Is There a New Rising Star of Canadian Marijuana Stocks?

Description

Two TSX index pot stocks and one NASDAQ pretender to the throne go head to head in today's legal marijuana stock analysis. Which stock has the most potential upside, and which is on a tear? Is an investor favourite still the best buy, or should newcomers look beyond the TSX index? Let's comb through the data and find out if there's a new king of the cannabis stocks.

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

To say that Canopy Growth's one-year returns of 163.9% outperformed the Canadian pharma industry average of 0.2% is to give something of an unfair advantage to the marijuana stock — after all, it's a big name in a brand-new market. However, Canadian pharma had the advantage of being established and of having a huge market of its own.

Down 2.86% in the last five days, Canopy Growth is feeling a bit stale at the moment. It's still got the potential to make some serious dough for the casual capital gains investor, though, and with a five-year beta of 3.11 relative to the market there's enough volatility to keep the momentum investment crowd interested. Newcomers will have to weigh a potential 109.5% expected annual growth in earnings with a P/B of 9.1 times book.

Tilray (NASDAQ:TLRY)

Up just 1.39% in the last five days (which, to be honest, is fairly low for an exciting new commodity on a tear), and with a sluggish five-year beta of 0.82 relative to the U.S. pharma industry, Tilray hasn't got it where it counts when it comes to momentum. Though it's flirting with the $100 mark, it's nowhere near its October peak and might not get there again anytime soon.

It's interesting to critique a weed stock that's not on the TSX index at first, comparing this or that piece of data with a completely different market. However, after you start digging around, it's business as usual, with a mix of high market fundamentals and heady outlooks. See a P/B ratio of 41.1 times book for evidence of the former, and of the latter a 91.8% expected annual growth in earnings; meanwhile, Tilray echoes the weed stock mantra of “no debt, no dividends.”

Supreme Cannabis Company (TSX:FIRE)

A P/B ratio of four times book looks high, until you realize that it is, in fact, 10 times lower than Tilray’s. But that’s not what we’re looking at this breakout stock for; we’re here for the momentum. A wildly oscillating share price can’t exactly be called a trend, though it’s up at the moment, and it’s likely on its way higher, with a 26.97% gain in the last five days.

Looking at a combination of volatility (see a five-year beta of 2.11 relative to the market) and a 104.3% expected annual growth in earnings, it looks as though the modestly named Supreme Cannabis Company is one of the best pot stocks on the TSX index in terms of momentum.

The bottom line

Supreme Cannabis Company is looking like the new stock to jump on for upside: it’s on a tear at the moment, and its share price is overvalued by around three times the future cash flow value, making for a potentially lucrative capital gains play. Investors looking for a mainstream TSX index pot stock may want to sidestep the NASDAQ’s Tilray and go for homegrown Canopy Growth.

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2. NASDAQ:TLRY (Tilray)
3. TSX:WEED (Canopy Growth)

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