



2 Stocks That Could Go Belly-Up by the Time This Market Crash Is Over

Description

The jury is still out on whether the stock market will undergo a sharp recovery or become a long-drawn-out recession. It is still too soon to predict how and when the market will recover.

Some stocks may end up as the ultimate losers of this market crash. Here, let's look at two stock TSX stocks that may end up [bankrupt](#) by the end of this crisis.

A once-in-demand cannabis stock

Last year around this time, **HEXO** ([TSX:HEXO](#))(NYSE:HEXO) was near its peak value. However, the cannabis market collapse threw HEXO's stock into a free fall. Then comes this ongoing market crash that has hammered the stock further.

Recently, the company discussed its "going concern" status. In other words, it mulled over the prospects of bankruptcy. There are multiple reasons why management may have to take this unwanted decision in the coming days.

For starters, the cannabis company has been continuously delaying its quarterly financial results. It announced that it will delay the release of its second-quarter 2020 results. This is mainly due to the undetermined value of impairment charges. As the book value of the net assets of HEXO exceeded its market value, an impairment test became necessary.

Also, HEXO has made many financial report restatements for the 2019 fiscal year. Continuous disclosure issues, as identified by the regulators, are causing HEXO to keep amending its MD&A for 2019. One should keep in mind that continuous disclosure has caused a lot of trouble for Home Capital Group in the recent past.

HEXO has also started selling its assets, which is another indication that things might be heading to the point of no return. In that context, if HEXO is not able to generate revenue from its profitable internal operations, it may likely waive its "going concern" status and file for bankruptcy.

A beaten oil stock

Baytex Energy ([TSX:BTE](#))(NYSE:BTE) is a natural gas and [oil](#) explorer and producer based in Calgary. The company has been struggling since the oil price readjustments in 2014. Now, with the oil price war going on between the KSA and Russia, it looks like Baytex may not continue for much longer.

What has proved to be a bleeding cut for Baytex Energy is the momentous acquisition of Aurora Oil and Gas it made before the oil price started slumping in 2014. Seven years have gone by since the acquisition, and the energy company hasn't been able to pay the debts that financed it. A glimmer of hope for Baytex appeared when the oil price surged past \$50. However, things have gone back to square one after the current oil conflict.

Baytex Energy was not performing well even before the market crash. But it still had some remaining value. The market crash, fuelled by coronavirus and the oil price feud, has floored the stock that is now trading at pennies.

A bleak future

HEXO and Baytex Energy may avoid bankruptcy. However, this bankruptcy avoidance won't automatically resolve the respective complex and consequential financial woes of both the companies. I would avoid these two stocks during these already tough times.

CATEGORY

1. Cannabis Stocks
2. Coronavirus
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TICKERS GLOBAL

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2. TSX:BTE (Baytex Energy Corp.)
3. TSX:HEXO (HEXO Corp.)

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