3 Red-Hot TSX Stocks That Stood Out This Earnings Season

Description

The third-quarter earnings season is about end soon. The pandemic took a deep dent in corporate earnings this year. Some companies are struggling to survive, but some are showing notable green shoots. Which TSX stocks are you betting on?

Cineplex

The entertainment and media company **Cineplex** (TSX:CGX) reported a steep 85% revenue drop in Q3 2020 compared to last year. In the previous quarter, its revenues had plunged 95% year over year.

As the company's revenues kept evaporating, there was one major development in Q3 that provided a much-needed lifeline for the multiplex company. It received interim relief from creditors that allowed pushing back $460 million repayments to Q2 2021.

Even though the relief means a lot for the company, much of its fate still rests on the vaccine. That's why the stock has zoomed more than 60% since last week on the vaccine news.

The recovery might not sustain, because of the underlying uncertainties. Its fast cash burn and weaker balance sheet might make things challenging for Cineplex if the vaccine launch drags on longer than expected.

Lightspeed POS

Lightspeed POS (TSX:LSPD)(NYSE:LSPD) reported more than 60% top-line growth in the recently reported quarter. While that is not unusual for tech companies, Lightspeed seems to be readying for even taller growth next year.

It is going full throttle and has recently acquired four companies that will expand its geographical presence as well as product portfolio. The latest $440 million buyout of ShopKeep would add 20,000 retail merchants to Lightspeed's portfolio.

Lightspeed stock is up more than 250% in the last six months and looks overvalued. However, the premium valuation is quite justified, given its above-average revenue growth.

Lightspeed will likely continue to see higher GMV for the next few quarters, as online shopping keeps rising amid the pandemic. Even if mobility restrictions wane next year, Lightspeed's long-term growth prospects remain intact.

Air Canada

The pandemic dug a deep hole in the pockets of **Air Canada** (TSX:AC) investors this year. The stock tumbled from $52 to $14 in the last nine months. However, its third-quarter earnings indicate that it is readying for a slow-but-stable recovery.

It will be more appropriate if we analyze Air Canada's financials on a sequential basis rather than annual. It reported revenues of $757 million in Q3, representing 38% growth compared to Q2 2020. Its loss also narrowed from $6.44 per share in Q2 to $2.31 per share in Q3. More importantly, Air Canada's cash burn rate substantially slowed during the third quarter.

While turning profitable is still a distant dream for Air Canada, the returning top-line growth and lower cash burn are some of the vital feats. The vaccine launch hopes have already pushed Air Canada stock from $14 to $21 recently.

Mass distribution of vaccine will likely take time. However, till then, Air Canada stock could trade higher on expected government bailout and easing of travel restrictions. Additionally, the flag carrier intends to operate with 25% capacity in the fourth quarter, that's roughly double Q3 and might lead to notable revenue growth.

Investors should note that Air Canada might not reach 2019 profitability levels in the next few years. However, it is on the right track to recovery, and that should be enough for the stock to reach respectable levels by next year.

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2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)

4. TSX:LSPD (Lightspeed Commerce)

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