



Re-Ranking Canadian Cannabis Investments for 2018

Description

Earlier in the month, I'd ranked the [top four Canadian cannabis producers](#) on their suitability as an investment for 2018. As the cannabis industry continues to change profoundly on a week-to-week basis, your original thesis might have been altered by the developments.

As a cannabis investor, you'll need to be well informed to avoid major losses, so it really shouldn't be a surprise to see a re-ranking of Canada's pot stocks. I've been flip-flopping between two cannabis firms as my top pick, so there may be more re-rankings in the future should there be more profound "game-changing" moves done in the nascent cannabis industry.

Here's my updated Canadian pot stock ranking, taking into account the recent M&A deals that have been announced over the past few weeks. Keep in mind, I'm not recommending anyone purchase any of these stocks at current levels, especially since pundits have noted that marijuana firms may have serious accounting issues. I'd strongly advise waiting for a meaningful pullback before touching any one of these pot stocks.

4. Aphria Inc. (TSX:APH)

Aphria remains at the bottom of my list, and I'd cut it from my list, since I believe it's dangerously speculative given management's recent expensive acquisitions of Broken Coast Cannabis Inc. and Nuuvera Inc. for \$230 million and \$826 million, respectively.

This could be the start of an M&A spree, and if that's the case, I think the company could be shooting itself in the foot by making deals that imply [sky-high premiums](#)!

U.S. assets remain a concern, so investors have a huge cloud of cannabis smoke over them in terms of transparency, and there are concerns about the real underlying value behind its recent acquisitions and the company's M&A strategy going forward.

3. Aurora Cannabis Inc. ([TSX:ACB](#))

Aurora, once my top cannabis pick has now dropped into third position following its questionable \$1.1

billion acquisition of **CanniMed Therapeutics Inc.** (TSX:CMED), a deal that Aurora should have walked away from. It was a heated battle that got hostile, and Aurora's stock purchase before the CanniMed deal should have been a warning sign that Aurora will stop at nothing to get the deal done, even if that means diluting value for its shareholders.

Of course, Aurora has its ambitious 800,000-square-foot, "state-of-the-art" Aurora Sky facility, so I suspect the company could make up for this absurdly expensive deal in the quarters following nationwide legalization, which is currently slated for the summer of 2018.

2. **MedReleaf Corp.** (TSX:LEAF) and **Canopy Growth Corp.** ([TSX:WEED](#))

MedReleaf and Canopy are both titans when it comes to [branding](#); however, this won't mean much come legalization day, since regulators won't allow either firm to leverage its exclusive hit names.

In the grander scheme of things, I think Canopy and MedReleaf stand out as firms that are thinking years ahead in the game and are not just focused on short-term results. If either of these firms remain inactive with M&A before a significant marijuana market meltdown, I'd continue to favour these them versus their more active counterparts, especially Aphria.

1. **Horizons Medical Marijuana Life Sciences Index ETF** ([TSX:HMMJ](#))

In investing, diversification is the only free lunch, and if you're looking to add a balanced basket of weed to your portfolio, an ETF may be the way to do it to eliminate single-stock risk. The Horizons ETF is by no means "safe," but for most investors who can't afford to keep up with developments in the marijuana world, there's no shame in buying the broader basket of pot stocks.

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CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
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