



3 Canadian Stocks That Reported Surprisingly Solid Earnings

Description

Any time Canadian stocks are reporting earnings, investors watch closely. It's important to get a look into how the company has been performing but also any clues into how it may perform in the future.

And this year, earnings reports have been especially important to watch. With such a tough economic environment and several headwinds impacting companies, it's crucial to get an idea of how companies are adapting to this climate.

Surging inflation and rapidly rising interest rates were certain to weigh on a lot of stocks. And while some Canadian stocks were expected to fare better than others, there were a few that reported surprisingly solid earnings, such as **Air Canada** ([TSX:AC](#)), **Shopify** ([TSX:SHOP](#)), as well as a highly defensive stock like **Fortis** ([TSX:FTS](#)).

Air Canada stock

Investors have been watching Air Canada for a while now, waiting for it to fully recover, as it continues to improve each quarter.

In the third quarter, its earnings before interest, taxes, depreciation, and amortization (EBITDA) was \$1.06 billion compared to estimates of \$841 million. Investors knew that demand was coming back quickly for airlines, but there were questions about how inflation would impact costs for the airlines and whether or not surging fuel prices would impact margins significantly.

Another important factor was that Air Canada's revenue of \$5.3 billion in the third quarter was not just above the consensus of \$5 billion; it was 96% of what Air Canada did in sales in 2019, prior to the pandemic.

Therefore, with the stock now showing that it's recovering well and with strong demand giving airlines the pricing power to offset cost increases, Air Canada's results were solid.

The stock still trades below \$20, reflecting the higher risk it has in this environment, especially due to

all the debt on its [balance sheet](#).

But for [long-term investors](#) with higher risk tolerances, this could be an excellent entry point, especially if the airline industry continues to see strong demand in 2023.

One of the best Canadian growth stocks: Shopify

Shopify is another stock that investors have been watching closely all year. And in the third quarter, its revenue came in 22% higher year over year. That was in line with expectations.

However, what was a positive surprise was that its earnings before interest and taxes (EBIT) was a loss of just \$45 million compared to estimates of more than double that at \$105 million.

Furthermore, its earnings per share came in at a loss of just \$0.02 compared to consensus estimates that called for of a loss of \$0.07.

One of the main reasons Shopify has sold off this year, aside from the broader market selloff, is that investors prefer stocks that are profitable in this environment. Therefore, any sign that profitability is on the horizon for Shopify is positive.

It's especially important, as it continues investing heavily in growing its business and building a north American fulfilment network. So, it's no surprise to see the stock rally by nearly 10% since it reported earnings at the end of October.

Fortis: A top utility stock

While Fortis is more of a defensive stock, it typically doesn't report surprising earnings, good or bad. However, what was a nice surprise for investors in its third-quarter earnings report was the company updating its capital plan and dividend guidance.

Utility stocks are some of the most reliable businesses you can buy due to the fact that the services they offer are so essential. In addition, because utilities are regulated by governments, much of their future growth, revenue, and cash flow are predictable. So, in this uncertain environment, having Fortis give an update on its forward guidance is positive for investors.

And over the next five years, not only is Fortis expecting to grow its rate base at a compound annual growth rate that's above 6%, but it also plans to increase the dividend by 4-6% per year over the next five years.

If you're looking for more of a defensive stock in this environment or a dividend-growth stock that you can buy and hold for years, Fortis is one of the top stocks in Canada that consistently reports solid earnings.

CATEGORY

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1. TSX:AC (Air Canada)
2. TSX:FTS (Fortis Inc.)
3. TSX:SHOP (Shopify Inc.)

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