3 Canadian Stocks That Immensely Smashed Q3 Earnings

Description

Forget the market crash. Strong corporate earnings growth for the third quarter in Canada indicate a continued rally for TSX stocks. Here are some of them that reported record quarterly numbers, which could drive their stocks even higher.

goeasy

Top consumer lender **goeasy** (TSX:GSY) reported yet another strong earnings for the third quarter of 2020. Its revenues increased by 13% while profits rose 66% year over year.

goeasy stock has already been on the solid run for the last few months and has gained a handsome 300% from its pandemic lows. Interestingly, its solid quarterly performance highlights the growth story, which could open a new upside for the stock.

goeasy functions through two business segments: easyhome, which offers furniture on a rent-to-own basis, and easyfinancial, which offers loans to non-prime borrowers. goeasy has seen consistently superior earnings growth for the last several years. Its EPS has increased by 24% compounded annually in the last 20 years. That's a remarkable feat, despite being in a relatively risky industry.

Billion-dollar lender goeasy bore the brunt of lower demand in the second quarter of 2020 amid stay-at-home orders. However, the third quarter saw a sweeping recovery in loan originations as economies reopened.

An increase in new loans and higher customer repayments are certainly encouraging signs for goeasy. The stock could continue to soar higher, driven by solid quarterly performance and a cheaper valuation.

Shopify

We all have cursed the year 2020 a lot, but **Shopify** (TSX:SHOP)(NYSE:SHOP) has seen the best times this year. Everything's going Shopify's way.

For the nine months ended September 30, 2020, the tech giant reported revenue growth of 88% year over year. Its profits came in at $1.59 per share for the same period against a loss of $1.12 per share last year.

The pandemic and ensuing travel restrictions continued to push small and medium businesses to go digital. Shopify saw a handsome increase in new merchants and gross merchandise volumes for the quarter.

Even though the stock trended lower recently after its record numbers, it will likely resume the upward march once the U.S. election volatility stabilizes. Shopify stock is notably overvalued, and exaggerated movement in the short term is quite evident.

Premium Brands Holdings

Specialty foods giant **Premium Brands Holdings** (TSX:PBH) also reported record numbers for the third quarter. The company exceeded expectations, which sent the stock zooming to its all-time highs. Premium Brands stock has gained more than 65% since its pandemic lows and is currently trading at $101.

A $4 billion company Premium Brands manufactures specialty foods and operates a premium food-distribution business. It earns roughly two-thirds of its total revenues from Canada, while the rest comes from the United States. It owns and operates popular brands like Audrey's, Conte Foods, Deli Chef, Freybe, Expresco, Ready Seafood, etc.

Premium Brands is seeing a notable dent in demand, as revenues in fine dining and airline space continue to remain low. However, the company management thinks of the pandemic as a temporary phenomenon. It continues to stick to its five-year growth plan that sees annual revenues at $6 billion. That indicates a growth rate of around 14% compounded annually through 2023.

I don't see any significant dent in Premium Brands's financial performance in the long term due to the pandemic. The lockdowns and lower commute will certainly hamper the demand for both of its segments. However, it will likely see profit margin expansion driven by the pent-up demand post-pandemic.

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1. NYSE:SHOP (Shopify Inc.)

2. TSX:GSY (goeasy Ltd.)
3. TSX:PBH (Premium Brands Holdings Corporation)
4. TSX:SHOP (Shopify Inc.)

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Date
2025/08/26
Date Created
2020/11/06
Author
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