3 Investor-Favourite TSX Growth Stocks to Avoid

Description

Markets have come down significantly this year. Despite the correction, TSX stocks do not seem ready to recover just yet. So, here are three such Canadian names that could see more weakness, at least for the next few quarters.

Air Canada

Canada's largest passenger airline stock **Air Canada** (TSX:AC) has dropped 15% this year. Many stocks have breached their pre-pandemic highs early this year. However, AC has been trading weak for a while and is currently trading 65% lower than those record levels.

And that's because Air Canada might continue to see grave challenges ahead. Even though flyers are back, and travel has gained steam, Air Canada might not see sustainable profitability soon. Rising jet fuel expenses have notably increased this year, which has also dented its bottom line.

To add to the woes, the expected upcoming economic downturn could substantially affect flyers' travel budget and might negatively impact Air Canada's revenues. Air Canada saw its sales soar to $4 billion in the second quarter (Q2) 2022 — an encouraging 376% surge compared to Q2 2021.

Airline companies are highly vulnerable to consumer spending and economic cycles. So, if a fully fledged recession comes, it might delay Air Canada's recovery to a large extent, and the stock could continue to trade weak.

Aurora Cannabis

Aurora Cannabis (TSX:ACB)(NASDAQ:ACB) stock has been one of the biggest wealth destroyers this year. It has vanished 75% of the market value so far in 2022, notably underperforming its peers.

Aurora Cannabis has witnessed little or declining revenue growth over the last several quarters. The management has been claiming it would turn EBITDA (earnings before interest, taxes, depreciation, and amortization) positive for a while, but it has failed to achieve the feat. Perhaps it's not just Aurora. The entire industry is grappled with severe challenges that do not seem to have a short-term solution.

While retail cannabis store rollout has been quite slow, black-market sales have risen consistently. Moreover, the funding crunch and oversupplied markets have also been marring the cannabis industry's growth terribly.

It once seemed that the U.S. and Europe legalization could open up a huge market for cannabis players. Perhaps the U.S. won't, but Germany could offer significant growth opportunities for them soon. Aurora is one of the few that have production facilities in Germany. However, it could take years to see a noticeable impact on its revenues and profits.

Nuvei

Canadian payment processor **Nuvei** (TSX:NVEI)(NASDAQ:NVEI) was one of the top-gainer TSX tech stocks last year. However, the stock has fallen from $180 late last year to $38 today, losing 80% in just nine-odd months.

The company caters to a large addressable market spanning from e-commerce websites to crypto platforms to sports betting companies. According to the management's guidance, the company will see above-average revenue growth and healthy margins for the foreseeable future.

However, although Nuvei looks fundamentally strong, the macro environment and, particularly, upcoming interest rate hikes, will likely weigh. Higher rates notably dent growth stocks' prospects and trade inversely to each other.

So, it could be a time to closely watch stocks like Nuvei and grab them at more attractive levels.

Bottom line

Those were some stocks to avoid, but consider some Canadian gems that have been playing well this year.

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