



## 2 Top Canadian Stocks to Buy After Stellar Earnings

### Description

The Canadian equity markets have turned volatile over the last few weeks. The rising inflation and the announcement by the Banks of Canada to increase interest rates sooner than anticipated and to stop the stimulus program appear to have made investors nervous. Despite the rising volatility, the following two Canadian stocks provide excellent buying opportunities given stellar performance in the recently announced quarter and healthy outlook.

### Waste Connections

On Wednesday, **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) posted a [solid third-quarter performance](#), with its top-line and adjusted EPS growing by 14.9% and 23.6%, respectively. Also, the company's adjusted EBITDA margin improved by 0.6% to 31.7% despite the negative impact from the dilutive acquisitions and hurricanes.

The favourable pricing, higher recycled commodity values, growth in the E&P segment amid a recovery in oil demand, and acquisitions over the previous four quarters drove the company's financials. Besides, the company also raised its dividends by 12.2% to US\$0.23 per share, the 11th straight year of a dividend hike.

Meanwhile, the uptrend in the company's financials could continue amid a favourable business environment and its continued strategic acquisitions. With the easing of restrictions, the economic activities have improved, driving the demand for the company's services. The sustained oil demand and new acquisitions could support its growth in the coming quarters. Meanwhile, after reporting a solid third-quarter performance, Waste Connections' management has raised its 2021 guidance.

Since posting its third-quarter earnings, Waste Connections' stock price has increased by 4.3% and trades over 29% higher for this year. Despite the surge, [the company is still an excellent buy at these levels](#), given its healthy growth prospects. Analysts are also bullish on the company, with 16 of the 18 analysts issuing a "buy" rating. The consensus price target stands at \$174.41, representing an upside potential of 3.6%.

## Suncor energy

Second on my list would be **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), which has witnessed a strong buy since reporting its third-quarter earnings on Wednesday. The company's operating profits came in at \$1.043 billion for the quarter, representing a significant improvement from a loss of \$338 million in the previous year's quarter. Its funds from operations grew 126.5% year over year to \$2.64 billion. Higher commodity prices, increased production, higher refinery output, and decline in DD&A( depreciation, depletion, and amortization), and exploration expenses drove the company's financials.

Suncor Energy also focuses on lowering its debt levels and rewarding its shareholders through share repurchases. It has reduced its debt by \$3.1 billion in the first nine months of this year while repurchasing shares worth \$2.6 billion. Meanwhile, the company expects to repay another \$1.9 billion of debt by the end of this year. Also, the board has raised its share repurchase program to 7% of its outstanding share as of January 31, 2021.

Meanwhile, I expect the uptrend in Suncor Energy's financials to continue, as oil prices could continue to trade at elevated levels in the near to medium term amid rising demand and supply concerns. Additionally, increased production and improvement in efficiency could also boost the company's financials. Amid expectations of solid future cash flows, its management doubled its quarterly dividends to \$0.42 per share, with its forward yield standing at 5.16%.

So, given its healthy growth prospects, high dividend yield, and attractive forward price-to-earnings multiple of 7.8, I am bullish on Suncor Energy.

### CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:WCN (Waste Connections)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:WCN (Waste Connections)

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