

## Reality Bites? Canopy Growth Corp (TSX:WEED) Is Among Canadian Marijuana Stocks to Feel Pressure After Legalization

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) was down 6.85%, **Aurora Cannabis** ([TSX:ACB](#)) was down 7.23%, and **Aphria** (TSX:APH) was down 6.08% on the day before legalization.

At the time of writing, it is the day of legalization — the day this massive market is officially opened and when the sale of marijuana begins to be taken away from the black market.

As a reflection of the volatility and the risk that is still inherent in marijuana stocks, let's look at what is happening in the market.

[Marijuana stocks](#) opened down big on the [first day of legalization](#), and, as of midday, they have begun to come back a bit. There is no question that the marijuana market is big, with estimates ranging from \$8 billion to \$10 billion in Canada alone. The questions lie in the implementation of the business, strategies, profitability potential, and in the valuations of marijuana stocks.

I mean, when a stock is reflecting everything positive that could happen, and when the stock is assuming things will move ahead without a setback and at a feverish pace to the finish line, we usually have a problem.

### Sell on news?

If you have not heard of this investing advice, it is pretty much self-explanatory.

Very often, investors bid up stock prices in anticipation of a positive event, focusing only on the positives. When the event is actually announced, reality sets in and investors begin to take a more realistic view of things, traders exit their positions, and the stock falters.

I think investors may stop looking at marijuana stocks with rose-coloured glasses, and valuations will come back down to reality.

Now it gets interesting.

I don't want to bet on sentiment and I don't want to participate in a gamble. I want my investments to make sense from a risk/reward perspective. I want the stocks I buy to have some real numbers and real financials behind them and I want to be able to sleep at night.

Canopy Growth stock is clearly still the leader and the stock I will be watching most closely.

With 12 facilities, supply agreements with all provinces, and the **Constellation** deal backing them, this stock represents the lower-risk stock of the marijuana stocks.

While Canopy's most recent \$425 million acquisition of Ebbu, a Colorado-based hemp researcher, was

a good strategic move, this comes with dilution to current shareholders, as the company will issue 6.2 million shares (2.7% of shares outstanding) to pay for it.

In its latest quarter, Canopy reported year-over-year revenue growth of 63%, sequential revenue growth of 14%, and a net loss per share of \$0.40. The stock is trading at a price-to-sales multiple of 169 times.

Aurora Cannabis reported a 223% year-over-year increase in revenue and a 19% sequential increase in its latest quarter. Aurora Cannabis stock is trading at a price-to-sales multiple of 237 times.

And lastly, Aphria reported a year-over-year revenue increase of 117% and a 10% sequential increase. Aphria stock trades at a price-to-sales multiple of 107 times.

## 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

2025/08/03

## Date Created

2018/10/18

## Author

karenjennifer

default watermark

default watermark