TFSA Investors: 2 Sin Stocks to Consider in February

Description

Last year, I'd discussed the war that was set to be waged between cannabis and alcohol in Canada. Early surveys in U.S. states that had legalized recreational cannabis showed dips in alcohol consumption, which inspired some analysts to call for a challenge to the alcohol market going forward. Younger demographics have shown a greater propensity to consume recreational cannabis, while alcohol consumption among the youth has dropped in some Western nations.

The S&P/TSX Composite Index has climbed 7.9% in 2019 as of close on January 29. TFSA investors may still be looking for stocks to spend that extra contribution room on. With equities priced at a premium in late January, now may be a good time to go long on sin stocks. Today, we are going to look at two stocks in the cannabis and alcohol industries.

Should you buy one or both today? Let's dive in.

Aphria (TSX:APHA)(NYSE:APHA)

Aphria stock has climbed 23% in 2019 so far. Shares are still down 24% over the past three months. Aphria fell victim to a damning short report in late 2018, but the stock has steadily climbed back since early December.

The resignation of Aphria CEO Vic Neufeld has had a positive impact on shares. Neufeld had come under scrutiny in the short-seller report, which accused him of "insider self-dealing." Aphria is currently wrestling with a $2.4 billion hostile takeover bid from **Green Growth**. The offer will remain open until May 6. The deal valued Aphria shares at a premium in late December, but that has since changed, with Aphria gaining momentum in January. It is unknown whether an adjustment to entice shareholders is forthcoming.

In the second quarter of fiscal 2019, Aphria reported that its annualized harvest is expected to increase to 255,000 kilograms by the end of the calendar year. Aphria boasts supply agreements with every Canadian province and territory, and a recent *Bloomberg* report called into question whether the international holdings focused on in short report were as worthless as claimed.

Aphria has risen steadily since the short report, and the stock comes at a fair value in late January. TFSA investors looking to avoid paying a premium right now can do a lot worse than Aphria stock priced below $10.

Corby Spirit and Wine (TSX:CSW.A)

Corby Spirit and Wine stock has climbed 3.7% in 2019 so far. Shares are down 14% year over year. The company boasts a portfolio that includes brands like Polar Ice vodka and J.P. Wiser’s Canadian whiskies.

In the first quarter of fiscal 2019, Corby reported 6% shipment volume growth in J.P. Wiser’s and 4% volume growth for Polar Ice vodka. Total Corby brands posted a 3% volume increase from the prior year. Net earnings rose 11% year over year to $6.5 million and revenue climbed 6% to $37.9 million.

Corby and Wine last paid out a special dividend of $0.44 per share and amended its dividend policy. Under this amended policy, the board of directors announced a quarterly dividend of $0.22 per share, which represents a 4.5% yield. Corby may be more suitable for conservative investors seeking income in early 2019, but unimpressive growth in recent years should drive investors to more explosive growth options for their TFSA.

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