2019 Will Make or Break These 2 Legal Canadian Marijuana Stocks

Description

Watching Canadian marijuana stocks has become something of a fixture on the global investment scene — though doing so while actually being invested in them has caused more than a few pulses to raise, hands to sweat, and mouths to go dry. While the TSX index is undeniably still pretty young compared to other stock markets, you can be sure that nobody has seen anything quite like the legal pot stock phenomenon that's been roiling Bay Street.

Let's take a look at how two frontrunners fared over Christmas.

Aphria (TSX:APHA)(NYSE:APHA)

If the first thing a value investor saw of Aphria was its PEG of 0.8 times growth, they might think of that 54.7% expected annual growth in earnings and click their heels in delight. A very low debt level of 3.8% of net worth and high volume of inside buying makes this one of the stand-out marijuana stocks on the TSX index today.

But let's return to value signs: a P/B of 1.4 times book really is quite decent for a legal pot stock, though a P/E of 43.8 times earnings and overvaluation against expected cash flow paint a different picture.

Having gained 8.73% in the last five days, it must be nerve-wracking to own this stock and wonder when on Earth to sell it. Should shareholders keep on holding for that big upside or drop these stocks like hot cakes? There have been several times over the last few months when doing the latter seemed like the only sensible thing to do.

Its beta of 2.65 indicates the kind of high volatility that momentum investors gobble up for breakfast, and its share price is overvalued by about twice its future cash flow value — though perhaps investors should be thankful that the latter datum can even be calculated, since most pot stocks can't boast the same.

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

A favourite TSX marijuana stock to watch just for the sheer fun of it and an unreadable PEG mean that you'll have to assume Canopy Growth's valuation based on other market variables. A higher debt level than Aphria of 49.4% of net worth is a bit of a fly in the ointment, while a large volume of shares has been inside sold in the last three months, indicating that confidence is low among those in the know.

Forget about your usual ROE and EPS quality indicators; there's only one such indicator investors can really go on here, and that's outlook. A 76.4% expected annual growth in earnings over the next one to three years will be amazing if it materializes, but don't hold your breath.

Where this stock really exceeds the TSX index is in momentum. Up 5.23% in the last five days, this lean, green TSX machine is enjoying the post-Christmas high that's currently buoying up Bay Street, while its beta of 2.94 indicates intense high volatility. Throw in perennial overvaluation, and you have one of the biggest-swinging momentum stocks on the TSX index.

The bottom line

To say that Canopy Growth's past year earnings growth was negative is something of an understatement: it was negative to the tune of -2,361%. Once one of the foremost Canadian marijuana stocks, today's grab bag of Canopy Growth multiples leaves something to be desired: a negative P/E and P/B of 5.3 times book throw Aphria's rise to dominance and clean market variables in sharp contrast. If you're still thinking of investing in legal pot stocks, stick to the latter.

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