



These 2 TSX Stocks Will Report Their Earnings Next Week: Should You Buy?

Description

Amid the optimism over the new stimulus package in the United States and the improvement in economic recovery, the **S&P/TSX Composite Index** hit a new all-time of 18,072.17 yesterday before closing at 18,041.97, representing an increase of 3.5% for this year. Meanwhile, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Air Canada** ([TSX:AC](#)) will report their quarterly earnings next week. Should you buy these stocks ahead of their earnings? Let's see.

Aurora Cannabis

The optimism in the cannabis space amid the expansion of addressable market due to increased legalization and Democrats taking over the control of both Senate and House appear to have led Aurora Cannabis's stock to rise 212.3% since the beginning of November.

In its first quarter that ended on September 30, the company had posted revenues of \$67.8 million — a slight increase from \$67.5 million in the previous year's quarter. Its adjusted EBITDA losses were at \$57.9 million. However, removing restructuring payments of \$47.4 million, its adjusted EBITDA losses stood at \$10.5 million. Meanwhile, the company will report its second-quarter earnings after the [market closes on February 11](#). The management expects its adjusted EBITDA to improve sequentially.

The expansion of its product offerings and higher retail store openings in major Canadian markets could drive Aurora Cannabis's revenue in the second quarter. Further, the closure of excess production facilities, scaling down of headcount, and lower SG&A expenses could improve the company's EBITDA. The company's financial position also looks stable, with its cash standing at \$450 million as of December 15.

Despite cannabis stocks witnessing strong buying in the last couple of months, I would wait until Aurora Cannabis's second-quarter earnings to make my investment decision on the stock. The company's performance in recent quarters has failed to increase investors' confidence. Further, analysts are also less optimistic about the stock. Of the 17 analysts covering Aurora Cannabis, 13 have given a "hold" rating, while the remaining four analysts have issued a "sell" rating.

Air Canada

The pandemic-infused travel restrictions have severely dented the passenger airline stocks, including Air Canada. Amid the subdued passenger demand, the company carried 88% lesser passenger in the third quarter compared to its previous year's quarter. Its top line declined by 86%, while its adjusted EBITDA fell by 62.4%. Further, the company's net cash burn for the quarter stood at \$818 million, or \$9 million per day, which was better than the management's expectations. However, the management had projected its net cash burn to increase in the fourth quarter to be in the range of \$1.1 billion to \$1.3 billion.

However, with \$8.19 billion in liquidity, Air Canada is well equipped to ride out this crisis. Further, the company has taken several cost-reduction initiatives, such as slashing its headcount and lowered its operating capacity to 20% of the previous year to reduce its losses. Further, the company's cargo business is growing since its launch in March 2020. The company is adding more cargo-only flights to meet the increased demand.

Meanwhile, Air Canada will report its fourth-quarter earnings before the market opens on February 12. Analysts expect the company's revenue to come in at \$1.13 billion, representing a sequential improvement from \$1.01 billion in the third quarter. Its EBITDA losses could also improve from \$974.8 million to \$641.3 million. Of the 18 analysts that cover Air Canada, 13 analysts have issued a "buy" rating, while four have given a "hold" rating, and the remaining analyst has given a "sell" rating.

With travel restrictions still in place, I am not hoping much from Air Canada's fourth-quarter results. However, the vaccine's widespread distribution could prompt governments to ease travel restrictions and increase travelers' confidence, boosting air travel. So, [I believe investors with two to three years of an investment time frame could buy the stock for superior returns.](#)

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1. Cannabis Stocks
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