



Are Yesterday's Biggest Losers, Like Canopy Growth Corp., Now Attractive Buys?

Description

In the stock market, some days are good, and some days are bad. Sometimes stocks go up; sometimes they go down. Sometimes these movements are accurate adjustments to changes in value; sometimes they are just movements.

The opportunity for us is to uncover those stocks that are having a bad day, but whose fundamentals have not changed, thereby uncovering a buying opportunity.

For yesterday's biggest losers, this would be a bad day, but for investors there may be a [good buying opportunity](#).

Canopy Growth Corp. ([TSX:WEED](#)) is trending lower to the tune of 7.3% at the time of writing. With continued consolidation in the cannabis industry, the stocks have been reacting to different consolidation deals, which have been slowly changing the landscape.

Aphria Inc. (TSX:APH) is also down to the tune of 5.8%, as investors digest its announced \$826 million acquisition of **Nuvera** to expand in Europe, Africa, and the Middle East.

And while these deals are a necessary part of this emerging industry, they come with hefty price tags, shareholder dilution, and a lot of future growing pains.

Canopy is still a leader in the industry, with a market capitalization of \$6.3 billion and sales of \$39 million. The stock price weakness decreases the valuation on the stock, but it is still trading at 110 times, obviously incorporating massive growth.

Practicing patience and discipline with cannabis stocks will pay off in the end. Wait for valuations to settle down and for the risk level to come down.

Other big losers of the day are the [energy shares](#), as oil and gas prices are down today.

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE) is down 4.5%, **Birchcliff Energy Ltd.** ([TSX:BIR](#)) is down over 5%, and **Trican Well Service Ltd.** ([TSX:TCW](#)) is 4.5% lower.

Baytex shares are trading at pretty much at the same level as in January 2016, despite the more than 60% run up in the price of oil.

The company has been performing well operationally and is working on reducing its debt. And with higher oil prices, this will be an easier task to accomplish.

As a reminder, at \$50 per barrel, Baytex is free cash flow neutral; at \$55 per barrel, Baytex generates incremental free cash flow of \$75 million; and oil at \$65 per barrel means incremental free cash flow of \$175 million.

With oil trading just under \$65 and continued cold weather, weakness in the energy sector stocks should be viewed as buying opportunities.

These stocks have not recovered enough given where commodity prices are, and this gap will close as these companies report better-than-expected results, and as prices remain at these levels.

But select energy stocks are not the only great buys out there.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:TCW (Trican Well Service Ltd.)
4. TSX:WEED (Canopy Growth)

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