

## 2 Marijuana Stocks I'd Consider Buying Today

### Description

Since legalization in mid-October, pot stocks have been consolidating, and the streets have seen some panic. And yet, most investors seem to have forgotten that pot stocks are still sitting on significant one-year gains. Over the past year, the **Canadian Marijuana Index** has risen 42%. This is a great return, especially when one considers overall market weakness.

For those who entered these stocks at their peaks, I understand your skepticism. It also highlights the dangers of momentum investing and ignoring fundamentals. However, the recent downturn is normal and healthy for sectors in their infancy.

Now that the Index has been relatively flat for a month, it might be [time to take a closer look](#). The majority of pot stocks have recently reported quarterly results. The two biggest-winners were **CannTrust Holdings** (TSX:TRST) and **Aphria** (TSX:APHA)(NYSE:APHA).

### Latest quarterly results

Pot stocks failed to deliver on high expectations, as they reported first quarterly results post legalization. Earnings misses were quite prevalent, and in some cases, revenue missed in the high single digits. There were however, some notable exceptions.

In the first quarter of fiscal 2019, Aphria posted a beat on earnings and a slight miss on revenue. The company posted earnings of \$0.06 per share whereas analysts were expecting the company to post a loss of \$0.06 per share. Revenue of \$13.29 million missed by approximately 5%. Aphria is one of the few profitable marijuana companies.

It is also quite reliable, as it only missed on earnings once in the past four quarters. Likewise, it has never missed on revenue by more than 6%, which is impressive when compared to some of the massive misses experienced by its peers.

Not to be outdone, CannTrust was the only marijuana company to post a beat on both the top and bottom lines. The company posted its second consecutive quarter of positive earnings, and in both quarters analysts expected the company to post a loss. Likewise, revenue of \$12.59 million beat estimates by 6.65%, the fifth consecutive quarter in which it either beat, or met expectations.

Of note, both companies posted triple-digit revenue growth. Aphria posted strong wholesale orders in advance of legalization while CannTrust achieved record revenue on the back of strong demand for medical marijuana. Health Canada estimates that CannTrust is capturing 36% of all newly registered medical cannabis patients.

### Best valued cannabis stocks

Aphria and CannTrust just happen to also be some of the best valued pot stocks. Aphria is trading a price-to-sales ratio of 64.30, which is half that of [industry leaders](#) **Aurora Cannabis** and **Canopy Growth Corp**

. CannTrust is even cheaper with a P/S ratio of only 25.17, the lowest in the industry. Looking forward, their valuations look are more attractive.

Aphria has a forward P/S ratio of 6.52 and CannTrust is currently valued at 5.70 times next year's sales. Once again, this is significantly below the industry leaders and industry average.

### **Foolish takeaway**

Investing in the pot industry is not for the faint of heart. Over the short term, double-digit price swings will be a staple of the industry. It's a trader's dream and an investor's nightmare. If you're looking at getting back into the market today, your safest bet is to look at those who are the best valued as compared to the overall industry. Today, that distinction belongs to Aphria and CannTrust.

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