



These 2 Marijuana Stocks Can Spark Your Portfolio

Description

The S&P/TSX Index has declined 1% on the year. With oil in a tailspin and Canadian housing taking a dip, investors are starting to look to other sectors to provide growth in their portfolios.

The hype surrounding marijuana legislation from Ottawa started a super-charged rally in marijuana stocks from late 2015 to early 2017. Now, supposedly less than a year from official legislation becoming a reality, investors are taking notice once again.

Aphria Inc. is surging and turning heads

Shares of **Aphria Inc.** (TSX:APH) closed at \$6.32 on Tuesday, gaining 1.44%. The stock price has been on a tear since an earnings report on July 12 demonstrated it had reduced its per-gram production costs \$0.36 to \$1.11. That was down from \$1.73 in the third quarter of 2017. Revenue was more than double the same quarter in 2016 at \$5.7 million.

Aphria had a busy quarter in which the company also announced a \$25 million dollar acquisition in the U.S. and closed a deal to secure \$105 million to fund capital and further expansion.

The share price has increased 25% in 2017 and a remarkable 227% year over year. On the back of a terrific earnings report and rock-solid financials, Aphria looks poised to win big once legislation is pushed through.

Canopy Growth Corp. is prepping for the party

Canopy Growth Corp. (X:WEED) stock has had a tumultuous 2017, dropping 10% on the year. On Tuesday, the stock dropped 0.85% to close at \$8.14.

The company announced what were viewed as disappointing results. It tripled its revenue to \$14.7 million, but it also saw its operating costs triple from \$7.7 million to \$23.4 million. Canopy reported costs of \$2.90 per gram this quarter, more than double what Aphria boasted in its report.

CEO Bruce Linton has hinted that marijuana legislation will come sooner than the expected July 2018

date. Canopy has committed to a different strategy than Aphria, focusing on investment rather than profitability.

With \$59 million worth of product in its inventory and the largest market cap of any marijuana producer in Canada, Canopy is betting on its ability to explode out of the gate as the picture clears going into next year.

Where should investors turn?

It is important to remember that crucial elements of legislation have yet to be hashed out. There are still big questions surrounding distribution, licensing, oversight, and a plethora of other technicalities that have the potential to frustrate potential gains.

Ontario launched a public survey to acquire feedback on what approach should be taken. On July 18, Manitoba premier Brian Pallister requested that the government delay the legislation by one year to give provinces additional preparation.

Both of these companies are positioned for tremendous growth in the long term. But, as investors should be well aware, depending on timely legislation can be a risky proposition. With enough pushback from provincial leaders, marijuana legislation could find itself stuck in the weeds.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/22

Date Created

2017/07/20

Author

aocallaghan

default watermark