Investors Should Swap Out Canadian Cannabis for Quality Growth Stocks

Description

Growth stocks are a favourite of investors who like capital gains: buying low and selling high is the name of the game, and there is often an element of patience (not to mention timing) involved in this stock trading technique. Stocks that fit the bill don't necessarily have to be great value, but they do have to have upside; look for high expected rises in earnings and good balance sheets.

While some pundits continue to extol the virtues of legal Canadian marijuana stocks; the problem with this is that the legal market has yet to stabilize, and many of these stocks have poor balance sheets. Below, you will see an illustrative example of these kinds of "green gold" stocks, followed by two sure-footed examples representative of proven industries.

Tilray (NASDAQ:TLRY)

When you see a stock with a P/B of 230.1 times book trading on the promise of high growth (in this case an expected annual growth in earnings of 90.5%), you'd better be sure that growth will materialize before you start to think about buying. What you don't want to see is a one-year past earnings contraction of 189.2% and debt of 155.4% of net worth, both of which single this stock out as high risk.

Lundin Mining (TSX:LUN)

A market cap of $4 billion and P/B of 0.8 times book is a great pairing for a growth stock. Though a one-year past earnings contraction of 22.5% isn't great to see, it must be remembered that the past year has been tough for a lot of industries. A 25.8% expected annual growth in earnings is what we're here for, and it's backed up by a welcome dividend yield of 2.29% and a low debt level of 10.3% of net worth.

Ballard Power Systems (TSX:BLDP)(NASDAQ:BLDP)

A market cap of $787 million and P/B of 5.5 times book make for an uncomfortable pairing: not quitebig enough to be really defensive and overvalued in terms of real-world assets, Ballard Power Systemshas also seen a one-year past earnings contraction by 45.4%. However, it's looking at a 71.5%expected annual growth in earnings.

Dividends are not the reason people get into this stock; rather, this is one for hardcore capital gains. With a +70% growth in earnings on the near horizon, you can see why. Hopefully, this will materialize and put an end to the recent contraction, though even if that growth is a little lower in reality, risk-shy investors should be pleased to see that Ballard Power Systems carries low debt at just 5.5% of net worth.

The bottom line

Tanking Tilray or lovely Lundin Mining? While all three stocks listed above have seen a loss of earnings over the past 12-month period, Tilray has seen by far the largest. The difference between Tilray and the other two tickers on the list is that the latter both represent verified and solid industries; legalization itself seems to have done little for a raft of pot stocks seemingly drifting towards an economic weir, while mining and tech remain growth industries with plenty of past performance to go by and some fairly assured growth ahead.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NASDAQ:TLRY (Tilray)
3. TSX:BLDP (Ballard Power Systems Inc.)
4. TSX:LUN (Lundin Mining Corporation)

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Author
vhetherington