2 TSX Marijuana Stocks That Have Gotten Extremely Cheap

Description

It's been a tough summer for the marijuana industry, with **Horizons Medical Marijuana Life Sciences ETF** falling 11.5% so far since June. Although the selloff in marijuana stocks as a whole has been pronounced, some have been hit harder than others, with **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) down 57% year to date. Reasons given for the sector-wide selloff include disappointing earnings reports from major producers and increasing regulatory scrutiny on the industry.

While the weed selloff has hit many investors hard, it has also made certain marijuana stocks cheaper than ever before. In particular, some weed stocks that have come under scrutiny are now trading at price-to-book value multiples that are within the realm of sanity. The following are two that you can scoop up right now for cheaper than most other weed stocks.

Aphria

Aphria (TSX:APHA)(NYSE:APHA) is Canada's third-largest weed producer by revenue. Its stock is down 11.7% this year, despite some incredible growth results, and may be undervalued by some metrics.

In its most recent quarter, