



Why Canopy Growth Corp. Might Be the Best Pot Stock to Invest in

Description

Cannabis stocks have been rising high this year, and we could see much of the same in 2018. However, some stocks have increased much more than others, and I'm going to look at the valuations of four popular marijuana stocks to determine which one has the best value and which one is the most overpriced.

Canopy Growth Corp. ([TSX:WEED](#)) might be the most popular pot stock on the TSX. The company has secured supply deals with multiple provinces, the most recent being [Newfoundland and Labrador](#). Although the share price has doubled this year, it has actually performed the poorest of the four stocks I'm going to look at.

MedReleaf Corp. (TSX:LEAF) has seen its share price rise 117% year to date. **Aphria Inc.** (TSX:APH) has grown 130%. **Aurora Cannabis Inc.** ([TSX:ACB](#)) has had returns of almost 160%.

Measuring value using price to sales

Many marijuana stocks are still unprofitable, and so one way you can assess their values is by looking at price-to-sales ratios. Canopy's sales in the past 12 months have totaled \$58 million, and with a market cap of \$3.7 billion, investors are paying \$64 for every dollar of sales the company has generated in the past year.

By comparison, MedReleaf's stock is much more affordable with a price-to-sales ratio of just 36. However, with just \$22 million in sales in the past 12 months, investors are paying 100 times Aphria's per-share sales. Aurora Cannabis has seen its share price double in just the past two months and is trading a whopping 122 times sales.

Just by looking at sales numbers, we can see that MedReleaf offers investors the best value with Canopy requiring more of a premium. However, Canopy has been making strides in growing its businesses and making itself the premiere cannabis stock, so a premium may very well be justified in that case.

Assessing book values

The price-to-book value is another metric that can be used to gauge how highly priced a stock is.

Canopy trades at nearly five times its book value, and if this were any other industry, that would be a very high number. However, it is still a much lower multiple than the 11 times book value that MedReleaf and Aurora Cannabis trade at. Even Aphria trades at almost eight times its book value.

Which cannabis stock is the best buy for your money?

Aurora Cannabis is the most overvalued stock among the four when looking at multiples of sales and book value. A big reason for the stock's big jump in price is due to its acquisition attempt of **Cannimed Therapeutics Inc.** last month. Excitement led investors to buy up the stock in the hopes that Aurora Cannabis would become the new giant in the industry, but now [the deal may not even go through](#).

Canopy looks to be the best buy relative to its peers, and the company has excellent growth prospects after securing some strong partnerships and supply deals. With a fragmented industry and lots of new entrants, Canopy might offer the most stability for investors.

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2. TSX:WEED (Canopy Growth)

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