3 Marijuana Stocks That Could Surprise Everyone in 2019

Description

Canada's nascent marijuana industry is nothing if not fascinating. Although marijuana stocks have been doing poorly for months now (to put it mildly), that doesn't stop them from being some of the most interesting TSX stocks to follow. Volatility, controversy, and political intrigue are just a few of the tendencies that have made cannabis the most talked-about industry in Canada this year. And it's very likely that some marijuana stocks will continue to raise eyebrows in 2019.

In the past, I've been unambiguous about my belief that marijuana stocks are bad investments in the short to mid-term. But I still recommend following the sector — both for the pure entertainment factor and to notice opportunities should they arise. The cannabis industry is mainly losing money at the moment, but stocks have a way of surprising people — in good and bad ways. So, with that in mind, here are my top three marijuana stocks that could surprise investors in 2019.

Aphria (TSX:APHA)(NYSE:APHA)

Aphria has had a tough year in 2018, faced with short attacks and lawsuits on top of generally shaky operating results. The stock has had positive net income in some quarters because of its investment portfolio, but its operating income is usually negative.

As you may be aware, Aphria could be in big trouble in 2019. If lawsuits against the company prove successful, then the stock will be punished more than it already has been. What could surprise investors is the opposite scenario; that is, if the company survives the trouble and becomes one of the first marijuana stocks to achieve consistent operating profits. This is possible because the company's operating losses are much smaller than some other big names in the industry.

Tilray (NASDAQ:TLRY)

Tilray had the most dramatic rise of all cannabis stocks in 2018, rallying 750% from its IPO price in just a few months. But the rally proved short-lived, and the stock has since fallen 66% from its September high.

The possible surprise in this case is the stock dropping below its IPO price of $17, which is entirely possible. Tilray trades at 203 times sales and 35 times book value. So, it would still be expensive at $15 — at which point its price/sales ratio (based on last quarter's revenue) would be 42.

Canopy Growth (TSX:WEED)(NYSE:CGC)

Last but not least, we have Canopy. This company's net loss ballooned to $330 million in Q2, while revenue growth slowed to 33%.

There are two big surprises that could come here: one, the company could actually post positive earnings, but it looks unlikely at the moment; and two, the losses could get so bad that the stock erases all of its 2018 gains. That second scenario could actually happen pretty soon, because Canopy shares have been flirting with sub-$35 levels recently. Still, such an event would surprise many people, since Canopy was, by far, the most talked-about and revered marijuana stock of 2018.

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