



1 Cannabis Stock You Should Buy Now and 1 You Need to Sell

Description

It's time to start getting picky about pot stocks.

The dust certainly hasn't settled yet, though there has been a bit of mellowing out around the marijuana sector. After record highs came some lows, and now investors need to start getting serious about where certain stocks are headed. Hopefully, it's in an upward direction.

But that means these stocks have a lot to prove. Honestly, I'm not going to waste your time talking about the heavy hitters. I'll look at one stock opportunity and another stock that I don't see the brightest of futures for.

Green Organic Dutchman

Green Organic Dutchman (TSX:TGOD) may be a smaller marijuana company, but it's been making some major moves recently. Now, before I get into them, I want to warn that I don't think this is a buy-and-hold-for-years type of stock. Green Organic is just in a place where it's the right time to buy before some major growth and then sell it.

That growth is coming from a few announcements from the company. Most recently, it announced its entrance into the U.S. market by becoming a "co-founding investor and strategic partner in the newly formed Califormulations LLC" to create hemp-derived cannabis beverages.

This came not long after another announcement that the company has reached a settlement with Hamilton City Council on its greenhouse facility in Ancaster, Ontario. The company will now be able to grow 17,500 kilograms of cannabis per year. On top of that, Green Organic opened its second legal cannabis [retail store in Jamaica](#) on May 4 in Montego Bay: a popular tourist destination.

Needless to say, this stock is therefore undervalued at its share price of about \$4.25 at the time of writing. It's dropped by about half since its peak last September, and analysts think it's due to get back to that range, if not surpass it, in the next 12 months alone. That makes now an ideal buying opportunity in the short term.

Cronos

Often touted as the cannabis company with the most cash, **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)), in my view, has hit its peak. That peak was in March, when the company's shares were just shy of hitting \$29 per share and have been dropping ever since to where they sit at the time of writing at \$21 per share.

The excitement of last fall has just fallen to the wayside for this stock. After a strong year, the company boasted year-on-year returns of 201.8% recently and was strengthened by its [\\$2.4 billion investment from Altria](#). But the stock is now seen as overvalued, selling at eight times its future cash flow, 18.8 times its book value, and 79% expected annual growth in earnings.

Don't get me wrong; the company still has a few tricks up its sleeve. For instance, it recently announced the expansion of its global infrastructure network to include a cannabinoid device research and development facility in Israel to develop the next generation of vaporizer products, specifically for cannabis use.

Then, of course, there's that investment from Altria and what the company is going to do with it. A new vaporizer is nice, but there has to be more, doesn't there? The company should be proving to investors that it will boost production, diversify its products, and build its brand through acquisitions. But it's been all quiet from this company.

One could argue that means the news will be coming in the future, but analysts aren't so sure. As it stands, the company, even with all this cash, might be able to produce 120,000 kilos of production. Other top-tier cannabis producers are double, triple, and even beyond that.

So, while sales should continue to grow, and some news could be coming down the pipe, I'd say if you haven't sold Cronos already, now is the time to do it. The next 12 months don't look all that promising, with the top end of analyst prediction perhaps reaching \$30 per share.

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