

Do You Feel Like You Missed Out on the Marijuana Stock Rally?

Description

Have you been contemplating investing in marijuana stocks? Do you feel you have been missing out on the action in **Aurora Cannabis Inc.** ([TSX:ACB](#)) stock, **Canopy Growth Corp.** ([TSX:WEED](#)) (NYSE:CGC) stock, or other cannabis stocks? Have you asked yourself the following questions?



How do you value cannabis stocks?

Recreational marijuana is expected to be legalized on October 17 in Canada. You can't really look at cannabis stocks from a traditional valuation standpoint, because as of now, the valuations of cannabis stocks are pretty bloated.

Aurora Cannabis and Canopy Growth were still operating at a loss as of the last reported quarter.

Aurora Cannabis is expected to turn a profit in fiscal 2019. However, it has an astronomical forward multiple of over 400 and a more palatable forward fiscal 2020 multiple of 56 from the recent quotation of under \$9 per share.

Canopy Growth is expected to turn a profit in fiscal 2020. The forward multiple of over 50 looks a tad cheaper than Aurora stock, based on Canopy Growth stock's recent trading price of under \$37 per

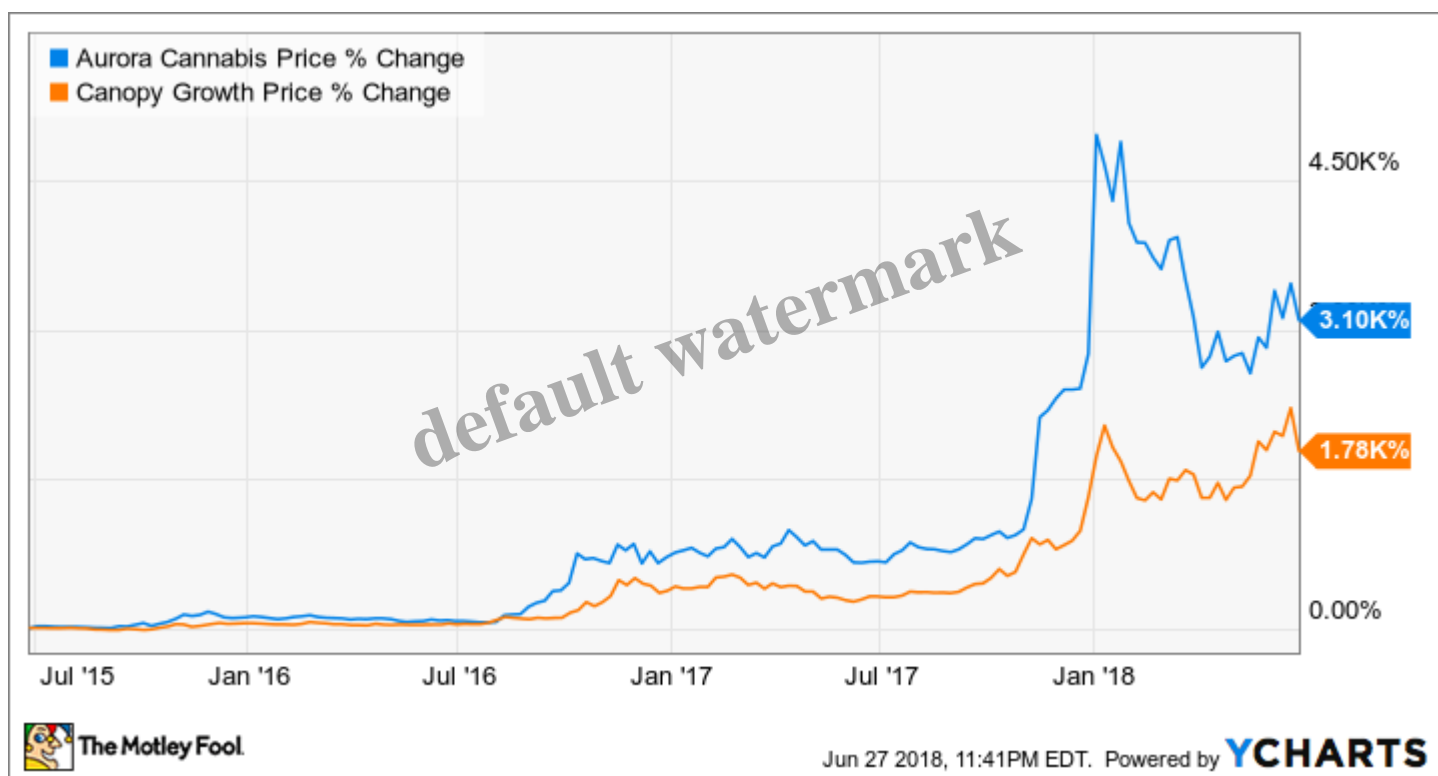
share.

For companies that have been making a profit for a number of years, investors can compare the current multiples of the stocks to their historical multiples as one way to determine if the companies are at good valuations. This can't be done for cannabis stocks because they're still losing money.

You can't value marijuana companies based on current earnings or cash flows. Looking into the future makes it all the more difficult to value these stocks.

Do you have the appetite for the volatility?

It's true that Aurora stock and Canopy Growth stock have had a super rally in the last three years, as shown in the chart below.



ACB data by YCharts

The stocks have been a volatile ride. Just yesterday, Aurora stock fell 5%, and Canopy Growth stock dropped 10%.

Investors must be prepared for the volatility. For investors aiming to make a quick profit, the price points at which you enter and exit your positions become all the more crucial.

Who can tell which the winner(s) will be?

Early in the year, I told [my story](#) about investing in a small marijuana stock. The stock, which I exited with a modest gain, is now 63% below my sale price. So, obviously, that stock hasn't been a winner.

Aurora stock and Canopy Growth stock have been [winners](#) given their multi-year performance. So,

speculative investors might consider investing in them on meaningful dips. Right now, the stocks have had meaningful dips of about 40% and 22%, respectively, from their 52-week highs.

A thought

The current state of the marijuana industry reminds me of the dot.com bubble, at which time tech companies traded at stratospheric multiples before imploding after investors realized how much they were paying for those companies.

Of course, some companies survived and came out as winners, but it took their stocks a long time to recover. It took **Microsoft Corporation** stock 14 years to get back to its dot.com highs.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:ACB (Aurora Cannabis)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/06

Date Created

2018/06/28

Author

kayng

default watermark

default watermark