



Could HEXO (TSX:HEXO) or BlackBerry (TSX:BB) Stock Double in 2020?

Description

Contrarian investors are searching for troubled stocks that might offer a shot at some big returns on a turnaround in the business or an improvement in investor sentiment.

Let's take a look at **HEXO** ([TSX:HEXO](#)) and **BlackBerry** ([TSX:BB](#)) ([NYSE:BB](#)) to see if one deserves to be on your buy list today.

HEXO

HEXO is the leading cannabis company in Quebec and has supply agreements with a total of eight provinces, thanks to the acquisition of Newstrike Brands earlier this year.

The stock, however, is down considerably in recent months, after having held up reasonably well through the turbulence of the past two years.

What's going on?

HEXO recently announced it would cut 200 jobs in an effort to preserve cash flow.

The company's anticipated fiscal 2020 revenue of \$400 million is not going to happen. In fact, the firm just announced net revenue of \$15.4 million for the quarter ended July 31. This is well off the \$26 million the company forecasted a few months earlier.

The company posted a net loss of \$56 million in the quarter.

Slow expansion of retail locations is partly to blame. HEXO has an agreement to supply Quebec with 20,000 kg per year but said it has sold the province only half that amount.

On the positive side, HEXO is developing cannabis-infused drinks with its partner **Molson Coors Canada** to target the expansion of the edibles market next year. If the beverage segment takes off, revenue could soar at its drinks subsidiary, Truss.

The stock trades at \$2.75 per share, giving HEXO a market capitalization of \$700 million. As consolidation continues, HEXO could become a takeover target.

The stock traded as high as \$11 per share in April.

BlackBerry

BlackBerry once dominated the global smartphone market, but the company is now focused on being a software firm in the Internet of Things and Artificial Intelligence security segments.

The transition has been bumpy, with the big acquisition earlier this year of AI security firm Cylance yet to deliver as anticipated. BlackBerry's COO just quit the company after less than a year in the job, so the market is getting nervous again that the turnaround is going to take more time as he was in charge of the IoT division.

BlackBerry's stock now trades at \$7.30 per share, compared to \$12 a year ago and \$140 in 2008.

Fans of the stock look at the sum of the parts and say BlackBerry is oversold. The company remains a dominant name in mobile security and the opportunities in the emerging IoT sector should be enormous. BlackBerry's QNX division is a significant player in the automotive sector.

Weak results in the most recent quarter hammered the share price in late September. Bargain hunters have since emerged, pushing the stock up from the low of around \$6.50.

At this point BlackBerry has a market capitalization of just \$4 billion. It wouldn't be a surprise to see a takeover bid emerge from one of the large tech players targeting the IoT space.

Is one a better bet?

HEXO and BlackBerry both appear cheap today and could easily see their share prices double in the next year. At this point, however, they are also risky bets, so I would keep any contrarian position small.

HEXO probably has more upside torque on a rebound in sentiment in the cannabis space, but if you only choose one, I would probably go with BlackBerry. There is value in the company and it should eventually emerge, possibly through a takeover.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. NYSE:BB (BlackBerry)

3. TSX:BB (BlackBerry)
4. TSX:HEXO (HEXO Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date

2025/08/24

Date Created

2019/11/06

Author

aswalker

default watermark

default watermark