

Marijuana Stocks: Which Producer Is a Top Pick for 2018?

Description

Canada's three top marijuana stocks have produced stunning returns in 2017. Investors in **Canopy Growth Corp.** ([TSX:WEED](#)) and **Aurora Cannabis Inc.** ([TSX:ACB](#)) stocks saw their capital doubled, while **Aphria Inc.** (TSX:APH) surged 180%.

The biggest question for investors for the next year is, which marijuana stock is well positioned to continue with this explosive growth?

They are also concerned about which one is most likely to survive if the market takes an ugly turn or if expectations built in to the prices of these stocks are not met.

Before making an investment decision, you should understand the risks of investing in pot stocks. Though there are a plenty of arguments that justify the extremely rich valuations of marijuana stocks, investors should not forget [possibility of downside](#).

If you plan to enter the market in 2018, you should keep in mind that you will be buying marijuana stocks at a time when there may not be much upside left after such an incredible rally in 2017.

After evaluating the risks of investing in Canada's top cannabis companies, I think Canopy is the safest bet for investors in 2018. Here is why.

The market leader

Canopy is a leading diversified cannabis company offering distinct brands and curated cannabis varieties in dried, oil, and capsule forms.

For 2018, Canopy has an extensive growth agenda aiming to expand its facilities, representing 3.2 million sq. ft. of indoor and greenhouse production capacity.

Canopy has also established partnerships with leading names in Canada and abroad, with interests and operations spanning seven countries and four continents. The company owns a pharmaceutical distributor in Germany and has entered joint-venture, or partnership, agreements in several countries, including Spain, Australia, Denmark, Brazil, Jamaica, and Chile.

Canopy currently provides medical marijuana to more than 50,000 registered patients through its online sales platform.

Recreational market

Canada's marijuana stocks have been surging ahead of the planned legalization of pot for recreational use on July 1.

The federal government is moving swiftly to remove hurdles and put in place a legal framework to allow the functioning of the market. But the nation's provinces and territories also have a major role to play in pricing and distribution of the product in the market, which could range between \$5 billion and \$10

billion a year.

According to recent study by Statistics Canada, Canadians consumed an estimated \$5-6.2 billion worth of cannabis in 2015.

Medical marijuana is already legal in Canada, and the country plans to allow recreational cannabis federally by July 2018, making it the first “Group of Seven” country to do so.

[Canopy has positioned itself](#) to take advantage of this huge opportunity. With its output growth plans, it has sold a 10% equity stake to **Constellation Brands**, the third-largest beer producer in the U.S., which plans to sell cannabis-infused beverages in markets that allow the recreational use of marijuana.

The bottom line

Canopy is the top marijuana growth stock which is likely to continue its upward journey in 2018. Trading at \$20.14, it has the largest market capitalization among the three producers, valuing the company at \$3.84 billion.

For the next six months, I think, Canopy stock is a good short-term play to take advantage of the positive news flow before the opening of the recreational market this summer.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:STZ (Constellation Brands Inc.)
2. TSX:ACB (Aurora Cannabis)
3. TSX:WEED (Canopy Growth)

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