3 High-Risk Stocks to Avoid in April With Poor Growth Prospects

Recent weak economic data, disappointing earnings reports, and turmoil in the financial sector have raised recessionary pressures of late, dragging down equities. As the stock market is expected to remain under immense pressure, investors should avoid high-risk stocks Roku (ROKU), Bitfarms (BITF), and CleanSpark (CLSK) this month, with weak growth prospects. Read on….

The latest batch of economic data, disappointing corporate earnings, and the banking crisis has elevated recession fears lately. Given an uncertain macroeconomic backdrop, it could be wise to stay away from risky stocks Roku, Inc. (ROKU), Bitfarms Ltd. (BITF), and CleanSpark, Inc. (CLSK) in April, with fundamental weakness and gloomy growth prospects.

Stocks finished lower yesterday as disappointing corporate earnings and signs of an economic slowdown weighed on investor sentiment. The Dow Jones tumbled 0.3%, while the S&P 500 and the Nasdaq Composite lost 0.6% and 0.8%, respectively. EV maker Tesla's (TSLA) first-quarter earnings took a hit, and its automotive gross profit margins highly disappointed Wall Street.

AT&T (T) also announced a slowdown in subscriber growth for its postpaid phone plans. Further, American Express (AXP) missed earnings estimates as the company braced for debt struggles among credit cardholders. According to Robert Schein, chief investment officer at Blanke Schein Wealth Management, the major takeaway from earnings season so far is that consumer demand is weakening.

Furthermore, more economic data was released yesterday. The

Labor Department reported that weekly jobless claims climbed to 245,000, more than economists expected.

“Jobless claims continue their steady but slow rise,” said Edward Moya, senior market strategist at currency data provider OANDA. “The labor market is softening but nowhere near levels that will alleviate wage pressures, which means inflationary pressures will remain strong.”

In addition, the Philadelphia Fed manufacturing index was weaker than expected, coming in at negative 31.3 for April, while the March existing home sales also missed the mark.

With continuing signs that inflation is proving stronger than hoped, there are rising expectations of more rate hikes by the Federal Reserve. Traders are pricing in more than an 80% chance of another 25-basis-point hike in May, according to the CME FedWatch Tool.

Amid higher interest rates, recent turmoil in the banking sector, and growing recession fears, the stock market is expected to remain highly volatile in the upcoming months. So, risky stocks ROKU, BITF, and CLSK, with weak fundamentals and poor growth prospects, should be avoided.

Let’s discuss the fundamentals of these stocks in detail:

Roku, Inc. (ROKU)

Roku operates a TV streaming platform through two segments: Platform and Devices. Its platform enables users to discover and access streaming content, including TV shows, movies, sports, and others and offers digital advertising and related services. Furthermore, the company provides streaming players, audio products, and smart home products under the Roku brand name. It has a 2.05 beta.

ROKU’s trailing-12-month gross profit margin of 46.09% is 8.21% lower than the industry average of 50.32%, while its

trailing-12-month negative EBITDA margin of negative 6.74% is lower than the industry average of 4.58%. In addition, the stock's trailing-12-month net income margin of negative 15.93% compares to the 3.38% industry average.

For the fourth quarter that ended December 31, 2022, ROKU's net revenue from the Devices segment decreased 18.4% year-over-year to $135.80 million, while its gross profit came in at $364.38 million, down 4% year-over-year. Also, the company's loss from operations was $249.90 million, compared to income from operations of $21.36 million.

Also, the company's adjusted EBITDA loss came in at $95.23 million versus an adjusted EBITDA of $86.73 million in the prior-year quarter. The company's net loss and net loss per share stood at $237.20 million and $1.70, compared to a net income and net income per share of $23.69 million and $0.17 in the year-ago period, respectively.

Analysts expect ROKU's revenue to decline 3.7% year-over-year to $706.92 million for the first quarter that ended March 2023. The company's loss per share of $1.49 for the same quarter is expected to widen by 685.1% year-over-year to $1.49. Furthermore, the company is expected to incur losses for at least two fiscal years.

The stock has declined 46.2% over the past year to close the last trading session at $58.92.

ROKU's POWR Ratings reflect its poor prospects. The stock has an overall grade of F, translating to a Strong Sell in our proprietary rating system. The POWR Ratings assess stocks by 118 different factors, each with its own weighting.

ROKU has an F grade for Growth and Sentiment. The stock also has a D grade for Momentum, Stability, Value, and Quality. It is ranked last among 53 stocks in the Consumer Goods industry.

Click here to access all POWR Ratings for ROKU.

