



These 3 TSX Stocks Report Their Earnings This Week: Should You Buy?

Description

The Canadian equity markets continue to be under pressure, with the S&P/TSX Composite Index falling 1.4% yesterday. Rising COVID-19 cases are weighing on the equity markets. Meanwhile, will the earnings season bring some respite?

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)), **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)), and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) will report their quarterly performance before the market opens on October 29. Should you buy these stocks ahead of their earnings? Let's see.

Suncor Energy

Suncor Energy has lost 33.7% of its stock value since reporting its second-quarter earnings on July 23. The decline in the demand for crude oil and refined products amid the pandemic-infused lockdown and excess supply due to OPEC+ issues led to a fall in oil prices, which weighed heavily on its financials.

During the [second quarter](#), the company had reported operating losses of \$1.489 billion compared to operating earnings of \$1.253 billion in the previous year's quarter. It utilized \$768 million of cash flows for its operating activities in the second quarter, while it had generated \$3.43 billion of cash flows in the previous year's quarter.

Meanwhile, Suncor Energy's management has taken several initiatives, including lowering its capital and operating expenses, to reduce its losses. However, the slow recovery in the energy markets amid the pandemic-infused challenges is a cause of concern. I expect the company's third-quarter results to be timid, with a sharp decline in its earnings. So, despite the steep fall, I believe investors should avoid the stock ahead of its earnings.

Waste Connections

Waste Connections trades 0.5% higher since reporting its second-quarter earnings on August 6. In the second quarter, the company's top line had declined by 4.9%, while its adjusted EPS fell 15%. The

slowdown in commercial activities amid the shelter-in-place restrictions had lowered the collection, transfer, and disposal of its solid wastes, thus dragging its financials down.

However, with the economic activities beginning to improve post-lockdown, the company has witnessed a recovery in its volumes. By August 5, 60% of solid waste commercial customers, who had suspended the service during the lockdown, had asked to resume service or increase in frequency. In July, the company's revenue was down 1.9% on a year-over-year basis. However, excluding acquisitions, it was down 4.9%.

For the third quarter, analysts project Waste Connections's revenue to decline 2.3% year over year to \$1.38 billion, while its adjusted EPS to fall 9.6% to \$0.66. I believe the lower E&P (exploration and production) waste activities to impact the company's third-quarter earnings. With an expectation of an improvement in its third-quarter results and [its high growth prospects](#), I believe investors could buy Waste Connections ahead of its third-quarter earnings.

TC Energy

TC Energy is down 10.8% since reporting its second-quarter earnings on July 30 and down 20.9% for this year. Amid the weak oil demand and decline in oil prices, the company's adjusted EBITDA and adjusted EPS declined by 1.6% and 8% in the second quarter, respectively. The decline in uncontracted volumes from its liquids pipelines, lower contributions from liquids marketing activities, and the sale of 85% equity interest in Northern Courier dragged its financials down.

However, the company earns around 95% of its adjusted EBITDA from regulated assets or long-term contracts, which insulates its earnings from short-term volatility in volume throughput and commodity prices. Further, the company strengthened its liquidity position during the second quarter by raising over \$11 billion through asset sales and project financing. The company is also continuing its \$37 billion secured growth projects, with \$3 billion assets put into service during the first half of 2020. So, I am bullish on TC Energy.

Meanwhile, analysts expect the company's EPS to fall around 9% year over year to \$0.72 during the quarter amid the slow recovery in the energy sector.

CATEGORY

1. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TRP (Tc Energy)
3. NYSE:WCN (Waste Connections)
4. TSX:SU (Suncor Energy Inc.)
5. TSX:TRP (TC Energy Corporation)
6. TSX:WCN (Waste Connections)

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