These Canadian Cannabis Stocks Are Tumbling Today, But Should You Buy?

Description

There's no doubt that the cannabis industry has been an exciting one over the last two years. Canadians who invested in some of the biggest companies have seen in some cases double, or even triple-digit growth.

However, this industry has recently slowed down, making many question not only whether there are new opportunities to invest in the cannabis industry, but also whether they should be investing in the cannabis industry at all.

Personally, I take the opportunity side, but only with a select few stocks. While there are plenty of cannabis stocks out there, and still some room for quick growth, if you're looking for a long-term investment, then I would stick to the strongest in the pot producing business.

Aurora Cannabis

The reason I like **Aurora Cannabis Inc.** (TSX:ACB)(NYSE:ACB) is two-fold. First, it's become the most international cannabis company out there, with a presence in about 25 countries as of writing.

Second, the company is setting up to produce the most amount of cannabis at the cheapest cost. Aurora currently produces 650,000 kilograms of cannabis annually for $1.92 cost of sales per gram, with a solid goal of $1 per gram, which is well below the industry average.

But the main problem with the stock is its dilution of shareholders' funds. This has its good and bad side. The company doesn't have a brand-name partnership supplying it with funds to make acquisitions and set up production, so it uses shareholder funds.

However, this also means that there's no company behind the scenes pulling strings.

For the long-term investor, this stock looks crazy cheap at $9.64 at writing given its immense future potential to become of the top pot producers in the world. Therefore, I strongly believe it's a buy.

CannTrust

Another company on the investor radar is **CannTrust Holdings Inc.** (TSX:TRST)(NYSE:CTST), a company that unfortunately has hit the headlines as Health Canada identified compliance breaches in its operations.

The news saw the stock price plunge from $13.45 to where it is at writing — 72% lower at $3.69 per share.

The question now is whether this provides investors with an opportunity to buy up this stock for crazy cheap. On the one hand, CannTrust is a low-cost producer at $3.03 per gram – which, while higher than Aurora, is still low.

This profitability should only increase as the company's outdoor cultivation starts up. But on the other hand, that's *if* the company can start up. CannTrust could inevitably lose its license from the setback, meaning that the stock could drop to $1 per share or lower.

Even if it doesn't, the company will have a lot to prove to investors over the coming months.

Personally, I would wait on this stock to find out a few things — first, whether its license will be revoked – and second, what management is going to do moving forward. Management seemed to suggest they knew about the problems, but went ahead anyway.

So I wouldn't be surprised if there was some stepping down within the company. Therefore, this stock isn't a buy in my books.

Foolish takeaway

There are opportunities around every corner, especially in the cannabis industry. The key is to be patient, do your research, and see whether these companies are setting up for long-term growth, or cutting corners for a quick buck.

In this case, I would take Aurora over CannTrust any day of the week, even at such a low share price.

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Date
2025/08/27
Date Created
2019/07/19
Author
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