



The #1 Marijuana Stock to Watch in 2019

Description

At the beginning of a new year, it's good to develop a "short list" of stocks to follow in the year ahead. These needn't be stocks you plan on buying. Instead, they can simply be stocks you commit to researching to decide whether you're going to take a position.

In 2018, cannabis stocks have not fared well. Many are [down significantly](#) year to date, while others, like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), are close to erasing their gains for the year. Still, marijuana is a growing industry, with some companies growing revenue at 223% year over year. This kind of growth is something to keep an eye on, so, for ambitious investors, it makes sense to continue following marijuana stocks in 2019.

What's my personal recommendation for the top marijuana stock to watch next year?

CannTrust Holdings (TSX:TRST)

CannTrust Holdings is one of the fastest-growing and most profitable marijuana companies in Canada. In Q3 2018, the company posted revenues of \$12 million, up from just \$6 million in the same quarter a year ago. That's a 100% year-over-year growth rate.

In the same quarter, the company reported net income of \$400,000. This is actually pretty good for a cannabis company in 2018, since most of these companies are still running huge losses. Canopy, for example, posted a \$300 million loss in its most recent quarter, with just 33% year-over-year revenue growth. So, CannTrust appears favourably positioned compared to Canopy.

New plans for expansion

CannTrust plans to add to its already frothy growth with an ambitious expansion plan. In Phase II of the expansion plan, the company hopes to increase its production capacity to 50,000 kg per year, and expects to reap the first harvest of this expansion in Q1 2019.

In Phase III, the company plans to build a new 35,000-square-foot production facility adjacent to its

current facility. This will be an expensive investment, so it may disrupt the company's earnings next year, but assuming demand for cannabis is strong, it will pay dividends in the future.

Consistently profitable

On the topic of earnings, CannTrust has the distinction of being one of the [most profitable](#) cannabis companies in Canada. It's no secret that most cannabis growers are bleeding cash quarter after quarter.

It's normal for young companies to lose money, but the growing losses observed in this sector are getting large enough to be a concern. Canopy's \$300 million loss, for example, grew from a \$1.6 million loss a year before. CannTrust by contrast has had many positive quarters, as measured not only in terms of net income, but also operating income.

For example in Q3, the company had operating income of \$1.1 million — more than double its net income in the same quarter. This is a sign of a healthy business that has the potential to generate value for its shareholders. For this reason, CannTrust is my number one cannabis stock to watch in 2019.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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