



2 of the Top TSX Stocks From Earnings Season

Description

Earnings season is always a busy and important time for investors, not just because stocks become a lot more volatile, but also because it gives you an update into every companies' progress.

During earnings season, a lot of what investors look at and the things that often dominate the headlines are the numbers a company reports. And while the numbers are obviously a major factor, they alone don't tell the whole story.

To fully understand things — such as how the company has done, what it's achieved since the last earnings, what, if anything, went wrong, the future goals it has set for itself, and much more — investors will have to listen to the conference call or at the very least read the management's discussion and analysis statement.

Otherwise, you won't be able to gain a clear view and full understanding of what the stock should be valued at, if you don't know the full story in regard to the position of the company.

This is why you'll often see the headline of a stock that missed on earnings, but its stock is still up after earnings. In this case, management probably stated something on the conference call that analysts and investors liked, prompting them to ignore the earnings miss and focus on the positive long-term development of the business.

There have been a number of companies reporting higher earnings so far this earnings season, but two of the top stocks have been **Aritzia** ([TSX:ATZ](#)) and **goeasy** ([TSX:GSY](#)).

Aritzia

Aritzia reported earnings back in January, and, once again, the company delivered brilliant results.

Dating back to last year, Aritzia already had a tonne of momentum, but these most recent earnings may have been the strongest yet.

The stock was trading in the \$19 range prior to earnings, and immediately after Aritzia reported, the stock gained more than 30%.

The \$19 it was trading at before was already up from the \$16 trading range the stock had back before the earnings in the quarter prior to that, meaning in the last six months, Aritzia stock is up nearly 50%.

A lot of the reason why investors love it, as well as why it's been able to grow so fast and so well, is because of its business model and its expansion strategy, especially in the United States.

The majority of its boutiques are located in Canada, giving it a massive runway for growth, expanding further into the U.S., which has paid off massively and helped the company to report record results.

The stock now trades at a price-to-earnings ratio of less than 30 times, earning a premium for its high-growth potential.

goeasy

goeasy reported earnings last Wednesday, and although it had a large one-time cost that weighed on its earnings per share, both the fourth quarter and the year were exceptional.

It was able to continue its impressive growth, increasing the size of its loan book as well as making a major 45% increase to its dividend.

Its current earnings per share, as of year-end 2019, is \$4.17, giving it a price-to-earnings ratio of just 19 times — not an expensive price and actually pretty fair valuation for such a [high-growth company](#) like goeasy.

However, if you exclude the one-time cost it incurred in the fourth quarter, the earnings per share for 2019 would have been closer to \$5.17, implying that goeasy is actually trading at a price-to-earnings ratio of just 15.3 times today.

Going forward, it expects to see between 14% to 16% growth in 2020 and 12% to 14% growth in 2021, so gaining exposure today for a little over 15 times earnings seems like an attractive proposition.

Bottom line

Investors want the first-mover advantage, which is why the stocks can be very volatile right after earnings reports come out.

So, for long-term investors looking to buy a new stock after earnings, take your time analyzing the company's full report and wait a few days for the stock to reach its new equilibrium trading range to make the most informed investment possible.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

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