3 Undervalued Canadian Stocks to Buy Ahead of Earnings

Description

With the U.S. financial institutions posting strong numbers, investors have become optimistic ahead of this earnings season, with the **S&P/TSX Composite Index** hitting new highs every day. However, a few companies have not participated in this rally and are still trading at a significant discount from their recent highs. We will be looking at three such companies that provide excellent buying opportunities ahead of their earnings.

Air Canada

The resurgence of COVID-19 cases due to the new Delta variant has slowed down the recovery in **Air Canada's** (TSX:AC) stock price, which is still down over 50% from its pre-pandemic levels. However, with the easing of restrictions, the company has resumed its service to various destinations worldwide. Additionally, strengthening its cargo segment and various cost-cutting initiatives could also boost its financials in the coming quarters. So, I expect Air Canada to report improved third-quarter numbers on November 2.

For the quarter, analysts expect Air Canada's revenue to come in at $1.82 billion, representing year-over-year growth of 140%, while its adjusted EBITDA losses could decline from $554 million to $120 million. Its long-term growth prospects also look healthy, given its strong liquidity position, passenger demand revival, and cargo segment growth. So, given its attractive valuation, improving financials, and healthy growth prospects, I am bullish on Air Canada ahead of its third-quarter earnings.

Analysts also favour a "buy" recommendation, with 11 of the 18 analysts issuing a "buy" rating. Their consensus price target stands at $29.38, representing an upside potential of over 26%.

Cargojet

After delivering impressive returns of over 90% last year, **Cargojet** (TSX:CJT) is under pressure this year, with its stock price trading around 8% lower. The concerns over its high valuation, normalization in demand, and tough year-over-year comparisons appear to have weighed on its stock price.

Meanwhile, the company will be reporting its third-quarter earnings before the market opens on November 1.

For the quarter, analysts project Cargojet's revenue to grow by 9.3% to $177.35 million, while its EPS could come in at $1.33 compared to a net loss of $1.27 per share. The continued e-commerce growth, the addition of new routes, and the company's competitive positioning could drive the company's financials. Also, its long-term growth prospects look healthy, given its robust domestic network and next-day delivery capabilities. So, Cargojet would be an excellent buy ahead of its earnings.

Cineplex

My final pick is **Cineplex** (TSX:CGX), which will post its third-quarter earnings before the market opens on November 11. The closure of entertainment avenues amid the pandemic-infused restrictions has severely dented its financials and stock price. However, with the easing of restrictions, the company has reopened all its scenes from July 17. Its subscription programs, enhanced safety measures, and new movie releases could boost its third-quarter financials.

So, amid improving market conditions and the company's initiatives, analysts expect Cineplex's revenue to increase around 300% in the third quarter to $244.1 million. Also, its net loss per share could fall from $1.31 to $0.56. Despite the expectation of improvement in its financials, the company is trading at an attractive forward price-to-sales multiple of 0.6. So, Cineplex would be a good addition to your portfolio ahead of its earnings.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. rnanjapla

Category

1. Investing

Date
2025/08/24
Date Created
2021/10/22
Author
rnanjapla