These 4 Stocks Reported 100% Quarterly Earnings Increases: Which Ones Will Catch a Tailwind?

Description

Earnings per share (EPS) jumped over 100% for these four stocks when compared to the same quarter in the prior year: **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR), **Open Text Corp.** (TSX:OTEX)(NASDAQ:OTEX), **Northview Apartment REIT** (TSX:NVU.UN), and **Granite Real Estate Investment Trust** (TSX:GRT.UN).

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A fairly straight-forward piece of investing advice is to buy stock in companies with earnings because earnings drive stock price growth. It is hard to value a company with no earnings, partly because an investor's "Swiss Army knife" metric, the price-to-earnings ratio (P/E), will have no "E" in calculating the P/E.

A large move in EPS would generally drive the share price up (and drive the P/E down). From one year ago, however, only two of these stocks are up double digits, while two are flat. So, what's behind the numbers?

Restaurant Brands International Inc.

This fast-food conglomerate, which includes Tim Hortons, the birthplace of the double-double coffee order, reported 168% increased EPS in the last quarter compared to the prior year. Yet the stock price has been yo-yoing for a year and is down 3.5% year to date.

Despite the stellar quarter, I believe Restaurant Brands shareholders will likely need to hold on to their shares into 2019 to realize meaningful gains, when EPS is expected to reach $3.83 per share.

Patience is a virtue in this case, as Restaurant Brands tends to increase its revenues by about 16% annually. At 2.2%, the dividend is enough to combat inflation and the company has been increasing the dividend rate steadily. Restaurant Brands is transitioning from a growth to an income stock, which is part of Fool contributor Joey Frenette's bullish thesis, and this makes for a compelling buy-and-hold scenario. A counterpoint is that debt has been creeping up slightly faster than revenue.

Open Text Corp.

I'll briefly mention that owning shares in Ontario-based Open Text, a software mid-cap company, has been a great investment, as the stock price has climbed convincingly in all but one of the last five years. Annual revenue has grown 14% annual since 2012. Open Text made this list because of the quarterly EPS growth of 163%. The stock rallied in June to a new 52-week high.

Two REITs with big earnings

Northview and Granite reported whopping quarterly EPS growth — both above 150% — which is unusual for REITs, as these businesses tend to move gradually.

This sector has suffered due to interest rate hikes. These two REITs are a bit atypical, as the business is fairly niche.

First, as the name suggests, Northview focuses on residential units exclusively in Canada, and the largest geographic footprint is in the northern territories. This geographic moat is fairly unique among REIT investment options. Northview started deleveraging to help its balance sheet back in 2015, long before interest rates talks were a topical.

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Second, Granite is an industrial REIT that is virtually synonymous with the auto parts giant, **Magna International Inc.** The reason is that Magna spun off its real estate assets to create a REIT income stream for investors. That has worked out well for Granite shareholders.

Take home

All four of these companies have something to offer investors, but I think Northview is the best option at this point, because despite the year-to-date price move, it is still fairly valued and will kick off a dividend yield above 5%.

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