



Should You Own Tilray Inc. (NASDAQ:TLRY) or Canopy Growth Corp (TSX:WEED) Stock?

Description

The pullback in marijuana stocks in the past two months has investors wondering which [cannabis companies](#) might be the best bets for a rebound heading into 2019.

Let's take a look at **Tilray** ([NASDAQ:TLRY](#)) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) to see if one deserves to be on the [buy list](#) for your 2019 portfolio.

Tilray

Tilray, based in Nanaimo B.C., decided to list its stock in the United States when it went public in July. The move appears to have been a wise one, as it gives the company exposure to a growing audience of U.S. investors who are getting interested in the marijuana sector. However, it can also add increased volatility, especially when the market goes negative on the sector.

Tilray's stock soared from US\$22 at the end of July to a closing high of US\$214 in September. Since then, the stock has trended lower among the broader pullback in the sector. At the time of writing, investors are paying US\$76 to buy the stock.

Tilray's big surge in September came on the news that the company had received permission from the U.S. Drug Enforcement Administration to export medical marijuana from Canada to a University in California for a research study. It was the first approval given to a Canadian company, and investors initially viewed the decision as an indication Tilray might have a head start on the competition in the United States.

Marijuana is an illegal drug under American federal law, although several states allow its sale for medical or recreational use.

At some point, the U.S. is expected to adjust its federal regulations, and that could open a potentially massive medical marijuana market.

Tilray apparently sees the opportunity and is forging relationships with people who might be able to

help. The company recently announced a new 10-person advisory board that includes the former heads of both the Republican and Democratic parties.

Overseas, Tilray had a first-mover advantage in Europe and Australia and currently exports to those markets as well as Chile and South Africa.

The company's market capitalization of US\$7 billion makes it the second-largest player in the industry based on that metric.

Canopy Growth

Canopy Growth is widely viewed as the name to beat in the cannabis sector due to its strong presence in the broader marijuana market.

The company has the largest number of registered medical marijuana patients in Canada and has established partnerships or operations in Europe, Australia, and South America to capitalize on growth in those regions.

On the recreational and branded goods side of the industry, Canopy Growth has made strategic investments and entered partnerships that should give it a leg up on the competition as the cannabis sector grows. Canopy Growth just announced a deal to buy European vaporizer manufacturer Storz & Bickel. In addition, the company acquired specialty branded products maker Hiku Brands.

The biggest deal occurred this summer when U.S. drinks giant **Constellation Brands** agreed to invest an additional \$5 billion in Canopy Growth to boost its stake to 38%. Constellation Brands had acquired an original position of 9.9% for \$245 million in the fall of 2017.

Canopy Growth also has its eyes on the U.S. market and announced in October that it had "completed a legal transfer of cannabis products to a transfer partner in the United States."

The stock trades on both the TSX and NYSE. The current valuation is about US\$10.5 billion, making it the largest company in the sector today.

In Canada, the stock trades for \$41 per share at the time of writing. The 2018 closing high is just under \$74. Constellation Brands paid \$48.60 per share in August.

Is one a better bet?

Tilray and Canopy Growth should continue to be leading players as the global cannabis market expands.

The two stocks still appear very expensive, so I would keep any position small. However, if you like the long-term prospects for the industry, Canopy Growth might be the safer bet today. The stock has been less volatile than Tilray, and the Constellation Brands investment should provide ongoing support.

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Date

2025/07/02

Date Created

2018/12/14

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