



2 TSX30 Stocks to Avoid Right Now!

Description

While equities have been topsy-turvy in 2020, most companies part of the TSX30 Index have easily outpaced overall market returns. Last year, the Toronto Stock Exchange launched the TSX30 to highlight the potential of fast-growing Canadian companies. This index is “a flagship program that showcases TSX’s 30 top-performing stocks.”

Companies that are part of this index have shown resiliency amid global trade wars, the ongoing pandemic, and the threat of a global recession. The average three-year share price appreciation for the TSX30 [has been a stellar](#) 240%; the cumulative market cap of companies has increased by \$221 billion in this period.

However, there are two companies that are part of this index that might lose momentum as we head into the last quarter of 2020.

Ballard Power Systems stock has gained 140% in 2020

Hydrogen companies have been volatile for several years and have burnt significant investor wealth. However, in the recent past, **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) has crushed equity indexes and soared 140% year to date. In the last five years, the stock is up 1,100%. So, will the stock continue to move higher in the next 12 months, or is it time for a correction?

Hydrogen fuel cells have been touted as an alternative for carbon-emitting vehicles such as delivery vans, trucks, and buses. However, the industry is still at a nascent stage without any widespread adoption of hydrogen technologies.

Ballard Power is a 25-year-old company and has posted a net profit in just one single quarter in the last 10 years. In this period, the company has achieved a positive cash flow in just seven quarters, despite a 93% growth in sales.

This means the company is struggling to convert revenue growth into profitability. Due to low profit margins, Ballard Power has had to keep issuing equity capital, which has diluted shareholder wealth

significantly. The company's share count has tripled in the last decade, and Ballard raised \$250 million in equity last month.

The [long-term prospects](#) of the companies in the hydrogen space are enviable. Like most early-stage industries, there will be a lot of teething issues, and companies will have to pump in massive capital to achieve economies of scale. Further, if fears of another market crash are true, there is a good chance Ballard Power will trade at a lower price.

A cannabis giant

Another company that might lose momentum is the cannabis giant **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)). While Cronos stock is up 2,300% in the last five years, it has declined by a massive 75% in the last 18 months.

Cronos reported sales of \$9.9 million in Q2, up \$2.2 million compared with the prior-year period. While the company continues to report revenue growth, its operating loss expanded from \$21.3 million in 2018 to \$121 million in 2019. In the first six months of 2020, the company's operating loss stood at \$80 million compared to sales of \$18.3 million.

While Cronos ended Q2 with US\$1.3 billion in cash, it also has US\$250 million in outstanding liabilities. Similar to the hydrogen industry, the cannabis space is also a high-growth one with massive potential. However, Cronos Group will have to improve profitability, lower cash burn, and strengthen its balance sheet to win back investor confidence.

CATEGORY

1. Cannabis Stocks
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TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NASDAQ:CRON (Cronos Group)
3. TSX:BLDP (Ballard Power Systems Inc.)
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