

# MORNING NEWS CALL

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Canada Edition

Wednesday, July 27, 2022

## Earnings Roundup

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### TOP NEWS

- **Fed to unveil another big rate hike as signs of economic slowdown grow**

With the Federal Reserve expected to hike its key interest rate by three-quarters of a percentage point today to battle high inflation, focus will shift to how deeply signs of an economic slowdown have registered with its policymakers.

- **Rogers Communications beats revenue estimates, extends Shaw deal deadline**

Rogers Communications beat revenue estimates for the second quarter, driven by a jump in wireless subscribers and strong demand for its internet services.

- **Shopify swings to loss on cloud, delivery network investments**

Shopify reported a quarterly loss as the company invests heavily to build its cloud infrastructure and delivery network to counter a slowdown in its ecommerce business, sending its U.S.-listed shares down 5%.

- **Teck Resources profit surges; CEO Lindsay to step down after 17 years**

Canadian miner Teck Resources said on Tuesday Chief Executive Officer Don Lindsay will step down after 17 years in the role, and also posted forecast-beating quarterly profit on upbeat prices for steelmaking coal.

- **Loblaw misses revenue estimates as inflation-hit consumers cut spending**

Canadian retail group Loblaw Companies reported quarterly revenue below estimates as high inflation forces consumers to rein in discretionary spending.

### BEFORE THE BELL

**Canada's main stock index futures** were higher, tracking firmer commodity prices and a buoyant global mood. **Wall Street futures** rose as well-received quarterly results from technology giants Microsoft and Alphabet calmed investors ahead of a key U.S. interest rate decision later in the day. **European shares** were boosted by strong results from Britain's Reckitt Benckiser and Russia-exposed lender UniCredit. **Japan's Nikkei** ended higher, helped by gains in chip stocks. The **U.S. dollar** was lower, while **gold** prices rose ahead of the looming Fed hike. **Oil** was higher on a drop in U.S. inventories and cuts in Russian gas flows to Europe.

### STOCKS TO WATCH

- **Loblaw Companies Ltd:** The retail group reported quarterly revenue below estimates as high inflation forces consumers to rein in discretionary spending. Evidence of a pullback in consumer spending is growing, with retail bellwether Walmart Inc WMT.N expecting its annual earnings to decline as much as 13%, as surging prices of food and fuel prompt customers to cut back on discretionary purchases. Total second-quarter revenue rose to C\$12.85 billion (\$9.99 billion) from C\$12.49 billion a year earlier. Analysts on average were expecting revenue of C\$12.98 billion, according to IBES data from Refinitiv. Second-quarter net earnings available to common shareholders rose



to C\$387 million, or C\$1.16 per share, from C\$375 million, or C\$1.09 per share, a year earlier.

- **Rogers Communications Inc:** The Canadian telecom giant beat revenue estimates for the second quarter, driven by a jump in wireless subscribers and strong demand for its internet services. The company also extended the deadline for its C\$20 billion buyout of Shaw Communications to Dec. 31, with an option to delay further to end-January, as it tries to win regulatory approval for the deal. Rogers added 122,000 monthly bill paying wireless subscribers in the second quarter as its efforts to expand 5G coverage helped attract more customers. Total revenue rose to C\$3.87 billion, compared with the C\$3.8 billion expected by analysts, according to IBES data from Refinitiv.
- **Shopify Inc:** The company reported a quarterly loss as the company invests heavily to build its cloud infrastructure and delivery network to counter a slowdown in its ecommerce business. Shopify was among the big winners during the pandemic when many brick-and-mortar retailers shackled by pandemic-related lockdowns flocked to its infrastructure to set up stores online to sell their products. Since then growth has plummeted as consumers started returning to physical stores following easing of COVID restrictions. Its shares have lost more than 70% of its value so far in the year. The company posted a net loss of \$1.20 billion, or 95 cents per share, for the second quarter ended June 30, compared with a profit of \$879.1 million, or 69 cents per share, a year earlier. The loss also included a \$1 billion net unrealized loss on its equity and other investments, Shopify said. However, revenue rose 16% to \$1.3 billion, in line with analysts' average estimate of \$1.33 billion, according to Refinitiv IBES data.
- **Teck Resources Ltd:** The miner said on Tuesday Chief Executive Officer Don Lindsay will step down after 17 years in the role, and also posted forecast-beating quarterly profit on upbeat prices for steelmaking coal. Lindsay, who will step down by end-September, will be replaced by Jonathan Price as CEO while Harry Conger has been appointed president and chief operating officer. The company also posted profit attributable to shareholders of C\$1.68 billion in the second quarter, a more than six-fold jump from year-ago levels. Teck cut its annual steelmaking coal production outlook to between 23.5 million and 24 million tonnes, citing workforce challenges experienced in the first half of the year. On an adjusted basis, the miner reported a profit of C\$3.25 per share, compared with an estimate of C\$3.20 per share, according to Refinitiv data.

## INSIGHT

### In fighting gun crime, Canada has an American problem

A Texas man bought dozens of guns from licensed dealers in the state before illegally reselling at least 16, U.S. officials say. Twelve were traced to crimes committed in America. The other four were traced to crimes in Canada. The case of the 31-year-old, indicted last month on charges that could see him jailed for years, illustrates the leading role the Lone Star State now plays in the smuggling of guns used for violence in Canada, and how firearms tracing can help combat that trade.

