



## 3 Hot Pot Stocks to Rock Your Canadian Cannabis Portfolio

### Description

The TSX index is in a unique position at the moment, with a surfeit of investor interest continuing to converge around the runaway high-growth phenomenon that is the legal marijuana industry. Having suffered something of a setback post-legalization, pot stocks are starting to make a bold recovery. The following three tickers will be ones to watch as Canadian cannabis gets its second wind in the early half of 2019.

### HEXO ([TSX:HEXO](#))

Want to buy a stock that costs four times what it's worth in terms of assets? With a P/B ratio of four times book, that's what you'd be doing if you bought shares in [HEXO](#) today. However, having gained 2.45% in the last five days at the time of writing, and with a 54.1% expected annual growth in earnings on the way over the next one to three years, value isn't really the bottom line here.

Indeed, its five-year beta of 2.24 relative to the Canadian pharma industry indicates high volatility and should interest momentum investors. Its share price is overvalued by almost four times its future cash flow value — which is interesting when you compare it with that P/B ratio — so anyone holding this stock might be tempted to sell. This stock continues to have the potential for upside, however, so it's a tough call.

### VIVO Cannabis ([TSX:VIVO](#))

Gaining 2% in the last five days, [VIVO Cannabis](#) shows that Canadian cannabis stocks still have the ability to leap ahead. Its five-year beta of 2.24 relative to the Canadian pharma industry indicates high volatility — just right for the momentum investor seeking an oscillating share price ripe for capital gains.

With a good P/B ratio of 1.3 times book and acceptable debt level of 12.6%, VIVO Cannabis has a 101.7% expected annual growth in earnings ahead for the next one to three years. One of the most intriguing growth stocks on the TSX index, its share price is discounted by 47% compared to its future cash flow value — an unusual sight in the pot stock world.

## Aphria (TSX:APHA)(NYSE:APHA)

With one-year earnings growth of 251.7% and a healthy balance sheet, this popular TSX index weed stock has seen many more shares bought by insiders than sold in the last three months. While it's not the best valued of stocks (see a P/E of 35.1 times earnings and P/B ratio of two times book), Aphria is expecting a 44.7% annual growth in earnings over the next couple of years.

The potential for upside is palpable in this frontrunning Canadian cannabis stock. With surprisingly defensive stats, it could well be the one to shake out once the dust settles on this dynamic new industry. However, time will tell, and given Aphria's overvaluation, the potential profit margin here may be narrower than for stocks like VIVO Cannabis.

## The bottom line

Debt-free weed ticker HEXO has seen more inside selling than buying in the last three months, but are those insider investors right to sell? While it's already well known that Aphria has what it takes to go up against more traditional growth sectors on the TSX index, VIVO Cannabis's attractive valuation comes as a surprise and suggests that value opportunities still exist in the legal marijuana space.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:HEXO (HEXO Corp.)

### PARTNER-FEEDS

1. Msn
2. Newscred
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