



2 Stocks Going Downhill Fast

Description

It can be seriously tough seeing one of your stocks take a serious hit.

You research and choose stocks based on the potential for gains, hoping that losses will be the furthest thing from your mind going forward. But that's just not the case. In fact, it could be argued that the potential for loss should be the first thing you look at for any stock.

Take the marijuana and energy industries. Both have the potential for incredible gains over the long term, if an investor chooses wisely. But both also come with risk, as all stocks do, with many companies trying to paint a rosy picture to attract potential investors.

That's why today we'll be looking at **Aurora Cannabis Inc.** ([TSX:ACB](#))(NYSE:ACB) and **Vermillion Energy Inc.** ([TSX:VET](#))(NYSE:VET), two stocks from both industries that have been battered recently.

We'll look at what's caused the downturn, and whether investors should use this time as an opportunity, or a warning.

Aurora

Aurora has maintained one of the top spots as the world's second-largest marijuana producer, with the company looking to produce almost 700,000 kilograms of cannabis per year moving forward.

Aurora has done this by acquiring companies left, right, and centre, though without the major partnerships that many of its peers have on hand.

That's what recently led to the downgrade by the Bank of America from a "buy" to "neutral," as the bank believe Aurora is [burning up cash](#) far too quickly. The news sent shares down by 6.5%, with the stock remaining down as of writing.

Right now, Aurora still falls into the category of a lot of promises, not a lot of proof. The company says it is setting itself up to be one of the world's largest marijuana producers at the lowest cost, but it's

done that on the back of shareholder funds.

Without a partnership, the company could burn up all its resources and be left with nothing.

Don't get me wrong: the potential for this stock to do well is huge. It's the most international marijuana company, with a presence in 24 countries and the potential to reach up to 40 more that have already legalized medical marijuana.

With the global demand making marijuana worth potentially \$75 billion in the next decade, that's a huge piece of the pie Aurora's taken a bite out of.

But if investors are going to buy, they'll first need to see some proof that Aurora can do more than make acquisitions.

Vermillion

Vermillion is a top recommendation for investors looking for a seriously great dividend yield; not that Vermillion necessarily wants to be known for it.

The stock has hoped to offer a dividend yield that will reflect the share price is *wants* to be at, rather than where it's at as of writing.

Vermillion currently offers a 10.57% [dividend yield](#), which perhaps better suits its share price of a year ago near \$50, rather than where it trades now at about \$26.

This share decrease is mainly because Vermillion continues to be battered by oil and gas prices, with analysts lowering the company's target price by 18% last week, and seeing it perform similar to the rest of the sector, rather than outperforming in the near future.

The bad news means bad news for the company's dividend also, as it might very well have to cut it for the first time in its history.

Foolish takeaway

Both of these stocks have a lot to prove to investors moving forward if they hope to gain shareholder trust. For Aurora, that could be a lot more difficult. Acquisitions are one thing, but with analysts predicting negative cash in 2020, profits could be a long way off.

Until Aurora is in the black, investors will likely continue to stay away.

That said, I'm not sure Vermillion is a great option either. A dividend shouldn't be the only reason you buy up a stock, and while the company has some cash coming in, it also has debts that need to be paid. It looks like for now, I would stay away from both of these stocks.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NYSE:VET (Vermilion Energy)
3. TSX:ACB (Aurora Cannabis)
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Date

2025/08/22

Date Created

2019/07/26

Author

alegategwolfe

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