Marijuana's Next Ally? Look No Further Than the Big Six

Description

Can you name one way in which Canadian banks definitively have the edge over their U.S. counterparts? Try involvement and working knowledge with legal weed. American banks have next to no experience in the legal marijuana sector, while Canadian banks have been scoring points for servicing some of the country's best producers of the sticky green stuff over the past 12-18 months.

Are the Big Six the next unlikely weed allies?

While far from being partners, **Bank of Montreal** (TSX:BMO)(NYSE:BMO) financed big player **Canopy Growth** (TSX:WEED)(NYSE:CGC) around this time last year, and has since gotten involved with other growers, while **Scotiabank** and at least one other Big Six player have been on hand to dish tea on proposed takeovers.

Are bank stock this year's big-name brewers, then? Not quite, but while last year saw some interesting deals being made between beer producers and the growing marijuana industry, stocks like BMO could end up being interesting plays for a marijuana bull light on financials and looking for a (very) indirect exposure to the green gold rush. While it's certainly a reach, the connection is certainly there, however tenuous.

But what are BMO's stats like right now? In fairness, they're steady, if underwhelming; it says something about an industry when a stock returning 6.2% in a year can be called "outperforming," but there you go. Canadian banking isn't known for its momentum, and that's probably the way it should be; however, even after adding dividends, those returns only total 10.4%. Still, with a 27% discount and below-market fundamentals, this 3.91% dividend yield payer is solid.

How are marijuana stocks themselves looking right now?

At the end of last week, **Aphria** (TSX:APHA)(NYSE:APHA) was sitting pretty with five-day gains of 7.78%, putting its stock well in the lead when it comes to positive share price fluctuations. However, at the time of writing, this pot fans' favourite has seen a drop of 3.16% at the close of business. With one-year returns of 31.7%, Aphria is a moderately strong buy with a range of decent stats.

For instance, take that one-year past earnings growth of 251.7%. A track record like that pairs nicely with a squeaky-clean balance sheet (see comparative debt of 3.1% of net worth), while a P/E of 33.5 times earnings and P/B of 1.9 times book shows fairly good value for a weed stock.

Meanwhile, at one point last week, **Tilray** (NASDAQ:TLRY) had a five-day loss of 9.13%, indicating that the NASDAQ's great green hope has been having a tough time of it of late. While an 87.7% expected annual growth in earnings might be a draw for growth investors, a P/B of 28.1 times book is unacceptably high, however, and may signify a risky investment at this point in time.

The bottom line

Weed bulls may want to sell tanking Tilray and buy something with more upward momentum, such as Canopy Growth. Widely regarded as one of the premier weed stocks on the TSX index, Canopy Growth's outstanding one-year returns of 109.5%. Its P/B of 2.8 times book is more reasonable, while a 108.4% expected annual growth in earnings is significantly high.

CATEGORY

1. Bank Stocks
2. Cannabis Stocks
3. Dividend Stocks
4. Investing
5. Stocks for Beginners

POST TAG

1. Cannabis
2. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:TLRY (Tilray)
3. NYSE:BMO (Bank of Montreal)
4. TSX:BMO (Bank Of Montreal)
5. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks

2. Cannabis Stocks
3. Dividend Stocks
4. Investing
5. Stocks for Beginners

Tags

1. Cannabis
2. Editor's Choice

Date
2025/08/22
Date Created
2019/04/11
Author
vhetherington