Warning: 3 New Bay Street Downgrades You Need to Know About Now

Description

Hello again, Fools. I'm back to highlight three stocks that have been recently downgraded by Bay Street. While it's always good practice to take analysts' opinions with a grain of salt, downgrades can often call our attention to underestimated risks.

For value-conscious investors, they can even be a good source of contrarian buy ideas.

So, without further ado, let's get to our list of downgrades.

Down off a high

Leading off our list is marijuana company **Canopy Growth** (TSX:WEED)(NYSE:CGC), which GMP Securities downgraded from "buy" to "hold" on Tuesday. Along with the downgrade, GMP analyst Martin Landry lowered his price target to $65 per share (from $70), representing about 40% worth of upside from where the stock sits now.

Canopy's recent Q3 revenue of $83 million easily topped estimates, but Landry is concerned that the company's path to profitability remains unclear. Landry notes that this is particularly important given that the valuation already reflects high expectations.

"Investors will soon turn their attention to profitability levels and WEED could be the last one to generate positive EBITDA amongst our coverage universe," he said.

The stock is already up a whopping 66% in 2019, so taking some profits off the table might be a prudent move.

Sugar crash

Next up we have fruit juice specialist **Lassonde Industries** (TSX:LAS.A), which was downgraded by Desjardins Securities from "buy" to "hold" on Tuesday. Along with the downgrade, Desjardins analyst

Frederic Tremblay lowered his price target on the stock to $195 (from $210), which is about 10% higher from where it sits now.

Tremblay's downgrade comes after Lassonde announced a disappointing Q4 forecast. Due to contract delays at its U.S. operations as well as rising input costs (resin, production, and transportation), Lassonde expects a $17 million decline in operating profit on sales growth of just 6%.

The headwinds are more significant than Tremblay originally anticipated, forcing him to recalibrate his near-term revenue and profit expectations for the company.

Lassonde shares are now off about 27% over the past six months.

Mind this miner

Rounding out our list is precious metals miner **Hudbay Minerals** (TSX:HBM)(NYSE:HBM), which Raymond James downgraded to "market perform" from "outperform" on Thursday. Along with the downgrade, Raymond James analyst Farooq Hamed maintained his price target of $9.00, representing about 40% worth of upside from where the stock sits now.

Hudbay's operations performed well in 2018, but the forecast of increased spending over the next few years coupled with declining copper production is forcing Hamed to head to the sidelines. At the same time as Hudbay's capex begins to ramp up, Hamed expects its annual copper and zinc production to decline 6% and 8%, respectively, over the next five years.

With the stock up 30% so far in 2019, now might be a good time to take some dough off the table.

The bottom line

There you have it, Fools: three recently downgraded stocks worth investigating.

As always, don't consider them formal sell recommendations. Analysts get it wrong too — and quite often, actually. So while Bay Street can help call your attention to specific risks, it's up to you to decide whether the reward is worth it.

Fool on.

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1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:HBM (Hudbay Minerals Inc.)
3. TSX:HBM (Hudbay Minerals Inc.)
4. TSX:LAS.A (Lassonde Industries Inc.)
5. TSX:WEED (Canopy Growth)

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bpacampara