

MORNING NEWS CALL

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Canada Edition

Wednesday, May 1, 2024

Earnings Roundup

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TOP NEWS

- **Canada's long-delayed Trans Mountain oil pipeline set to start operations**

After 12 years and C\$34 billion, Canada's Trans Mountain pipeline expansion project (TMX) is set to start shipping oil, a major milestone expected to transform access to global markets for the country's producers.

- **Barrick Gold beats estimates for first-quarter profit**

Canadian miner Barrick Gold beat Wall Street estimates for first-quarter profit, on the back of a rally in bullion prices during the quarter.

- **Canada's Cenovus Energy beats profit estimate on production boost**

Canadian oil and gas company Cenovus Energy beat first-quarter profit estimates, buoyed by higher production and throughput volumes at its refineries.

- **PREVIEW-Apple set for big sales decline as investors await AI in iPhones**

Apple's plan to add generative AI to its iPhones and revive sagging sales in the crucial Chinese market will be in focus on Thursday, when the tech giant is expected to report its biggest quarterly revenue decline in more than a year.

- **Loblaw reports strong first quarter on resilient demand, easing food prices**

The company topped expectations for first-quarter revenue and profit, aided by sustained consumer demand well as easing prices of grocery items.

BEFORE THE BELL

Canada's main stock index futures edged lower as **oil** extended losses on Middle East ceasefire hopes. **Wall Street futures** also fell, dragged by chip stocks and markets exercised caution ahead of Fed's policy decision. Meanwhile, the **U.S. dollar** inched towards its highest level since November while **gold** prices held steady near a four-week low. In Asia, the **Nikkei** closed lower, with traders taking a cautious stance on the first day of the month. Most of **European** and **Asian markets** were closed for the Labour day holiday.

STOCKS TO WATCH

Results

- **Barrick Gold Corp:** The miner beat Wall Street estimates for first-quarter profit, on the back of a rally in bullion prices during the quarter. The world's second-largest gold miner said its average realized gold prices rose to \$2,075 per ounce from \$1,902 per ounce a year earlier. All-in sustaining costs (AISC) per ounce of gold, an

industry metric that reflects total expenses, was \$1,474 in the first quarter, up from \$1,370 per ounce a year earlier. Gold production fell to 940,000 ounces in the quarter ended March 31, from 952,000 ounces a year earlier. Analysts estimates production of 947,330 ounces. However, Barrick said it expects production to increase steadily through the year, with its Pueblo Viejo gold mine in the Dominican Republic ramping up from the second quarter. On an adjusted basis, the company posted a profit of 19 cents per share in the January-March quarter, compared with analysts' expectations of 15 cents.

- **Cenovus Energy Inc:** The company posted a rise in first-quarter profit, as the Canadian oil and gas company benefited from higher production and throughput volumes. Refining throughput in the quarter of 655,200 barrels per day (bpd) was a record volume for Cenovus. Throughput volume was 457,900 bpd a year earlier. Total upstream production was 800,900 barrels of oil equivalent per day (boepd), higher than 779,000 boepd in the year-ago period. The firm's reported net income rose to C\$1.2 billion, or 62 Canadian cents per share, in the first quarter from C\$636 million, or 32 Canadian cents per share, a year earlier. The company said higher operating margin and a gain on asset sales also helped boost earnings.

- **Loblaw Companies Ltd:** The company topped expectations for first-quarter revenue and profit, aided by sustained consumer demand well as easing prices of grocery items. The company has seen gains from steady sales of essential items such as groceries and medicines, as well as higher demand for its private labels as consumers trade down from well-known brands that are typically more expensive. The company reported a 4.4% rise in its retail segment sales in the first quarter, echoing strong growth in its food and drug businesses. Loblaw's revenue rose 4.5% to C\$13.58 billion (\$9.86 billion) from a year earlier, compared with analysts' average estimate of C\$13.46 billion (\$9.58 billion), according to LSEG data. On an adjusted basis, Loblaw's earnings per share came in at C\$1.72, above analysts' average estimate of C\$1.70.

