



Which Marijuana Stock Is the Best to Hold in This Bearish Spell?

Description

After a remarkable start to the year, the world's [best marijuana stocks](#) are coming under pressure. A sudden change in investors' hearts is causing widespread losses in some high-flying marijuana stocks and making long-term investors nervous.

According to a recent report in *Bloomberg*, the biggest factor that's triggered the latest spell of sell-off is investors' concern about the future profitability. Investors now have started to judge their investments by profitability instead of hype created after the Canadian legalization.

Of the five largest Canadian pot companies, only **Cronos Group** is expected to report adjusted net income by the final quarter of the year, according to *Bloomberg* data.

"There's also the fear of writedowns related to inventory not ready for sale, which could be of low quality and ultimately not usable for either the dried flower or extraction market," the report said, citing **BMO** analyst Tamy Chen.

Some companies — including Canopy, **Aurora Cannabis**, and **Aphria** — also carry high levels of goodwill due to their "aggressive pace of acquisitions at prices above book value," increasing the likelihood of a writedown, said Bloomberg Intelligence analyst Kenneth Shea.

Cutting marijuana risks

In this environment of uncertainty and fear, it's a good time for retail investors to review their investment portfolio and reduce risks in the marijuana space. One way to do that is stick with the strongest names, backed by deep-pocketed investors.

One name that stands out in this group is **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), which has alcohol giant **Constellation Brands** as its main shareholder with about 36% of stake and a majority of its board seats.

[Canopy is under pressure](#) after reporting \$323 million in the quarter ended March 31 that prompted Constellation Brands to force Canopy's CEO departure. The move certainly made investors nervous and caused an approximate 19% plunge in its stock in the past couple of weeks. No doubt that

development has clouded the short-term outlook for the stock, but I continue to see a long-term value in this top marijuana stock.

Canopy Growth is well on track to reach new highs due to the company's solid growth plans. What makes Canopy different from other producers is its market size, capacity to ramp up production, and diversity of product offerings, alongside its international reach.

Bottom line

Trading at \$46.07, Canopy Growth stock is selling much cheaper than its April level when it crossed \$70 a share. Investors who were waiting on the sidelines could take this weakness a buying opportunity.

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