



## 3 Top Stocks Reporting Next Week: What to Expect

### Description

As we head into next week, the all-important earnings season will be heating up. Many top stocks will release their financial results. Management will give us their analysis on the state of things as well as their outlooks. During this time of instability, these updates are especially important. Read on to see what to expect from **Canadian National Railway**, **Loblaw**, and **Cenovus Energy** this week.

### Top stock Canadian National Railway benefits from diversification

**Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) is scheduled to report on July 21. CN Rail's business is a well-diversified one. Although the crisis has hit the company, the second quarter will see pockets of strength. In fact, Canadian National Railway stock has rallied to pre-coronavirus levels, which reflects this fact.

For the company's second quarter, the consensus expectation is for EPS of \$1.26. Costs will be lower and fuel efficiency gains can be expected. Record volumes of grain and coal can be expected to drive up the results. On the negative side, the automotive business will be a negative drag on the results, and crude oil transportation will be weak again. I will be interested to hear what management says about crude transport now that prices are back up to \$40.

Canadian National Railway stock remains a top stock today.

### Top stock: Loblaw stock to feel pressure from increased costs

**Loblaw Companies Ltd.** ([TSX:L](#)) will report its second-quarter results on July 23. It will be a bright spot among the earnings reports. In its first quarter, Loblaw reported a 10.8% increase in revenue and a 30% surge in earnings after the company saw extraordinary revenue growth in the last two weeks of March. Remember the time when shoppers were stockpiling toilet paper? That was the time.

For the second quarter, [increased costs related to keeping employees and customers safe](#) pressured results. Increasing wages and cleaning practices have been implemented. The installation of plastic barriers and other safeguards are big investments. The estimated incremental cost due to the pandemic will be \$90 million per month.

Loblaw stock might get hit as investors see the impact of these costs on earnings. But I would view any weakness as a buying opportunity. It is a top stock today.

## Cenovus Energy stock gets hope in recovering oil prices

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) is reporting its second quarter on July 23. Cenovus Energy stock is still trading at less than half of early 2020 levels. [Investors have low expectations for this oil and gas stock](#). It has struggled as a function of its industry and record low oil prices. However, the price of oil has recovered to over \$40 today, and Cenovus Energy stock price has rallied in response.

Management estimates that its all-in cash breakeven is at \$38 WTI oil. On an operating cash flow basis, the break-even is \$33 WTI oil. Every \$1 below the breakeven oil price translates into a \$150 million to \$180 million hit to operating income. For most of the second quarter, oil prices were below these levels. So it will be another tough report.

Cenovus has cut capital spending and suspended its dividend to preserve liquidity. General and administrative costs have been reduced, the crude by rail program was discontinued, and liquidity has been improved. Today, Cenovus has access to \$6.7 billion in credit facilities, which should take it through this “short-term” crisis.

## Foolish bottom line

Next week will be an important one for us investors as companies begin to report their second quarter results. This will be important for the particular top stocks reporting but also to help guide our views on the economy as a whole.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CVE (Cenovus Energy Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:L (Loblaw Companies Limited)

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### **Author**

karenjennifer

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