

Better Growth Stock in 2018: Canopy Growth Corp. vs. Shopify Inc.

Description

Shares of **Canopy Growth Corp.** ([TSX:WEED](#)) and **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) have increased 123% and 117%, respectively, in 2017 as of close on November 13. Shopify experienced steady growth until early October, while Canopy suffered marginal losses for much of the year before erupting from September until now.

Assuming Canopy will begin 2018 without a serious dip, this will mark the second year in a row that Canopy has recorded triple-digit gains. Shopify has climbed 259% since its initial public offering in May 2015.

As we look ahead to 2018, which stock should investors go with for maximum growth?

Shopify Inc.

Shopify stock was on an incredible tear throughout much of the year. The stock reached an all-time high of \$151.88 in September. However, the company saw investor sentiment sour after a report from Citron Research in October called its success story into question. In [an October article](#), I discussed if it would be wise for investors to buy the dip at Shopify.

Citron accused Shopify of promoting “get-rich-quick” schemes and claimed it was “hiding under the shroud of a cloud-based e-commerce solution.” The news created downward pressure that sent Shopify stock below the \$120 mark. Shopify CEO Tobias Lütke has dismissed Citron Research’s Andrew Left as a short-selling “troll.” In a recent interview, Lütke made a note about improving transparency in the future to reassure investors and possible critics.

The company released its third-quarter results on October 31. Revenue jumped 72% to \$171.5 million from Q3 2016, and gross profit increased 86% to \$100 million. The e-commerce business is growing fast in North America. A report from Statistics Canada showed e-commerce retail sales had jumped 41% year over year as of August 2017.

Canopy Growth Corp.

Canopy stock has increased 58% month over month. In an article last month, I argued that Canopy stock could [double before the end of 2017](#). Cannabis stocks have been in a furious rally since September in anticipation of legal cannabis in the summer of 2018.

The company saw a big boost after the announcement that the U.S. alcohol distributor **Constellation Brands Inc.** had purchased a 10% stake. Canopy has also expanded into European markets and made a deal with the provincial government of New Brunswick in September to supply four million grams of cannabis and cannabis products in the first year.

Interestingly, Canopy stock experienced a similar surge in the latter months of 2016. The stock grew from a \$4 valuation to over \$12 by mid-November of 2016. The months that followed saw cannabis

stocks enter a period of volatility before this late 2017 eruption. That is not to say that this rally will suffer a similar fate. With recreational legalization mere months away, it is difficult to see this market cooling off.

What stock should you buy?

It is hard to turn away from cannabis stocks right now. Shopify is a great bet going forward with solid leadership, and the company will continue to ride the wave of rising e-commerce business. However, Canopy's footprint in what will be a multi-billion-dollar industry is too good to pass up in 2018. The stock could easily make triple-digit gains for a third straight year.

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)
3. TSX:WEED (Canopy Growth)

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