How Do Stocks Like Canopy Growth (TSX:WEED) Continue to Defy Gravity?

Description

What is a gravity-defying stock? Simply put, it's any stock that can continue to grow, and grow, and keep on growing no matter how many analysts say that it's peaked. Examples included some of the much sought-after FAANGs of the NASDAQ, as well as some Canadian marijuana stocks. Let's take a quick look at a few tickers with seemingly endless upward momentum and see what they have in common.

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

Up 2.68% at the time of writing, this stock is exemplary of the kind of upside with which Canadian cannabis stocks are able to reward traders. Its 81.5% year-on-year returns crushed the Canadian pharma industry, to which weed stocks technically belong, which collectively brought in just 4% for the same period.

While a spurt of insider selling between the last six to nine months saw over 800,000 shares go back into circulation, stock in Canopy Growth continues to rise. Overvalued by about five time its future cash flow value and with a P/B of 2.6 times book, it's a high-octane option, with a 112.1% expected annual growth in earnings on the way.

Netflix (NASDAQ:NFLX)

Fans of this ticker never seem to give up; even in the face of stiff competition, there's a lot of loyalty here. The reason for this is that, even with **Disney** and **Apple** entering the fray, Netflix is likely to continue to dominate on-demand entertainment — a space which has near-infinite potential — by offering a wider range of content than its peers.

While returns of 7% underperformed the U.S. entertainment industry, which itself reeled in 14.8%, Netflix pulled in a one-year past earnings growth of 116.7%, while a 30.5% expected annual growth in earnings looks set to continue this upwards trend. It market ratios are high (see a P/E of 129.2 times earnings and P/B of 30 times book), though its future cash flow value is likely to be 23% higher than the current valuation.

Tesla (NASDAQ:TSLA)

Again, as with Netflix, Tesla shareholders just don't quit. In terms of future cash flow value projected over the next 10 years, Tesla is set to trade at over 50% of its current share price, meaning that, even with a P/B of 9.6 times book, this stock is still technically better value than it looks. Indeed, with a 54.2% expected annual growth in earnings over the next one to three years, the math says there is still upside to be had.

Up 2.62%, Tesla is as popular as ever. Does the rise in share price reflect the extra exposure from sister company SpaceX? It's possible that the successful launch of Falcon Heavy last week lent Tesla a little extra albedo. Whether or not this is the case, however, both Tesla's stock and the electric vehicles it produces are seen as strong long-term investments.

The bottom line

A loyal fan base, an exciting product or service, and a large market share seem to be the key indicators of a stock that can keep growing indefinitely. Next time you're looking for a stock that will continue to reward with upside no matter at which level you enter, watch for those characteristics in connection with a general upward trend in share price, and you could have a gravity-defying investment on your hands.

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Date
2025/08/27
Date Created
2019/04/18
Author
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