



## Warren Buffett Investing: Time to Buy These Struggling Stocks?

### Description

Back in April, I'd discussed how Canadian investors could aim to [emulate Warren Buffett in 2020](#). Buffett is a proponent of value investing. This is an investment strategy that involves choosing securities that appear to be trading for less than their intrinsic or book value. The strategy has faced challenges over the past decade. An era of loosening monetary policy has seen index investing blow up. However, value investing can still be extremely rewarding.

### Warren Buffett investing: Do these weed stocks qualify?

The value investing strategy heralded by Warren Buffett requires that investors target stocks for high-quality companies. Today, I want to look at two cannabis stocks that have fallen to 52-week lows over the past week. Can these stocks fit the Buffett scenario in 2020? Let's jump in and find out.

**Charlotte's Web Holdings** ([TSX:CWEB](#)) produces and distributes hemp-based cannabidiol products in the United States. Its shares have dropped 59% in 2020 as of close on September 9. The company will release its second quarter 2020 results on September 14. In Q1 2020, Charlotte's Web reported an adjusted EBITDA loss of \$5.7 million.

Organic consolidated revenue came in at \$21.5 million – down from \$21.7 million in the prior year. Meanwhile, direct-to-consumer (DTC) e-commerce sales grew 29.4% over Q1 2019 and contributed 65% of total revenue. E-commerce markets have exploded due to the COVID-19 pandemic.

Charlotte's Web stock last had an RSI of 34, putting just outside of technically oversold territory. The company has high growth potential in the U.S. However, the uncertainty in the CBD and hemp space south of the border makes it hard to qualify this stock under Warren Buffett's value investing framework.

### Can cannabis turn the corner to start this decade?

In early April, I'd discussed whether the cannabis sector was [recession proof](#). Cannabis sales did spike in the early weeks of the pandemic. However, this proved to be unsustainable.

**OrganiGram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)) produces and sells cannabis and cannabis-derived products in Canada. Its shares have plunged 49% over the past three months. The company released its third quarter 2020 results on July 21.

Net revenue fell to \$18 million compared to \$24 million in the prior year. Meanwhile, it generated positive cash flow from operations of \$8.5 million. This was due to the monetization and optimization of working capital. Unfortunately, the company reduced its workforce by roughly 25% or 220 employees in June 2020 in response to conditions created by the COVID-19 pandemic.

OrganiGram is confident that it can make gains in the super-competitive Canadian cannabis market in the quarters to come. However, this is an industry that is suffering from oversupply and a rejuvenated black market. Once again, it is hard to envision Warren Buffett wanting to touch the cannabis sector.

Both Charlotte's Web and OrganiGram have promising growth potential, but investors should know the risks before diving in. This is a gamble that does not fit with the spirit of value investing.

## CATEGORY

1. Cannabis Stocks
2. Investing

## TICKERS GLOBAL

1. NASDAQ:OGI (OrganiGram)
2. TSX:CWEB (Charlotte's Web Holdings, Inc.)
3. TSX:OGI (OrganiGram)

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