit, with **Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)) and **Suncor Energy Inc** ([TSX: SU](#))([NYSE: SU](#)) falling by 5.8% and 4.7% respectively. Among the large companies, **Thomson Reuters Corporation** (TSE: TRI)(NYSE: TRI) made a welcome appearance near the top of the leader board with a gain of 2.8% after investors reacted positively to its quarterly results announcement.

The main corporate results season is now in full swing, with more of the heavyweight companies reporting results in the coming week — the expected highlights are discussed below.

The first quarter of 2015 results of **Saputo Inc** ([TSX: SAP](#)), a global top-10 dairy producer, will be reported on Tuesday. Consensus estimates indicate a 9% rise in profits per share to \$0.75 from \$0.69 a year ago.

The 2014 fiscal year produced decent results for the company, although several acquisitions, including the bidding war for the Australian dairy producer Warnambool, dominated company headlines.

The first quarter results will now include the Warnambool profits and will also be boosted by the weaker Canadian dollar and an expected improvement from its international division. Canadian operations are expected to show no or little growth, as competitive pressure has been keeping a lid on dairy prices.

The consolidation and closure of several Canadian and U.S. facilities, partly earmarked for the first quarter, will also be under the spotlight. This is expected to provide only longer-term cost savings.

Saputo's share price has performed well since the start of the year, adding almost 40%, resulting in a stock valuation that is now at a premium to its global peers. Apart from possible further acquisitive activity, it is difficult to see what will provide a catalyst for upward share price movements in the short term.

BCE Inc ([TSX: BCE](#))([NYSE: BCE](#)) is expected to report its second quarter of 2014 results on

Wednesday, and consensus estimates indicate a 9% increase in profits per share to \$0.84, compared to \$0.77 a year ago.

Company management indicated that profits per share and free cash flow would increase by mid-to-high single digits in 2015. The first-quarter results indicated that the business is on target to meet the full-year profit estimates.

The now well-established trends of cable subscriber losses, low growth in wireless subscribers, and flat revenue per subscriber are expected to continue in the second quarter. The media division should provide a boost as the recently acquired Astral Media is expected to provide a higher profit contribution.

BCE's share price has increased by about 7% since the start of the year but has been under pressure of late as government actions signal a more competitive environment ahead. Despite its low growth profile, the company has been paying a very attractive dividend of around 5% on the current price. There seems to be little risk that the dividend will come under pressure any time soon, providing ample support for the share price.

TELUS Corporation ([TSX: T](#))([NYSE: TU](#)) is expected to report its second-quarter 2014 results on Thursday, and consensus estimates indicate a 32% rise in profits per share to \$0.58, compared to \$0.44 a year ago.

The comparable quarter in last year was depressed by a number of one-off items, including restructuring charges and costs related to the Alberta floods. In the second quarter of 2014, the wireless and internet service businesses should perform well, while the cable business may continue to decline.

The company's share price has risen solidly for the first few months of 2014 but has since declined by 10% from its early June peak. The same factors that depressed BCE's share price are impacting Telus. However, it is also a solid dividend payer, with every prospect that the dividend stream will at least continue at the current level for the foreseeable future.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:SAP (Saputo Inc.)
5. TSX:T (TELUS)

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