TFSA Contribution 2020: 2 Discount Stocks to Grab Today

Description

The month of February has seen the **TSX** and other global indices bounce back from a shaky finish to the previous month. Valuations still high for many top stocks on the Canadian market, which may complicate things for investors who are seeking places to spend their new TFSA contribution room in 2020. The annual limit increased by $6,000 in 2020.

Today I want to look at two so-called “sin stocks” that are big players in the alcohol and cannabis sector. Both stocks have struggled over the past year and are now hovering around a 52-week low. Let’s jump in and find out whether these equities are worth picking up at what looks like a discount.

Andrew Peller

Andrew Peller (TSX:ADW.A) is an Ontario-based wine producing company. Its shares have dropped 22% year over year as of late morning trading on February 7.

Back in the spring of 2019 I’d discussed why the wine market was still worth betting on. A recent Zion Market Research report projected that the global wine market would post a CAGR of 5.8% between 2017 and 2023.

Investors can expect to see its third quarter fiscal 2020 results by the end of February. In the second quarter, Andrew Peller reported flat sales from the prior year.

EBITDA rose to $35.7 million compared to $32 million in Q2 FY2019. However, the company did see softer sales numbers due to trade and political disputes between China and Canada.

The company boasts a great balance sheet and looks undervalued at the time of this writing. Shares were hovering around technically oversold territory for much of January. Andrew Peller recently increased its quarterly dividend to $0.0538 per share, which represents a modest 1.9% yield.

Aurora Cannabis

Similar to many of its peers in the cannabis sector, **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) has struggled mightily in recent months. It shares have plunged 45% over the past three months at the time of this writing.

The stock took another hit after Aurora announced it was facing roughly 500 staff layoffs. Aurora CEO Terry Booth also announced that he was stepping down from the company. It was also forced to eat a $1 billion write-down.

Although the news has hurt the stock in the near term, investors should be encouraged that Aurora is taking radical steps to right the ship. This is a company that still boasts massive production capacity and should remain a big player in the sector for years to come.

In its Q1 2020 results back in November, Aurora reported industry-leading gross profit of $53.7 million. It also posted indoor cash cost to produce of $0.85 per gram, the best among its peers.

Like others in its sector, Aurora has high growth potential, and its price-to-book value has fallen to a favourable 0.6. Its stock had an RSI of 37 at the time of writing, which means it’s trending toward technically oversold territory. The stock is a speculative buy in a volatile sector, but I like Aurora as a buy-the-dip candidate right now.

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2. TSX:ACB (Aurora Cannabis)
3. TSX:ADW.A (Andrew Peller Limited)

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Date
2025/08/14
Date Created
2020/02/07
Author
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