In Other News

- **Bombardier Inc:** The company said NetJets was the customer for the order of 12 Challenger 3500 business jets announced in December. At list prices, the order was valued at \$326.4 million at the time of signing, but could amount to more than \$6 billion if NetJets exercises its option for all 232 jets. Ahead of its investor day on Wednesday, Bombardier said it was on track to hit its 2025 goals, which include revenue rising to over \$9 billion. The business jet-maker added it was a year ahead in meeting its objective of growing its services revenue to \$2 billion by 2025.

- **Brookfield Asset Management Ltd:** Canada's Brookfield Asset Management and Microsoft will develop new wind and solar farms in an attempt to bring over 10.5 gigawatts of new renewable energy capacity, the companies said. The agreement provides a pathway for Brookfield to deliver the new renewable energy capacity between 2026 and 2030 in the U.S. and Europe, a Microsoft spokesperson told Reuters in an emailed statement. The Financial Times first reported on the partnership, and said the 10.5 gigawatts of new capacity would cost more than \$10 billion, citing recent industry trends. Both Brookfield and Microsoft did not disclose any financial terms of the agreement.

- **TMX Group Ltd:** After 12 years and C\$34 billion, Canada's Trans Mountain pipeline expansion project (TMX) is set to start shipping oil on Wednesday, a major milestone expected to transform access to global markets for the country's producers. Pipeline constraints have forced Canadian oil producers to sell oil at a discount for many years, but TMX will nearly triple the flow of crude from landlocked Alberta to Canada's Pacific coast to 890,000 barrels per day. Trans Mountain Corp has said May 1 marks the commercial commencement date for the project when oil will begin flowing, but does not expect the first tanker to load at Westridge Marine Terminal in the Port of Vancouver until the second half of May.

- **Toronto-Dominion Bank:** The company said on Tuesday it had taken an initial provision of \$450 million in relation to ongoing discussions with a U.S. regulator over an anti-money laundering probe and any penalties it might be slapped with. The lender disclosed last year that it was cooperating with authorities in an investigation into its AML compliance program by the U.S. Department of Justice. The bank said the provision does not reflect the final aggregate amount of potential monetary penalties, or any non-monetary penalties "which are unknown and not reliably estimable at this time". Analysts expected the fine to be anywhere between \$500 million and \$1 billion given its strong capital position. Earlier this month, TD CEO Bharat Masrani acknowledged that the lender's AML compliance program was not up to the mark and that it was working on strengthening it.

ANALYSIS

Port constraints for Canada's Trans Mountain pipeline may crimp oil exports

Logistical constraints at the Port of Vancouver mean waterborne oil exports from the highly anticipated Trans Mountain pipeline expansion due to start up on Wednesday may only be around half what the Canadian

government-owned corporation has forecast, traders and shipping sources said.

ANALYSTS' RECOMMENDATION

- **First National Financial Corp:** RBC cuts target price to C\$41 from C\$43, pointing to more competitive conditions in residential mortgage loans sector.
- **Imperial Oil Ltd:** RBC raises target price to C\$105 from C\$100, citing abundant free cash flow and strong operating performance.
- **Ivanhoe Mines Ltd:** RBC raises target price to C\$22 from C\$19, referring to potential production increase from its Kamo-a-Kakula project.

ECONOMIC EVENTS (All timings in U.S. Eastern Time)

0930 **S&P Global Manufacturing PMI SA** for April: Prior 49.8

COMPANIES REPORTING RESULTS

May 1:

