Rich Stock, Poor Stock: The Tale of 2 Stocks in 2019

Description

The Toronto Stock Exchange (TSX) reached an all-time high of 17,230.58 in December of 2019. There were winners, like **AltaGas Canada** (TSX:ACI), and a handful of losers that includes **Hexo** (TSX:HEXO)(NYSE:HEXO). The two companies have contrasting turnouts last year that merit investor attention.

Rich stock

With its steady performance last year, you can say that AltaGas Canada is one of 2019's rich stocks. This $999 million natural gas distribution utility company gained nearly 35% from January to December.

Had you invested $10,000 in this stock at the start of the year, your total return at year's end would be 113.11%, or a windfall of $11,311, including the reinvestment of dividends. Currently, this utility stock yields 3.12%.

Many investors, including retirees, pick AltaGas Canada to have an extra durable portfolio. Firstly, the company owns a diversified portfolio of high-quality assets. Secondly, earnings are predictable, and the dividend is sustainable because the operations are 100% regulated and long-term contracted.

Likewise, its track record of delivering rate base (6.5% CAGR) and net income growth (10% CAGR) is superb. Another attractive feature is the company's investment-grade balance sheet and financial flexibility.

Moving forward, AltaGas Canada will utilize a self-funded model for its capital program worth $425-$500 million. Over the next five years, you can expect the company to seek out low-risk growth opportunities.

Poor stock

Investors were happy to see Hexo leap-frog from $4.82 in December 2018 to $9.20 in mid-March 2019. By the end of April in the same year, the stock was trading at $11.11, or an astonishing 130.5% year-to-date gain. But since then, the weed stock slowly lost its lustre.

As of this writing, you can purchase Hexo at $2.05 per share, which is 448.5% lower than its 52-week high. Just like the other prominent industry players, Hexo has nothing to show but mounting losses.

The $23.3 million net loss in the fiscal year 2018 increased to $81.5 million in the fiscal year 2019. In the fiscal year 2020, the net loss estimate is 39% worse. As we begin 2020, analysts believe that Hexo is running out of time before it completely disappears from investors' radars.

A day after Christmas, Hexo announced that institutional investors would buy shares at a 14% discount to its market price. The company received $25 million from the sale of about 15 million shares. The move isn't a show of stability and growth. It only gives the impression that the future of Hexo is very uncertain.

This cannabis company is banking on two things — Cannabis 2.0 and the joint venture with **Molson Coors**. Unless something spectacular happens this year, Hexo might be in danger of being delisted. Some analysts think that Hexo is only biding time before declaring bankruptcy eventually.

Winner and loser

The performances of the utility stock and the weed stock in 2019 are contrasting tales. AltaGas Canada remains a viable investment option. It's likely to attract more investors this year. However, Hexo is racing against time. You know which one to consider and which one to forget.

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