Buy This, Not That: Energy vs. Marijuana

Description

Choosing to invest in industry leaders for massive gains can be confusing at times. Cannabis companies have been hogging the headlines lately, but the energy sector has been given lesser coverage.

However, if it's a choice between **Fortis** (TSX:FTS)(NYSE:FTS) and **Canopy Growth** (TSX:WEED)(NYSE:CGC), it's no contest. I would handily pick the leading North American utility company over the all-hyped-up cannabis producer champion.

Cracks are showing

Investors have been waiting too long for Canadian cannabis producers to report profits — particularly Canopy Growth. The public has been regaled with news of ramping production capacity, strategic acquisitions to build scale, and establishing an international presence. But the promised massive gains are nowhere.

Now the cracks are showing in Canopy Growth. It seems that **Constellation Brands**, the partner with $4 billion investment at stake, is the first to lose patience. Canopy Growth's board, dominated by the American alcoholic beverage maker's appointees, gave the chairman and co-CEO the boot.

Canopy Growth's CEO/chairman Bruce Linton was not invited to attend the emergency company board meeting held on July 4. The board announced that co-CEO Mark Zekulin will take charge and Linton would be stepping down. Linton confirmed afterward he was terminated.

Constellation Brands feels the company's value is being eroded by the magnitude of Canopy Growth's losses. The beer brewer has had enough of the free-wheeling spending and wants to take the road to profitability. So, a decision was reached to find a permanent replacement for Linton.

I wouldn't bet on Canopy Growth right now.

Real, not hypothetical, gains

Fortis far outranks Canopy Growth as an investment prospect. The $22.4 billion regulated utility company will not stumble like the $18 billion cannabis producer. By simply looking at the full-year 2018 revenue and net income of the two companies, Fortis is the overwhelming choice.

The company’s top line is $8.4 billion with net income of $1.2 billion. Canopy Growth’s revenue last year soared by 190.4% to $226.3 million, but losses magnified by 874.9% to $670.1 million. Investing in Fortis is not speculative. You will see tangible results and be compensated with real gains.

Fortis is a high-quality investment. The company is well established in the regulated gas and electric utility industry. It has a presence in 17 jurisdictions from Canada to the United States and the Caribbean.

Fortis’s expansion and diversification continue, which is creating multiple growth opportunities. There will be more added to the $53 billion assets. But the main attraction to investors is the 45 consecutive years of dividend increases. The current dividend yield is 3.5%, but the plan is to achieve a 6% annual average growth through 2023.

As of this writing, the price of Fortis is $52.19, while Canopy Growth is trading at $53.07. It will take the cannabis leader years to achieve full potential, or maybe it won’t at all. For Fortis, expect decades of superior growth returns the minute you invest.

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