## ANALYSTS' RECOMMENDATION

- **Canadian National Railway Co:** JPMorgan raises target price to C\$150 from C\$148, expecting the company will outperform after a big operating beat and reiterated guidance which could ultimately prove conservative.
- **Mainstreet Equity Corp:** ATB Capital Markets raises target price to C\$128 from C\$125, after the company delivered solid third-quarter results with vacancy rate and the number of stabilized units improving sequentially.
- **Saturn Oil & Gas Inc:** Eight Capital initiates coverage with buy rating and target price of C\$7.5, citing the company's two transformational acquisitions, which significantly increased scale and set the stage to deliver meaningful growth both organic & inorganic.
- **Stelco Holdings Inc:** Eight Capital cuts target price to C\$53.7 from C\$63.85, following the company's second-quarter guidance and expecting that the second half will be lower.
- **Topaz Energy Corp:** Stifel FirstEnergy raises target price to C\$31.25 from C\$30, after the company reported second-quarter results that were in line to slightly ahead of forecast and increased its quarterly dividend by 8%.

## ECONOMIC EVENTS

No economic indicators are scheduled for release.

**COMPANIES REPORTING RESULTS****July 27:**

**Agnico Eagle Mines Ltd:** Expected Q2 earnings of 56 cents per share  
**Alamos Gold Inc:** Expected Q2 earnings of 7 cents per share  
**Athabasca Oil Corp:** Expected Q2 earnings of 7 Canadian cents per share  
**Baytex Energy Corp:** Expected Q2 earnings of 26 Canadian cents per share  
**Cameco Corp:** Expected Q2 loss of 1 Canadian cent per share  
**Cargojet Inc:** Expected Q2 earnings of C\$1.59 per share  
**CGI Inc:** Expected Q3 earnings of C\$1.53 per share  
**Crescent Point Energy Corp:** Expected Q2 earnings of 48 Canadian cents per share  
**FirstService Corp:** Expected Q2 earnings of \$1.15 per share  
**GFL Environmental Inc:** Expected Q2 earnings of 10 Canadian cents per share  
**Kinross Gold Corp:** Expected Q2 earnings of 8 cents per share  
**Loblaw Companies Ltd:** Expected Q2 earnings of C\$1.61 per share  
**Lundin Mining Corp:** Expected Q2 earnings of 19 cents per share  
**Methanex Corp:** Expected Q2 earnings of \$1.57 per share  
**Precision Drilling Corp:** Expected Q2 loss of (C\$2.25) per share  
**Rogers Communications Inc:** Expected Q2 earnings of 85 Canadian cents per share  
**Secure Energy Services Inc:** Expected Q2 earnings of 6 Canadian cents per share  
**Spin Master Corp:** Expected Q2 earnings of 48 cents per share  
**West Fraser Timber Co Ltd:** Expected Q2 earnings of \$6.70 per share

**July 28:**

**Advantage Energy Ltd:** Expected Q2 earnings of 45 Canadian cents per share  
**AltaGas Ltd:** Expected Q2 earnings of 11 Canadian cents per share  
**ARC Resources Ltd:** Expected Q2 earnings of 79 Canadian cents per share  
**Atco Ltd:** Expected Q2 earnings of 73 Canadian cents per share  
**Canadian Pacific Railway Ltd:** Expected Q2 earnings of 92 Canadian cents per share  
**Canadian Utilities Ltd:** Expected Q2 earnings of 46 Canadian cents per share  
**Cardinal Energy Ltd (Alberta):** Expected Q2 earnings of 40 Canadian cents per share  
**Dundee Precious Metals Inc:** Expected Q2 earnings of 20 cents per share  
**Eldorado Gold Corp:** Expected Q2 earnings of 11 cents per share  
**Fairfax Financial Holdings Ltd:** Expected Q2 earnings of \$2.47 per share  
**Fortis Inc:** Expected Q2 earnings of 60 Canadian cents per share  
**iA Financial Corporation Inc:** Expected Q2 earnings of C\$2.12 per share  
**Intact Financial Corp:** Expected Q2 earnings of C\$2.78 per share  
**MEG Energy Corp:** Expected Q2 earnings of 85 Canadian cents per share  
**Sleep Country Canada Holdings Inc:** Expected Q2 earnings of 57 Canadian cents per share  
**Tamarack Valley Energy Ltd:** Expected Q2 earnings of 23 Canadian cents per share  
**TC Energy Corp:** Expected Q2 earnings of 98 Canadian cents per share  
**TFI International Inc:** Expected Q2 earnings of \$1.69 per share  
**TMX Group Ltd:** Expected Q2 earnings of C\$1.76 per share  
**Whitecap Resources Inc:** Expected Q2 earnings of 53 Canadian cents per share  
**Yamana Gold Inc:** Expected Q2 earnings of 7 cents per share

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

0800 **Cameco Corp:** Q2 earnings conference call  
0800 **Rogers Communications Inc:** Q2 earnings conference call  
0800 **Toromont Industries Ltd:** Q2 earnings conference call  
0830 **Cargojet Inc:** Q2 earnings conference call  
0900 **CGI Inc:** Q3 earnings conference call  
0900 **First Quantum Minerals Ltd:** Q2 earnings conference call  
1000 **First National Financial Corp:** Q2 earnings conference call  
1000 **Loblaw Companies Ltd:** Q2 earnings conference call  
1100 **FirstService Corp:** Q2 earnings conference call  
1100 **Secure Energy Services Inc:** Q2 earnings conference call  
1100 **Topaz Energy Corp:** Q2 earnings conference call  
1200 **Crescent Point Energy Corp:** Q2 earnings conference call  
1400 **Precision Drilling Corp:** Q2 earnings conference call

**EX-DIVIDENDS**

There are no major ex-divs for the day.

*(All analysts' estimates are according to I/B/E/S Refinitiv data)*

## PICTURE OF THE DAY



A group of friends play on a trampoline ahead of the visit by Pope Francis to Iqaluit, Nunavut, July 26. REUTERS/Carlos Osorio

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(Compiled by Samrhitha Arunasalam and Priyal Mahtta in Bengaluru)

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