Badger Infrastructure Solutions Ltd: Expected Q1 earnings of 10 cents per share
Capital Power Corp: Expected Q1 earnings of 70 Canadian cents per share
CGI Inc: Expected Q2 earnings of C\$1.95 per share
Fortis Inc: Expected Q1 earnings of 89 Canadian cents per share
Franco-Nevada Corp: Expected Q1 earnings of 72 cents per share
GFL Environmental Inc: Expected Q1 loss of 2 Canadian cents per share
Gildan Activewear Inc: Expected Q1 earnings of 51 cents per share
Great-West Lifeco Inc: Expected Q1 earnings of C\$1.01 per share
Lundin Mining Corp: Expected Q1 earnings of 8 cents per share
Parkland Corp: Expected Q1 earnings of 3 Canadian cents per share
Russel Metals Inc: Expected Q1 earnings of 80 Canadian cents per share
Toromont Industries Ltd: Expected Q1 earnings of C\$1.13 per share
Tourmaline Oil Corp (Alberta): Expected Q1 earnings of C\$1.23 per share
Vermilion Energy Inc: Expected Q1 earnings of C\$1.15 per share

May 2:

Air Canada: Expected Q1 loss of 8 Canadian cents per share
AltaGas Ltd: Expected Q1 earnings of C\$1.04 per share
Altus Group Ltd: Expected Q1 earnings of 38 Canadian cents per share
Aritzia Inc: Expected Q4 earnings of 32 Canadian cents per share
Atco Ltd: Expected Q1 earnings of C\$1.26 per share
Bausch Health Companies Inc: Expected Q1 earnings of 72 cents per share
BCE Inc: Expected Q1 earnings of 69 Canadian cents per share
Canadian Natural Resources Ltd: Expected Q1 earnings of C\$1.48 per share
Canadian Utilities Ltd: Expected Q1 earnings of 82 Canadian cents per share
Canfor Corp: Expected Q1 loss of 66 Canadian cents per share
Capstone Copper Corp: Expected Q1 earnings of 00 break even per share
Colliers International Group Inc: Expected Q1 earnings of 94 cents per share
Fairfax Financial Holdings Ltd: Expected Q1 earnings of \$1.16 per share
IGM Financial Inc: Expected Q1 earnings of 88 Canadian cents per share
Maple Leaf Foods Inc: Expected Q1 earnings of 12 Canadian cents per share
Open Text Corp: Expected Q3 earnings of 94 cents per share
Pason Systems Inc: Expected Q1 earnings of 32 Canadian cents per share
Sandstorm Gold Ltd: Expected Q1 earnings of 2 cents per share
Thomson Reuters Corp: Expected Q1 earnings of 95 cents per share
TMX Group Ltd: Expected Q1 earnings of 38 Canadian cents per share
Trisura Group Ltd: Expected Q1 earnings of 65 Canadian cents per share

CORPORATE EVENTS (All timings in U.S. Eastern Time)

0830 **Fortis Inc:** Q1 earnings conference call

0830 **New Gold Inc:** Q1 earnings conference call

0900 **Badger Infrastructure Solutions Ltd:** Q1 earnings conference call
0900 **Brookfield Infrastructure Partners LP:** Q1 earnings conference call
0900 **CGI Inc:** Q2 earnings conference call
1000 **Allied Properties Real Estate Investment Trust:** Q1 earnings conference call
1000 **Loblaw Companies Ltd:** Q1 earnings conference call
1000 **OceanaGold Corp:** Q1 earnings conference call
1100 **Altus Group Ltd:** Annual Shareholders Meeting
1100 **Barrick Gold Corp:** Q1 earnings conference call
1100 **Capital Power Corp:** Q1 earnings conference call
1100 **Cenovus Energy Inc:** Q1 earnings conference call
1200 **Canfor Corp:** Annual Shareholders Meeting
1300 **Cenovus Energy Inc:** Annual Shareholders Meeting
1700 **Gildan Activewear Inc:** Q1 earnings conference call
1700 **Vermilion Energy Inc:** Annual Shareholders Meeting

EX-DIVIDENDS

Canadian Utilities Ltd: Amount C\$0.45

(All analysts' estimates are according to LSEG IBES data)

PICTURE OF THE DAY



Cast member Ryan Gosling poses for a photo with his stunt doubles while attending a premiere for the film "The Fall Guy" in Los Angeles, California, U.S. April 30. REUTERS/Mario Anzuoni

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