Bitfarms Ltd. (BITF)

Headquartered in Toronto, Canada, BITF engages in the mining of cryptocurrency coins and tokens in Canada, the United States, Paraguay, and Argentina. The company operates server farms that validate transactions on the Bitcoin Blockchain and earn cryptocurrency from block rewards and transaction fees. BITF has a high beta of 4.55.

On December 13, 2022, BITF received a written notification from the Nasdaq Stock Market LLC indicating that for the last thirty straight business days, the bid price for the company's common shares had closed below the minimum $1 per share requirement for continued listing on Nasdaq. The company has been provided an initial period of 180 calendar days, or until June 12, 2023, to regain compliance.

BITF's trailing-12-month gross profit margin of 7.38% is 85.4% lower than the industry average of 50.63%. Likewise, its trailing-12-month EBIT and net income margins of negative 28.78% and 167.84% compare to the respective industry averages of 4.53% and 2.69%.

For the fourth quarter that ended December 31, 2022, BITF's revenues decreased 54.6% year-over-year to $27.04 million, while its gross loss came in at $12.08 million, compared to gross profit of $38.99 million in the previous year's quarter. Also, the company's operating loss was $20.02 million, compared to an operating income of $15 million in the prior-year period.

Furthermore, BITF's adjusted EBITDA declined 97.2% from the year-ago value to $1.13 million. The company's net loss and total comprehensive loss was $16.84 million, versus a net income of $9.68 million in the same period in 2021. Also, its loss per share stood at $0.08, compared to EPS of $0.05 in the prior-year quarter.

Street expects the company to report a loss per share of $0.25

for the fiscal year (ending December 2023). The company's revenue for the ongoing year is estimated to decrease 11% year-over-year to $126.75 million. Shares of BITF have plunged 66.6% over the past year to close the last trading session at $1.07.

BITF's POWR Ratings reflect this weak outlook. It has an overall rating of F, translating to a Strong Sell in our proprietary rating system.

The stock has an F grade for Stability and Growth and a D for Quality. It is ranked #93 out of 100 stocks in the F-rated Financial Services (Enterprise) industry.

Beyond what has been stated above, we've also given BITF grades for Value, Sentiment, and Momentum. Get all BITF ratings here.

CleanSpark, Inc. (CLSK)

CLSK engages in the mining of Bitcoin operations. Additionally, the company offers data center services, such as rack space, power, and equipment, and cloud services, including virtual, virtual storage, and data backup services. It has a 2.55 beta.

CLSK's trailing-12-month EBITDA margin of negative 52.86% is significantly lower than the industry average of 4.53%. And its trailing-12-month EBITDA margin of negative 3.00% compares to the industry average of 9.25%. Also, the stock's trailing-12-month net income margin of negative 82.51% compares to the 2.69% industry average.

CLSK's net revenues declined 25.1% year-over-year to $27.82 million in the fiscal 2023 first quarter ended December 31, 2022. Its total costs and expenses increased 159.9% year-over-year to $56.70 million. The company reported a loss from operations of $28.88 million, compared to income from operations of $15.31 million in the previous year's quarter.

In addition, CLSK's adjusted EBITDA loss was $1.37 million, compared to adjusted EBITDA of $25.12 million in the same period last year. The company's net loss stood at $29.03 million versus a net income of $14.49 million in the prior year's quarter. Also, its loss from continuing operations per common share came in at $0.46 for the quarter.

Analysts expect CLSK to report a loss per share of $1.32 for the current year (ending September 2023). Furthermore, the company's loss per share for the fiscal year 2024 is expected to worsen by 17.9% from the prior year to $1.56. Moreover, it has missed the consensus EPS estimates in each of the trailing four quarters, which is disappointing.

Over the past year, CLSK has slumped 56.7% to close the last trading session at $3.90.

CLSK's POWR Ratings are consistent with its bleak fundamentals. The stock has an overall rating of F, equating to a Strong Sell in our proprietary rating system.

CLSK has an F grade for Stability, Growth, and Quality. It also has a D grade for Value. The stock is ranked last among 135 stocks in the D-rated Software-Application industry.

To see CLSK's POWR Ratings for Sentiment and Momentum, click here.

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ROKU shares fell $0.27 (-0.46%) in premarket trading Friday. Year-to-date, ROKU has gained 44.77%, versus a 8.11% rise in

the benchmark S&P 500 index during the same period.

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Mangeet’s keen interest in the stock market led her to become an investment researcher and financial journalist. Using her fundamental approach to analyzing stocks, Mangeet’s looks to help retail investors understand the underlying factors before making investment decisions.

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