

Better Buy: Supreme Cannabis (TSX:FIRE) Stock vs. Cronos Group (TSX:CRON) Stock

Description

Last week, I took a look at which was the [better investment](#) — **Aurora Cannabis** or **Canopy Growth**. Today, we have a battle that is equally intriguing — **Supreme Cannabis** (TSX:FIRE) versus **Cronos Group** (TSX:CRON)(NASDAQ:CRON). This is a David vs. Goliath showdown with Cronos being almost four times the size of Supreme.

Performance

After skyrocketing in August, pot stocks have taken a hit over the past week. Nevertheless, investors are still sitting on impressive gains.

Over the past year, Supreme Cannabis has returned 61.29% to shareholders. This is a healthy return and not much to complain about. Its one-year return, however, pales in comparison to Cronos. Cronos's 443% return is second only to industry leader Canopy Growth.

Year to date, Cronos's outperformance continues. Shareholders have been sitting on a 28.43% return, once again second only to Canopy among major players. On the flip side, Supreme investors are sitting on losses of 25%.

Edge: It's a blowout! Cronos shareholders have enjoyed much greater returns.

Strategic partnerships

The cannabis industry has been riding high on recreational marijuana legalization in Canada. Who is best positioned to benefit once October 17 rolls around?

Supreme is one of only six cannabis companies with five or more provincial supply agreements. On the flip side, Cronos has secured four provincial deals. Supreme holds the edge in Manitoba and Alberta, where Cronos has yet to secure deals.

In the past year, Supreme has also signed supply agreements with several notable cannabis companies, such as **BlissCo**, **Tilray** and **Namaste**. Cronos has been concentrating more so on international expansion and creating joint ventures with worldwide partners.

Edge: This is a difficult one, as Cronos's international partnerships are difficult to measure. That being said, I'm giving the edge to Supreme as it appears to have secured a greater number of supply deals.

Valuation

Most pot stocks have sky-high valuations. On the back of its impressive performance, Cronos is trading at a price-to-sales (P/S) ratio of 250. This is at the higher end of the industry. Likewise, it is trading at 10.19 times book value, which is tops among major industry players.

Thanks to its position as an industry laggard, Supreme is one of the [better-valued pot stocks](#). It is trading at 96.78 times sales, which is lower than most of its peers. Likewise, its P/B of 3.56 is at the lower end of industry averages.

Edge: Supreme is one of the best-valued pot stocks on the market.

Winner: Supreme Pharmaceuticals

As of today, Supreme appears best positioned to take advantage of Canada's recreational marijuana market. It hasn't expanded beyond its capabilities and is laser-focused on becoming a preferred supplier of premium cannabis. It is also much cheaper compared to most in the industry.

Cronos's meteoric rise is in part due to its status as a dual-listed company. It first listed on the NASDAQ and, as such, benefited from investor demand south of the border. Supreme only recently became a viable investment for U.S. investors with its graduation to the OTC Best Markets.

The company has also been a very public target of short sellers. Citron Research and Copperfield Research have criticized Cronos for its penny warrants. They see upwards of 70% downside in the stock.

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