



## Here's Why You Don't Need to Make That Extra Marijuana Investment

### Description

If you already own shares in high-flying weed producer **Aphria** (TSX:APHA)(NYSE:APHA), you may not need to invest in the competitor listed below. Let's take a closer look at the data and the outlooks for both stocks and see why this might be the case.

### A quality cannabis producer with a focus on Canada

For starters, Aphria is looking like it's going to be a stock to hold for the long term, since its focus on Canada gives it an edge that some other leading [cannabis producers](#) do not. How so? Basically, Aphria's determination to grow its domestic market, rather than push aggressive advances into the U.S., mean a streamlined mode of operations and a potentially less-volatile investment since fewer moving parts are involved.

Aphria's beta of 3.09 relative to the TSX index as a whole is lower than some other marijuana producers' betas, including that of the following stock. It also has a lower P/B than the following cannabis stock, which, at 1.4 times book, is surprisingly good value for money in this space in terms of assets. The main reason why shareholders may want to stay invested, though, is a whopping 129% annual growth in earnings, making for a stock that's going all the way to the top.

### The case against swapping those weed stocks

Down 5.48% in the last five days at the time of writing, shareholders are not exactly rewarding **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) at the moment. Indeed, following the backwards and forwards conversation regarding the latest big deal in the press, [Canopy Growth](#) seems to be worrying the sector right at a time when "risky" investments are out of vogue.

While returns of 84.1% for the past year smashed the Canadian pharma average (if this can indeed be considered marijuana's closest comparative industry), which itself returned 11.2% over the same 12-month period, there are a few reasons why Canopy Growth is not looking like the superior stock at the moment.

First, selling at several times its future cash flow value with a P/B of 2.9 times book, it's an expensive stock that would require a significant outlay, while obviously offering less margin for upside than an investment in a cheaper marijuana producer would.

Second, while still well within the low risk threshold, Canopy Growth's level of debt compared to net worth is inching up. At 10.7% of net worth, it's not too much to worry about just at the moment, but interested would-be shareholders should keep an eye on this trend. Lastly, though significantly high, its 64.5% expected growth in earnings is lower than Aphria's.

## The bottom line

While short-term investors in Canadian cannabis have figured out how to make money with legal weed stocks, longer-range value investors may still be wondering what all the fuss is about. What will P/E ratios look like for such stocks once these companies become as solvent as some other growth investment types on the TSX index? Until such ratios are available, the longer-term investor adamant to hold weed stocks should go through what data does exist with a fine-toothed comb.

### CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

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