2 High-Growth Weed and Gold Stocks to Buy for Capital Gains

Description

Two of the biggest growth areas in terms of stocks on the TSX index at the moment are weed and gold. While weed stocks have been front and centre of some of the TSX's biggest success stories this summer, things seem to have been quiet on the gold front. So, let's take a look at these two growth industries and see which representative stocks are the best buys in terms of growth outlook.

Guyana Goldfields (TSX:GUY)

Guyana Goldfields is involved in investing, acquiring, exploring, developing, and operating gold mines in the area of Guyana in South America. Value investors should note that this stock is discounted by 47% of its future cash flow value at the moment. Its fundamentals look good, too: a P/E of 14 times earnings is very acceptable, while a PEG of 0.3 times growth and P/B of 1.1 times book back this up.

A 42.5% expected annual growth in earnings over the next one to three years is why this stock made the list. That's a great outlook for a gold miner and marks this one out as a clear buy for anyone looking for precious metal exposure. A return on equity 8% last year and low debt of 12.9% of net worth add to its quality.

Guyana Goldfields had a fairly flat trend in share price until it dived in mid-July; while this probably counts it out as a momentum investor's choice, it does bode well if you like your miners to have generally low volatility.

Cronos Group (TSX:CRON)(NASDAQ:CRON)

Cronos Group is not for the fainthearted in terms of valuation. It's overvalued by more than four times its future cash flow value, but that's not the worst of it. It would be nice to think that Cronos Group's P/E ratio of 709.9 times earnings is a typo, but a PEG of 7.6 times growth and P/B of 10.2 times book confirm the wild overvaluation.

Growth investors should look at that 93.2% expected annual growth in earnings over the next one to three years, though. In terms of quality, it's all a bit hit or miss: a return on equity 1% last year does not signal good use of shareholders' funds, though a low level of debt at 2.4% of net worth is good to see.

A gently rising trend in share price until the summer when that curve swept steeply upwards may make Cronos Group a good momentum investment pick.

Competitors **Canopy Growth** or **Aphria** may make better direct plays if you want to invest in legal marijuana, though a fund-style investment may be a better choice for the more risk averse.

The bottom line

Is Cronos Group the worst-valued stock on the TSX? While it's certainly a contender for that dubious honour, it is not a contender for a value investor's portfolio and remains strictly for momentum investors only at this moment in time. Stick with the gold stock listed here if you want growth but value at the same time, or check out some of its competitors.

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