



Why Canopy Growth Corp. Is the Best Pot Stock to Buy Today

Description

Many investors looking to get into the growing marijuana industry are likely overwhelmed by all the possible stocks to invest in, but there is one clear choice: **Canopy Growth Corp.** ([TSX:WEED](#)). There are several reasons why this stock offers investors more potential than its peers.

Brand recognition is going to be key

This is an important reason that can't be emphasized enough, just because of how difficult [advertising](#) is going to be in the industry amid restrictions and health warnings that will likely mimic what we see in place for tobacco, perhaps even worse. Canopy's brand has become synonymous with the industry's growth, and although **Aurora Cannabis Inc.** ([TSX:ACB](#)) grew in size after its recent acquisition, [it hasn't done enough to show that it is a better buy.](#)

With the Ontario government recently unveiling its plain-vanilla-looking logo and plan for how it plans to sell pot through the Ontario Cannabis Store, it just puts an exclamation mark on how subdued the industry might be. There's plenty of hype in the industry, but there is also a strong desire to limit the allure and excitement, as governments try to balance profits with health and social responsibility.

This is why when consumers go to buy pot, it'll be difficult to be attracted by a company's packaging or advertising, and the importance of recognizing a brand beforehand will be of utmost importance.

Canopy has simply been a better-performing company

Pot stocks as a whole have benefited from a lot of hype and excitement around the legalization of marijuana, which is expected to take place later this year. However, some companies have done much better than others, and Canopy is leading the pack.

With sales of \$22 million in its most recent quarter, the company's top line has more than doubled in just one year. In the trailing 12 months, revenues have hit a shade under \$70 million. Last fiscal year, Canopy's sales reached \$40 million, and that too was a big improvement from the \$13 million that the company recorded in the previous year.

Aurora Cannabis has had a solid year as well, but annual revenues of \$31 million are well short of Canopy's impressive tally. Even the recent acquisition of **CanniMed Therapeutics Inc.** (TSX:CMED) won't do enough to bridge the gap.

Canopy is well priced given the sky-high valuations we've seen in the industry

With a market cap of \$6.3 billion, Canopy trades at more than 90 times its sales, and while that might be very excessive and overpriced, it's actually a deal when you're looking at pot stocks. Aurora trades at double that multiple with a price-to-sales ratio of 180. **Aphria Inc.** (TSX:APH) is trading at a similar multiple to Canopy, but that's only after the stock plummeted nearly 25% since the start of the year.

Bottom line

Pot stocks are overvalued; there's no denying that. However, if you're going to invest in cannabis, then Canopy is your best bet. Not only does it provide solid growth opportunities down the road and is well positioned for success once legalization takes place, it's also a decent price given the absurd valuations we've seen in the industry.

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2. TSX:WEED (Canopy Growth)

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