



Canopy Growth Corp. Hits 52-Week High: It's Time to Get Real

Description

Do you want to know the definition of insanity?

It's someone paying \$17.86 for **Canopy Growth Corp.** (TSX:CGC), which is easily the most overbought stock—not just in Canada but in all of North America and perhaps the world. Hitting a 52-week high during chaotic trading Wednesday, the cannabis unicorn had a market value of \$2.1 billion—double its value just three days earlier.

Nuts, insane, whatever you want to call it—no reasonable person should be paying \$17 for this stock, at least not without first [understanding](#) the business's unique qualities beyond the hype.

But don't get me wrong. I believe Canopy Growth has the potential to be a massive success. However, a lot has got to go right for that to happen, and, like a lot of Toronto Maple Leafs's first-round draft picks, we know from experience that a lot can go wrong.

If you understand where I'm coming from, perhaps you'll consider these two profitable companies whose share prices combined equal that of Canopy Growth at its Wednesday high.

Stock # 1: Chorus Aviation Inc (TSX:CHR.B)

November 16 closing price: \$6.24

I'm not a big fan of airlines, but now that Warren Buffett's in the game, I'm willing to make an exception.

Chorus Aviation operates two divisions: Jazz Aviation LP and Voyageur Aviation.

The former operates flights on behalf of **Air Canada** Express to 68 destinations in Canada and the U.S. In addition, its Jazz brand operates a charter service for corporate clients, etc.

The latter business provides humanitarian flights for government and non-government agencies here in Canada and in Africa.

Together, they generated \$20.1 million in net profits in the third quarter ended September 30, 2016—up

219% from a year earlier. Chorus has been consistently profitable since becoming a public company in 2006.

Income investors will like the fact it yields 7.7% annually from a four-cent monthly dividend. The acquisition of Voyageur in 2015 is part of the company's plan to diversify and grow its revenues, and early results suggest the plan is working.

CHR.B stock has delivered a five-year total return of 18.6% and is up 14.8% year-to-date—its fifth consecutive year of positive returns. It's a winner.

Stock # 2: Tricon Capital Group Inc. ([TSX:TCN](#))

November 16 closing price: \$8.85

Real estate. Everybody loves it. Well, at least everybody in Toronto, where Tricon is located.

I came across the asset manager in the most random way. I walked by their two-storey mansion/head office while walking on Yonge Street one day last year. Wondering what they did, I looked up its website and, lo and behold, I found out it had its hands in several different real estate pies both in Canada and the U.S.

I liked what I saw, and although I've yet to buy its stock, I'm seriously considering it. I tend to invest with good capital allocators, and when it comes to real estate, Tricon is one of this country's best.

Tricon announced its Q3 2016 earnings November 9. A couple of things stood out for me that prospective investors will find useful.

First, its Tricon American Homes (TAH) subsidiary had an excellent quarter, generating US\$20.7 million in investment income—a 37% increase year over year. TAH owns and rents more than 7,100 single-family homes in nine U.S. states.

While it continues to own these homes, it generates significant rental income, waiting for the appropriate time to take some profits by selling some of those homes. It's become a huge business in the U.S. for Tricon and many others.

Secondly, while TAH is the driving force of Tricon's business, it's slowly building greater diversification into its business model. It now has five revenue streams contributing to the top and bottom line—a big reason why it continues to grow its assets under management. In the third quarter, they hit US\$3.1 billion, up 262% over the past six years.

Well off its 52-week high of \$10.34, Tricon gives you a decent dividend yield of 2.9% and the possibility for another 10-20% annual appreciation of its stock.

I'm definitely glad I walked by.

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2. TSX:TCN (Tricon Residential Inc.)
3. TSX:WEED (Canopy Growth)

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