These Canadian Stocks Have Surged Over 60% in 1 Year: Is There Further Upside?

Description

Shares of the top Canadian companies surged higher following the strong buying over the past year. Take the example of **goeasy** (TSX:GSY), **Cineplex** (TSX:CGX), and **AltaGas** (TSX:ALA). Shares of these companies have risen more than 60% in one year. Investors' optimism over the economic reopening, expected recovery in demand, and improving market conditions have driven these stocks higher. While these stocks have appreciated a lot, I see further room for growth.

Let's take a look at these companies to see what could drive their stocks higher in the coming years.

goeasy

goeasy stock has surged over 190% in one year, as improving consumer demand is driving loan originations. Its strong credit performance, significant liquidity, and operating leverage have led to strong double-digit growth in its profitability. goeasy has consistently delivered solid earnings and grown its normalized net income at a CAGR of 31% since 2001.

Thanks to the large non-prime consumer lending market, strong competitive positioning, and diversified sources of revenues, I expect goeasy to continue to deliver solid financial numbers, which could support the uptrend in its stock. Meanwhile, product and geographic expansion, omnichannel engagement, and acquisitions could accelerate its growth rate. Also, its stable credit performance, operating leverage, and growing secured loan portfolio are likely to cushion its bottom line.

The company has paid dividend for 17 years in a row and increased it at a CAGR of 34% in the last seven years. I believe its high-quality earnings base and strong growth opportunities position it well to continue to boost its shareholders' returns through increased dividend payments.

Cineplex

Cineplex stock has risen over 70% in one year on hopes of normalization in demand amid the ongoing vaccination. While its stock has recovered some of its lost value, it continues to trade at a significant discount compared to the pre-COVID levels.

The company's lower cost base and strong liquidity position it well to capitalize on the recovery in consumer demand, as the lockdown measures are eased, and its operations return to normal. It introduced private movie nights and private game time, expanded its food-delivery services, and focused on reducing cash burn, which is encouraging.

While Cineplex could continue to face challenges in the near term, I am bullish on its long-term prospects. I expect to see a stellar recovery in its revenue and earnings as its operations return to normal. Further, a strong movie slate for 2022 could drive its financial performance and drive its stock higher.

AltaGas

Shares of AltaGas are up about 68% in one year, reflecting multi-year growth opportunities from its new rate base and growing global export tolling volumes in the midstream operations. The company's rate-regulated utility business provides stability and is likely to account for 57% of its normalized EBITDA in 2021. Meanwhile, premium midstream operations and access to premium pricing in the Asian market are likely to accelerate its growth.

I believe rate base growth, the addition of new customers, and cost-reduction initiatives could continue to drive strong growth in its utility business. Meanwhile, integration of Petrogas, higher global export volumes, and long-term take-or-pay arrangements are likely to drive its midstream operations.

Its low-risk utility business, diversified revenue streams, and lower operating costs are expected to drive its future dividend payments.

CATEGORY

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TICKERS GLOBAL

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2. TSX:CGX (Cineplex Inc.)
3. TSX:GSY (goeasy Ltd.)

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