



Why This Pot Stock Could Outperform Canopy Growth Corp (TSX:WEED)

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is having another great year in 2018, as its share price has doubled year to date. However, with the stock still trading at over 150 times its sales, investors may be better off looking at better deals than the [pricey cannabis stock](#).

Even among pot stocks, there could be much better buys that have a lot more upside today. The danger with buying an expensive stock like Canopy is that although it's done well, the chances that it will be able to double or earn a significant return from its current price point seems unlikely, at least in the foreseeable future.

One stock that could still see a lot of growth is **CannTrust Holdings** (TSX:TRST), which trades at closer to 40 times its sales. While it doesn't have the reputation or popularity that Canopy Growth has to justify more of a premium, that also might make it a better buy.

In addition to it offering a lower price-to-sales multiple, CannTrust is an attractive buy for two other reasons.

Strong financials

The company has generated \$30 million in sales over the past four quarters as it continues to grow. CannTrust has also done something even more impressive: in each of the past four quarters, the company has been able to stay profitable. And its operating income has also been able to stay in the black, which is not so common when it comes to pot stocks.

Many cannabis companies have had to rely on other income to boost their bottom lines into the black (and many can't even achieve that), but that has been the exception rather than the norm for CannTrust, as it has done in a consistent job of being able to stay profitable and not let its expenses spiral out of control.

Is a big deal on the horizon?

CannTrust has been rumoured to be in talks with companies in multiple different industries, as it looks

to find not one but multiple partners to help grow its business. Former CEO Eric Paul is so confident of a deal that he said that he would be “in shock if we don’t announce some major deal in the next 60 days.”

While there has been a lot of bullishness on beverage companies working with cannabis, there have not been that many deals thus far, with Canopy Growth securing the biggest one so far.

However, even just a [rumour](#) of a deal could be enough to send CannTrust’s stock soaring. While we don’t know who its potential partner(s) could be, the stock might be worth a buy in the hopes that it is able to catch a big fish that gives its stock a big boost.

Bottom line

While CannTrust is by no means an unknown in the industry, it’s not as popular of a stock as some of the big-name pot stocks out there, and that could give it a lot of room to grow. Year to date, the stock is up a little over 30%, but it still has a lot more potential.

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