1 Non-Cannabis Stock to Buy for Low-Risk Growth

Description

From a seemingly endless trade spat between our two greatest trading partners to a gloomy global economic outlook, Canadians may well be looking to strip unwieldy assets from their portfolios while extending their holdings of relatively safe stocks. As **HEXO** (TSX:HEXO)(NYSE:HEXO) prepares to release its full-year results and outlook, let's take a look at a non-cannabis play with less risk and higher growth.

High volatility in the cannabis space

Over the 12 months that have followed legalization, a familiar pattern of high hopes and dashed dreams has emerged in the sector. It's currying little favour with investors, with stung **CannTrust** shareholders gouging the sector, followed by a protracted sell-off exacerbated by HEXO's withdrawn earnings expectation.

In high contrast with the success of popular pot stock **Aphria**, HEXO is a high-risk play that has lost it upwards momentum. With one misstep after another, and so soon after the CannTrust debacle, which turned the industry on its head overnight, investors have been wondering whether HEXO is in a worse state than it's letting on.

They won't have to wait long to find out, though, as the company finally releases its full-year statements over the next 24 hours. Having already shed 60% off its 12-month high after a disastrous few months that weighed on the whole sector, cannabis investors will be looking for some good news right about now.

HEXO's originally high sales expectations have come full circle. While investors seeking upside in a potential market leader initially took HEXO's guidance in good faith, the subsequent disappointment in the pot producer's performance has been all the more damaging in the long run. Indeed, credibility is starting to look as important to pot investors as profitability — perhaps more important.

A reduced-risk play for high growth

Morneau Shepell (TSX:MSI) is a rare beast — a company that has carved out its own niche to create a unique growth market. Its mix of human resources, LifeWorks acquisition, and tech platform makes Morneau Shepell a world-class, sector-diverse play for growth in the growing well-being space. The majority of its revenue comes from its well-being segment, while other sources include admin and consultancy services.

By focusing on staff optimization, Morneau Shepell offers businesses a way to streamline productivity without streamlining their workforce. Drawing its revenue primarily from the U.S. and Canada, Morneau Shepell may not bring geographical diversification, though its continent-centric business may appeal to investors bearish on the broader global economy.

Displaying a strongly upward-trending share price, Morneau Shepell has grown by around 70% in the last three years. The fact that Morneau Shepell has kept its dividend steady for the past eight years illustrates a reliable source of predictable passive income, while a payout ratio just below 54% signifies a fairly healthy distribution.

The bottom line

A stock with that elusive quality, sustained upward price momentum, Morneau Shepell has a positive outlook that should suit the mid- to long-term income investor looking for quality. While HEXO may be able to clear up some uncertainty regarding when targets are going to be met, it remains to be seen whether the cannabis producer is able to satisfy capital gains investors looking for peace of mind in the long run.

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Date
2025/07/06
Date Created
2019/10/28
Author
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