



3 TSX Stocks to Make Big Moves This Week

Description

Last week, **Lightspeed POS** and **Suncor Energy** stocks surged 25% and 4%, respectively, ahead of their quarterly earnings. Earnings are an important event, especially for fundamental investors, as they tell you the company's earnings potential and risk-taking capacity. This week, you will see some big moves by three Canadian stocks as they release their quarterly earnings.

These three companies are traditional businesses that got significantly hit by the pandemic. The key part to look in their earnings is cash reserves and cash flow to understand how long they can withstand the weak business environment. Also, if there is positive growth on the revenue front, it will signal recovery and their stock price could surge high single-digit or double-digit.

Air Canada stock

Air Canada ([TSX:AC](#)) was the worst affected by the pandemic as the government's travel restrictions forced it to ground planes. The pandemic has pushed airlines worldwide into multi-year losses, and AC is no exception. After reporting \$3.5 billion in losses in the first three quarters, it will release its fourth-quarter earnings on February 12.

Looking at the earnings of the top four U.S. airlines, AC could see some double-digit revenue growth. However, the airline could report a bleak outlook for the first quarter of 2021 as the second wave of the pandemic has reinstated travel restrictions.

The important thing to look for in AC's earnings is the cash burn and the rising debt burden. Three of the four U.S. airlines significantly reduced their daily cash burn. However, **United Airlines** increased its cash burn as it repaid some debt. Its stock fell 11% in the next few days after the earnings. I expect AC's daily cash burn to increase from \$9 million in the third quarter to over \$12 million in the fourth quarter.

There could be some downward pressure on AC stock as the airline announces an update on its **Transat A.T.** acquisition and the retirement of its current CEO Calin Rovinescu. These earnings can change the course of AC's stock momentum.

Enbridge stock

Like AC, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) also took a hit from the pandemic as the grounding of planes reduced oil demand. The two are interconnected because jet fuel is made from crude oil and Enbridge earns 50% of its adjusted EBITDA by transporting oil. However, Enbridge is resilient in the face of the pandemic as it has another revenue stream, natural gas.

Enbridge will report its fourth-quarter earnings on the same day as AC. The pipeline operator may report better earnings as oil demand surged with an increase in the use of gasoline and petrol. As Enbridge is a dividend stock, an important metric is distributable cash flow (DCF) and adjusted EBITDA. In early December, the company provided its [full-year 2021 guidance](#). In that, it expects DCF to surge 4.3% year over year as oil demand recovers and new pipeline projects come online.

I expect Enbridge to show a strong recovery in its fourth-quarter earnings, which could see mid-single-digit growth in the stock this week.

RioCan stock

Another sector that took a hit from the pandemic is retail real-estate as the lockdown closed non-essential retail stores and restaurants.

Canada's second-largest retail REITs **RioCan REIT** ([TSX:REI-UN](#)) reported a loss in the second quarter as it faced issues with collecting rent. The REIT showed some recovery in the third quarter as the government's rent subsidy helped it collect rent. But the reinstating of lockdown in December could hamper its cash flows in the fourth quarter. RioCan even reduced its dividend by 33% in December, signaling that the earnings might be bleak.

I was [bullish](#) on RioCan in its previous earnings, and the stock did surge. But the second wave of the pandemic is a little too much for the REIT to handle. I am skeptical about how things will look once the government rent subsidy ends.

Investor corner

If you are considering buying RioCan and AC, I would suggest you wait until the earnings as the stocks could see some correction. However, Enbridge is a good stock to buy now before it surges.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:AC (Air Canada)
3. TSX:ENB (Enbridge Inc.)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Author

pujatayal

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