



Do Marijuana Stocks Have More Growth Potential Than Tech Stocks?

Description

As the cannabis industry keeps inching closer to next summer, when it is expected that recreational marijuana will become legalized, there are plenty of new companies popping up, as many industry experts forecast that supply will not be enough to meet demand. Some newly listed companies on the TSX this year include **Aurora Cannabis Inc.** ([TSX:ACB](#)) and **MedReleaf Corp.** (TSX:LEAF), and more will certainly be on the way.

The new industry may see explosive growth, the likes of which might even make tech stocks blush.

Growth potential is significant

Canopy Growth Corp. ([TSX:WEED](#)) is the most well-known cannabis company in Canada, and it has seen its stock price increase over 168% in the past year, which is almost a mirror image to the rise **Shopify Inc.** has been on. Tech giant **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) has seen just a 23% increase in price this year, while the 82% rise that **Tesla Inc.'s** ([NASDAQ:TSLA](#)) stock has been on still pales in comparison to Canopy's ascent.

Incredible growth rates like this are hard to come by, and it may be a sign of things to come. However, growth has calmed recently as Canopy's stock has only seen a 4% rise in the past six months, while Aurora Cannabis has seen its stock price rise just 3% from when it was first listed on the TSX back in July. Investors may be getting a bit more hesitant as concerns are increasing about health and other risks, but that may not be enough to stunt the growth that the industry seems poised to realize.

Recently, **Alimentation Couche Tard Inc.** (TSX:ATD.B) admitted it was looking at the marijuana industry with interest, suggesting that pot might find its way into the company's convenience stores. However, the possibility of that will largely depend on if provinces will allow the product to be sold in retail stores. Ontario only wants the products to be sold in government-run stores, but New Brunswick is more open to the idea of pot being sold in retail outlets. The other provinces still have yet to make announcements regarding how cannabis will be sold and distributed in the rest of Canada.

Are bigger players waiting in the wings?

When cannabis is officially legalized, we may see even more companies, bigger companies, jump into the industry. Tobacco companies and pharmaceutical companies are two examples where bigger industries could take on significant positions in the cannabis industry.

If cannabis gets legalized in the United States, then we will really see what producers like Canopy are up against. Although cannabis may be legal in different states, until it is legal at the federal level, transporting marijuana would run serious legal risks. If those risk disappear, then we might see more investment in the industry from much bigger players south of the border.

Bottom line

Canopy and MedReleaf are two companies that could be great investments in an emerging and growing industry. How big that industry will be able to grow will largely depend on the rules that are set out by the provincial governments.

CATEGORY

1. Investing
2. Tech Stocks

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1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:TSLA (Tesla Inc.)
3. TSX:ACB (Aurora Cannabis)
4. TSX:WEED (Canopy Growth)

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