Tilray (NASDAQ:TLRY) Stock Can't Beat This Marijuana Big Boy on Book Value

Description

Dot-com naysayers overlook the fact that there is an actual product at the core of the marijuana boom, though bearishness may sneak up on the market should legalization kick in and actual sales disappoint. Will the marijuana bears or bulls win out? It seems likely that an answer may come soon after legalization of recreational cannabis kicks in this fall.

Until then, here are two of the most talked-up marijuana stocks currently trading. Which one should attract your investment, should you consider buying both, or would you simply be better off staying on the fence? Let's take a look at some data and see what the consensus may be.

Tilray (NASDAQ:TLRY)

A marijuana stock with a market cap of $11 billion would have sounded like science fiction not that long ago; now it's a testament to the sheer extent of the investment that is being pumped into this new industry. A ludicrous P/B ratio of 261.8 times book sounds very realistic, however, given how overheated these kinds of stocks have become. In fact, it makes the next stock on the list look positively cheap – and the bad news is that the next stock is *not* cheap.

A 92.8% expected annual growth in earnings over the next 1-3 years sounds about right for a mid-2018 marijuana stock. It will be interesting to see what that outlook is this time next year. But no dividend (par for the course with pot stocks) and a debt level of 155.4% of net worth are unlikely to give newbies the munchies.

Canopy Growth (TSX:WEED)(NYSE:CGC)

A market cap of CA$15 billion makes for a solid-enough stock. It's just a shame about the overvaluation: shares in Canopy Growth are currently overpriced by about 15 times their future cash flow value. Unusable multiples except for its P/B ratio of 11.4 times book make valuation confirmation a little murky, though rest assured that this stock is far from good value right now.

Canopy Growth has had quite a rollercoaster of year, emerging after a heady summer as possibly the most worthy cannabis stock on the **S&P/TSX Composite Index**. What makes it a particularly strong play is its market share in overseas medicinal marijuana, though its recent partnership with **Constellation Brands** has of course gone a long way to improve both its outlook and its renown.

An 85.4% expected annual growth in earnings over the next 1-3 years make a stock fit for a growth investor's portfolio, though be aware that much of this growth likely comes from legalized recreational Canadian marijuana sales forecasts, and that market is far from assured. Again, there's no dividend, but a lower level of debt at 50.7% of net worth makes for a better quality stock than Tilray.

The bottom line

Tilray offers an interesting play, but Canopy Growth is still fast emerging as the number one Canadian marijuana stock to hold for the near future, with its big-name beverage backing and solid overseas market share. However, it's impossible to say at this stage which companies will still be on top in a few years' time.

With this in mind, new investors with little appetite for risk may wish to avoid the industry altogether, or else take positions with an established medical marijuana provider or a diversified mutual fund.

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