



Growth Investors: 3 Stocks That Saw Net Income Rise Over 600% Last Quarter!

Description

Companies that are able to grow sales are always in high demand by investors, but it's even more important that those companies grow their bottom lines as well. However, net income can be impacted by many factors, which means evaluating a company on its profit growth can be very misleading. I'm going to have a look at three different stocks that saw significant increases in net income in their most recent quarters, and what was behind those improvements.

Barrick Gold Corp. ([TSX:ABX](#)) (NYSE:ABX) posted sales of \$2.1 billion in its most recent quarter, which were up just 7% year over year, but profits of \$138 million in 2016 skyrocketed up to \$1.08 billion. Unfortunately for investors, this was not a sustainable increase, as \$882 million of the improvement in net income was achieved through gains that the company realized on the sale of multiple assets. Without those gains, Barrick's profit before taxes would have been \$529 million, and although that would still be a strong 52% improvement from the prior year, it is far from the astronomical rise in net income that shows on paper.

Over the past three years, the company has been struggling to find growth, as sales in the last fiscal year were down 31% from 2013; however, Barrick was able to finish the year in the black after posting net losses in the previous three years. With the stock trading at just 10 times its earnings, investors have been hesitant to place a big value on the share, despite a rising commodity price.

Quebecor, Inc. ([TSX:QBR.B](#)) has seen a lot of variability in its past four earnings reports, with two quarters being in the red, and the other two showing profits of over \$123 million. In the company's most recent quarter, its sales were up 4%, but profits were 13 times more than the \$9.8 million that Quebecor recorded a year ago.

A big reason for the improvement in the company's bottom line was due to a gain of \$87.8 million that was realized from the sale of its spectrum licences. Less the gain, the company's income before taxes would have totaled \$92 million and would still have been an increase of 63% from last year. In its last fiscal year, the company saw its bottom line grow 28% after seeing two of the last four years finish in the red.

The telecom and media giant is a big player in the industry, and in five years, it has seen its stock soar 175%.

Altus Group Ltd. ([TSX:AIF](#)) is another company that saw its year-over-year profits skyrocket in the last quarter, with net income of \$105 million rising 733% from the \$12 million that was posted in 2016. However, without a gain of \$115 million from the disposition of an investment, its operating profit would have totaled just \$8 million.

Bottom line

These examples help to highlight why net income can be a bit deceiving at first glance and why many investors prefer to look at top-line growth when evaluating how well a company has performed. Gains or losses on disposal can easily distort a company's profits, and that is why it is important for investors to look beyond just net income and to carefully read the company's financials.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:ABX (Barrick Mining)
3. TSX:AIF (Altus Group Limited)
4. TSX:QBR.B (Quebecor Inc.)

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