This 1 TSX Stock Popped 15% on Tuesday! Is it a Buy?

Description

OrganiGram Holdings (TSX:OGI)(NASDAQ:OGI) stock surged by more than 15% on Tuesday morning. These sharp gains came after the company announced its stronger-than-expected third-quarter results. OrganiGram reported a net loss of about $4 million in the Q3 of its fiscal 2021 — far better than its net loss of about $90 billion in the Q3 of its fiscal 2020.

Let's look at some key highlights from OrganiGram's latest quarterly results before discussing whether it's a good stock to buy right now.

OrganiGram Holdings's Q3 earnings

In the quarter ended in May 2021, OrganiGram's net revenue rose by about 13% YoY (year over year) to $20.3 million. Its higher wholesale revenue and a rise in adult-use recreational revenue drove its total net revenue higher. Inventory write-offs and provisions helped the company reduce its costs in the last quarter, driving its gross profits higher.

That's one of the key reasons why OrganiGram's Q3 gross margin expanded. The company's stronger gross profits had a positive impact on its bottom line in the last quarter.

Strong Q4 outlook

Another reason why OrganiGram Holdings stock jumped after its Q3 earnings was because of its strong guidance for the next quarter. The company expects its fourth-quarter sales to be stronger than the third quarter, as it expects higher foot traffic to its stores, as cannabis retail stores start reopening. In addition, OrganiGram, in its latest earnings report, said that it "expects to generate a new and incremental revenue stream from the first sales of soft chews expected in Q4 2021."

On the profitability side, the company expects its lower production cultivation costs to help it improve its gross margins sequentially in the fourth quarter.

But is its stock worth buying right now?

While OrganiGram Holdings's short-term outlook looks strong, it's still extremely difficult to predict the long-term trend in its financials due to the highly regulated pot market and growing competition. OGI stock has already risen by about 120% this year compared to only a 16% rise in the **TSX Composite Index**. That's another reason why I find its stock to be overvalued at the moment. Moreover, the extreme volatility of the cannabis stocks also makes it a very risky bet for investors with a low-risk appetite, in my opinion.

In the first half of 2021, the broader market traded on a strongly positive note. However, many fundamentally strong tech stocks haven't seen much appreciation this year so far. For example, the shares of tech companies like **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) and **Shopify** (TSX:SHOP)(NYSE:SHOP) still have a big room to inch up in the second half of the year. Such stocks could be safer bets for investors right now.

Buy these tech stocks instead

While Shopify stock has seen 32% gains this year, Lightspeed stock is currently trading with only 17% gains. Shopify is gearing up to announce its second-quarter results on July 28, and Lightspeed will announce its June quarter results on August 5. Street analysts expect Lightspeed's sales to continue to more than double on a YoY basis in the next three quarters with the help of surging demand amid reopening economies.

In contrast, Shopify's sales growth rate might slow in the coming quarters. But I expect its sales growth rate to remain much stronger than most other Canadian growth companies, as the demand for e-commerce services remains strong. That's why I expect both of these tech stocks to rally in the second half of 2021.

Overall, investing in high-growth stocks like Shopify and Lightspeed could be a much better idea for long-term investors at the moment than risking their hard-earned money in cannabis stocks like OrganiGram.

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3. NYSE:SHOP (Shopify Inc.)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:OGI (OrganiGram)
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