COVID-19 Earnings: What Happened on the TSX in the First Week of August

Description

The COVID-19 pandemic has impacted many sectors. While those who promoted stay at home culture prospered, those that encourage people to step out witnessed losses. The initial and the deepest financial impact of the pandemic was visible in the second-quarter earnings. Three companies, **Cargojet** (TSX:CJT), **Kinaxis** (TSX:KXS), and **SmartCentres REIT** (TSX: SRU.UN), reported their second-quarter earnings in the first week of August.

Cargojet stock jumped 15% on the back of e-commerce growth, while Kinaxis stock fell 6.5% due to reduced adjusted EBITDA guidance for the full-year 2020. SmartCentres' stock emained unchanged after the earnings, even though the REIT made a provision of $15 million in loss from the pandemic.

Cargojet earnings

Cargojet provides time-sensitive, premium, overnight air cargo services through its fleet of 26 aircraft. At the time when

The steep decline in passenger planes shifted the air cargo traffic to Cargojet. The company's revenue rose by 65% YoY (year-over-year) to $196.1 million in the second quarter, its highest quarterly revenue to date. The last time its revenue rose more than 60% was in Q2 2015, when it saw high volumes from its new contract with the Canada Post Group of Companies.

Cargojet's adjusted EBITDA rose 143% YoY to $91 million, which equates to an EBITDA margin of 46.5%. The company expects the international air cargo momentum to continue in the short and medium-term. Its stock rose 83% year to date (YTD). If you had invested $1,000 in Cargojet at the start of the year, your money would have grown to $1,800.

Kinaxis earnings

Moving on to our next stock, Kinaxis provides supply chain planning solutions to large enterprises and earns money through software licenses, subscription fees, and professional and maintenance services.

The company's revenue rose 45% YoY to US$61.4 billion in the second quarter, driven by a 300% growth in subscription term license. Many large enterprises renewed their subscription for a longer-term.

Kinaxis' adjusted EBITDA rose 94.5% YoY to US$22.5 million, which equates to an EBITDA margin of 36.6%, its highest in over two years. This growth reflected in its stock price as Kinaxis stock doubled YTD.

Kinaxis is seeing a delay in some contract renewals,and the signing of new contracts amid the pandemic. However, the company is moving ahead with its plans to enhance its demand forecast and analysis using machine learning and artificial intelligence (AI). It has recently acquired AI-based demand planning software provider Rubikloud for the same.

However, Kinaxis stock fell 6% as it has guided an adjusted EBITDA margin of 23% for full-year 2020, which is way below its 2019 margin of 30%. Its competitor **Descartes Systems** operates at an adjusted EBITDA margin of around 35%.

SmartCentres REIT earnings

SmartCentres REIT took a big hit from the pandemic. The REIT has exposure to retail spaces which it rents out to retailers and earns money through rent collection. The pandemic-driven lockdown temporarily closed many retail stores and created short-term challenges.

In the second quarter, SmartCentres ollected 74% in rent. It expects to recover another 5% rent from the government's Canada Emergency Commercial Rent Assistance (CECRA) cash benefit, and 9% from rent deferrals. However, it does not expect to collect 7.4% of the rent and has therefore made a provision of $15 million. This will reduce its earnings.

The pandemic has also reduced the value of SmartCentres' investment properties by 2.9% since December 31, 2019. The REIT's occupancy rate has also reduced to 97.8% from 98.2% in the previous year's second quarter. The next few months will be challenging for the retail REIT.

The company's rentals fell 2% YoY and funds from operations (FFO) fell 18% YoY in the second quarter. Despite a reduction in FFO, it retained its dividend per share by paying $4.9 million from its cash reserve. These earnings reflect in its stock price, which is down 33.4% YTD, and its dividend yield, which is 9.07%.

Investors' takeaway

Cargojet and Kinaxis are some of the virus stocks which helped investors make money in the pandemic. However, SmartCentres is a stock that will help investors make money when the economy recovers.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

4. Tech Stocks

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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pujatayal