2 Growth Stocks in Danger of Sliding Further Down

Description

A bear, or declining, market isn't necessarily bad, because buying opportunities open up when share prices tumble. Because no asset is immune from market volatility, great stocks experience temporary weakness but recover eventually. In 2022, many growth stocks have lost favour with investors.

Aurora Cannabis (TSX:ACB)(NASDAQ:ACB) and **BlackBerry** (TSX:BB)(NYSE:BB), two of the TSX's promising, growth-oriented companies, trade at deep discounts. However, investors should avoid both, because they could slide further down or hit rock bottom.

Dire straits

Aurora Cannabis is in dire straits, despite advancing 2.26% in one month. As of July 22, 2022, the share price is down to only $1.81, or 73.58% lower than the price on year-end 2021. Also, health care, where cannabis stocks belong, is the worst-performing sector year to date (-46.89%).

The $538.92 million cannabis producer has nothing show except losses quarter after quarter. In Q3 fiscal 2022 (three months ended March 31, 2022), the net loss was more than $1 billion. Besides incurring impairment charges that were mostly facilities related, management said that pricing pressures ate into revenues during the quarter.

On May 13, 2022, Aurora declared its Aurora Sky facility, Anandia, and Whistler Alpha Lake sites redundant. Aurora Sky will close by Q3 2023, while the other two sites will cease to operate by Q4 2022. Management said it intends to create a leaner, more agile organization.

Miguel Martin, Aurora's CEO, revealed that excess inventory, older products, and fierce competition were the other factors for the poor quarterly results. He said, "In the meantime, our focus remains on maximizing profitability by leveraging low-cost production and further rationalizing facilities that no longer make sense, and we have entered higher-margin categories."

Still, Martin predicts a change is coming: "We expect the recreational market in Canada to correct and when that process is complete, we will have added opportunities for market share and pricing." He added that management will control what it can and target a profitable adjusted EBITDA run rate by the first half of fiscal 2023.

I doubt if investors will buy into the new narrative of Aurora Cannabis. The worst part is that the price could plunge below $1 if the company reports a monumental loss in Q4 and full-year fiscal 2022.

Widening losses

BlackBerry can’t seem to shake off its hard luck following the transition to software from a smartphone maker. At $7.68 per share, current investors are losing by 35.03% year to date. The low-price target of market analysts is $5.80 (-24%). In 10.01 years, the total return is only 11.79% (1.12% CAGR).

The $4.43 billion company banks on two core business segments, Internet of Things (IoT) and Cybersecurity, to drive growth. In Q1 fiscal 2023 (quarter ended March 31, 2022), total revenue declined 3% to US$168 million versus Q1 fiscal 2022. The net loss widened 192% to US$181 million.

Nonetheless, BlackBerry’s executive chairman and CEO John Chen remains upbeat. He said, “BlackBerry entered fiscal year 2023 with solid momentum, and this quarter we continued to execute well. Given its exciting market opportunities, and synergies as the two markets continue to converge, the company is well positioned to invest and drive growth.”

No attraction

There are no compelling reasons to invest in Aurora Cannabis and BlackBerry whatsoever. The companies must show profits soon to attract investors.

CATEGORY

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3. TSX:ACB (Aurora Cannabis)
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