2 Canadian Stocks With Jaw-Dropping Earnings

Description

Strong earnings do not *directly* translate into strong stocks. Many blue-chip companies with steadily strong earnings have relatively stagnant stocks. But capital appreciation (despite being the primary attraction) is not the only way a stock offers returns to its investors, and dividends have a much "tighter" relationship with earnings than capital growth has.

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Plus, strong earnings go a long way toward maintaining investor confidence, which prevents potential investor exodus, providing "preservation of capital." This is one of the most crucial traits investors look for in their long-term holdings.

And if you are looking for companies that have been blessed with jaw-dropping earnings in the last quarter, here are two that should be on your scope.

A holding company

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS), as the name suggests, is a holding company made up of various winter wear and sportswear companies. It started out as a sportswear company and evolved into a premier brand for winter clothing, well known around the globe. For the last quarter, its most profitable region was, in fact, Asia.

In the latest quarter earnings (second quarter 2022 fiscal year), the company grew its revenue (year over year) by 19.5%. The most obvious hike was seen in its direct-to-consumer (DTC) income, which grew from $46.2 million to $83.2 million, primarily due to the company's growth in the e-commerce front.

The stock would have been a great buy if you had bought it at the peak of the market crash. It has already grown 197% from that point and is currently aggressively overvalued. Most of this growth occurred until February 2021. But the stock is experiencing another spike right now and has grown 39% in less than two months.

A telecom giant

Telus (TSX:T)(NYSE:TU) is a different stock from the Canada Goose. For one, it's a Dividend Aristocrat with a stellar dividend history and is currently offering a juicy 4.5% yield. It also offers a much more stable capital growth potential. It has only grown about 36.5%, but the long-term growth potential is quite solid and sustainable (assuming it can stick to the 10-year compound annual growth rate of 12.6%.

In the last quarter (third quarter, the fiscal year 2021), the company grew its revenues by $14 million from the second quarter's revenue and by $37 million from the third quarter last year. The growth in net income was even more significant.

Telus is a very stable company. It has been balancing the demise of a wired connection with growth in wireless (a saturated market) and internet consumers quite well for the last several years. It's a well-positioned 5G stock and is expected to benefit from this new technology, which growth is expected to reach 83% by 2025.

Foolish takeaway

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The bull market phase the **TSX** has been going through for the last 12 months, which has propelled the index up 28.8% in the last few months, might not enter a correction phase any time soon. However, individual stocks whose growth is not supported by solid financials like the growth of Telus and Canada Goose might start dipping under their own overvalued "weight."

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1. Dividend Stocks
2. Investing

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1. adamothman
2. arosenberg

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adamothman

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