3 Stocks I'd Avoid at All Costs

Description

In today's market, a clear separation of winners and losers is emerging. In the early months of the COVID-19 pandemic, stocks fell in unison, as investors scrambled to make sense of the pandemic's effects on corporate earnings. Today, things are more differentiated. Tech stocks are positive for the year, while airlines and energy stocks remain in the gutter. In this environment, you have to be careful what you buy. With that in mind, here are three stocks I'd avoid at all costs.

Air Canada

Air Canada (TSX:AC) is a stock I've covered extensively in the past. The financial issues it's experiencing this year are too numerous to list. Some highlights include $2.75 billion in year-to-date losses, an 89% revenue decline, and surging interest expenses. Theoretically, Air Canada's business should be able to turn around. All it has to do is get its passenger volume up to where it was before to become profitable again. The problem is that people are still avoiding air travel. As recently as September, Air Canada was actively cutting routes. Even with the economy partially opened, individuals are still avoiding flying. So, there's no clear path to recovery for this company.

Baytex Energy

Baytex Energy (TSX:BTE)(NYSE:BTE) is a debt-addled energy stock that has been in a freefall for years. Having peaked at $58.55 in 2011, it's down 99.22% since then. This year, things are going pretty badly for the company. It earned $0.03 per share in the second quarter, but lost $4.46 in the first. That leaves it with squarely negative earnings for the year. The company has always struggled with debt, which remains at about $2 billion. The $28 million in quarterly interest expenses on that debt makes turning a profit difficult. Overall, this stock is a long-term loser that could go lower still.

Aurora Cannabis

Aurora Cannabis (TSX:ACB)(NYSE:ACB) was once a darling of the cannabis space, but its best days appear to be behind it. The company is trying hard to get its expenses under control, but that didn't prevent it from incurring a massive $1.86 billion loss in Q4. To be fair, that loss was mostly impairment. If we use a cash flow metric, the situation gets better, but it's still not great. Net cash used in operating activities was $64 million, worse than the same quarter a year before. For the full year, gross profit was negative to the tune of $33 million, down from a $142 million profit a year before.

What we see here is a company that's really struggling to turn a profit, even when it's deliberately trying to lower expenses. Unfortunately, it's in a tough place. In order to turn a profit any time soon, it needs to reduce its costs. But that impedes its ability to fuel growth. Previously, this company was growing revenue at over 100% year over year. That's slowed right down, and the company has nowhere left to go.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:AC (Air Canada)
3. TSX:ACB (Aurora Cannabis)
4. TSX:BTE (Baytex Energy Corp.)

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Date
2025/08/25
Date Created
2020/10/30
Author
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