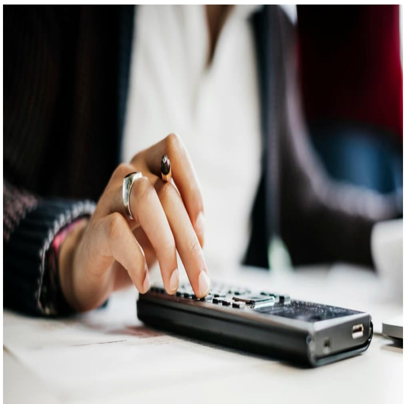

3 Top Canadian Stocks That I Would Buy Ahead of Their Earnings

Description

Despite rising COVID-19 infections globally, the Canadian equity markets have been resilient, with the benchmark index, the **S&P/TSX Composite Index**, trading 10.8% higher for this year. Fiscal stimulus, the expectation of demand recovery, and the reopening the economy amid the ongoing vaccination drive have driven the equity markets higher. However, the improvement in corporate earnings could be the most significant growth driver for the next few months. So, here are three Canadian stocks that I am bullish on ahead of their earnings.

Savaria

Savaria (TSX:SIS) is one of the strong performers this year, with its stock price rising close to 28%. Despite the pandemic, the company's adjusted EBITDA increased by 5.4% in the December-ending quarter. Amid its cost-cutting initiatives, Savaria's operating expenses fell, thus driving its adjusted EBITDA. However, lower sales partially offset some of the increases in EBITDA.

Meanwhile, the company will post its first-quarter earnings after the market closes on May 11. Analysts expect the company's revenue and adjusted EBITDA to grow by 23% and 31.3% on a year-over-year basis, respectively. The gradual reopening of the economy and increasing aging population could drive its sales.

Savaria's long-term growth potential looks healthy. Its recent acquisition of **Handicare Group** could significantly expand its distribution network outside of North America. Meanwhile, analysts are also bullish on the stock; seven out of eight analysts covering the stock have issued a "buy" rating. Analysts' consensus price target stands at $21.61, representing a 12-month return potential of 16.9%.

goeasy

Boosted by its record fourth-quarter performance, upbeat guidance for the next three years, and the acquisition of LendCare Holdings, **goeasy's** (TSX:GSY) stock price is up 57.3% for this year. The increased loan originations drove its loan portfolio to a record $1.25 billion in the fourth quarter. The growth in its loan portfolio and lower claims has led its fourth-quarter revenue to grow by 5%. Its adjusted EPS had increased by 55% amid higher operating leverage and lower credit losses.

Meanwhile, goeasy will report its first-quarter earnings before the market opens on May 13. Amid the gradual improvement in economic activities, I expect the company's strong performance to continue. Analysts expect the company's revenue and adjusted EPS to grow by 3% and 58.9%, respectively.

goeasy's long-term growth potential also looks healthy. The reopening of the economy and economic expansion could drive the demand for the company's services. Given its expanded product range, omnichannel distribution model, and higher penetration levels, the company is well positioned to benefit from its addressable market growth. So, I expect goeasy to deliver superior returns this year.

Meanwhile, analysts are also bullish on goeasy, with all six analysts covering the stock have issued a "buy" rating, while the consensus price target represents an upside potential of 12.7%.

Keyera

Amid the pandemic-infused lockdown, oil demand had declined, hurting the financials of midstream energy infrastructure companies, such as **Keyera** (TSX:KEY). Last year, the company's adjusted EBITDA had fallen by 7.5% due to the downturn in commodity prices. Meanwhile, the oil prices have bounced back strongly amid the improvement in economic activities. So, I expect the company's first-quarter performance to improve on a sequential basis.

Keyera will report its first-quarter performance after the market closes on May 11. Analysts expect its EPS to come in at $0.39, representing a sequential improvement from $0.22 in the fourth quarter. However, year over year, it would be a fall of 39% from $0.64 in the previous year's quarter. The widespread vaccinations could prompt governments to lift restrictions, boosting economic activities, thus driving oil prices higher. Further, the company plans to invest $400-$450 million this year, supporting its earnings growth. So, Keyera would be an excellent buy right now.

Meanwhile, analysts are also bullish on Keyera, with 13 of the 17 analysts covering the stock have issued a "buy" rating. Analysts' consensus price target stands at $28.86, representing a 12-month return potential of 1.4%.

CATEGORY

1. Bank Stocks
2. Energy Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)
2. TSX:KEY (Keyera Corp.)
3. TSX:SIS (Savaria Corporation)

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