3 Growth Stocks Are Down 27% or More

Description

Many of the TSX's growth stocks have fallen by the wayside due to rising inflation and slowing economic growth. **BlackBerry** (TSX:BB)(NYSE:BB), **Canopy Growth** (TSX:WEED)(NYSE:CGC), and **Martinrea International** (TSX:MRE) traded above $11 on year-end 2021 but are down more than 27% year to date.

If you're bargain hunting, you can buy any one today, because a rebound is possible. However, the timetable could take 12 months or more depending on the economic environment.

Large addressable market

The global pandemic, and now runaway inflation, has made it tough for BlackBerry to take off. Its current share of $6.67 is 73% lower than its 52-week high of $24.35. The tech stock is also losing by 44% year to date. Some analysts recommend an underperformance rating, although their 12-month average price target is $8.82 (+32%).

This $3.79 billion tech firm has streamlined its operating business segments to two: Cybersecurity and Internet of Things (IoT). In fiscal 2022 (year ended February 28, 2022), total revenue declined 20% to US$718 versus fiscal 2021. However, BlackBerry reported a US$12 million net income compared to the US$1.1 billion net loss in the previous year.

While the core business lines have visible growth potential, supply chain constraints and an ongoing war are massive headwinds. Moreover, BlackBerry must display earnings momentum and not report losses in the coming quarters to attract investors. Fortunately for the company, market opportunities are growing. The cybersecurity and IoT markets could reach US$44 billion and US$45 billion by 2025.

Elusive profits

Cannabis stocks, including the industry leader, continues to underperform and pile up losses. At $7.23 per share, Canopy is down 35% year to date. The $2.73 billion producer of cannabis and hemp-based products ranked number one in the first TSX30 List. **TMX Group** launched the inaugural flagship program for growth stocks in 2019.

Because profitability has been elusive for years, Canopy Growth has to make drastic actions. In late April 2022, management announced the layoff of 250 employees as part of its cost-cutting plan. Apart from making cannabis cultivation more affordable, the company could realize $100 to $150 million in savings from this latest cost-reduction strategy.

David Klein, Canopy's CEO, David Klein, said, "To realize profitability and power growth, we are taking critical actions to further evolve Canopy Growth into an agile organization with a clear focus on the areas where we have the greatest potential of success." Based on market analysts' forecasts, the average return potential in one year is 35%.

Good start

Martinrea in the auto parts industry designs, develops, and manufactures highly engineered, value-added Lightweight Structures and Propulsion Systems. In Q1 2022, this $669.45 million global automotive supplier reported a 35% profit versus Q1 2021.

Management cites cost inflation, production disruptions, and new product launches for the lower earnings. Pat D'Eramo, Matinrea's CEO, said, "These factors continue to keep margins below their long-run potential." Total revenues, however, grew 16% year over year to $1.16 billion due to strong sales in North America.

D'Eramo added, "The good news is, we are off to a good start in 2022 as our first quarter performance demonstrates." As of this writing, the share price is $8.31 (-27% year to date), while the dividend offer is 2.41%.

Better pick

Martinrea is appears to be the better pick over BlackBerry and Canopy Growth. The business is making money, and the outlook is favourable.

CATEGORY

1. Investing

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2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)
4. TSX:MRE (Martinrea International Inc.)
5. TSX:WEED (Canopy Growth)

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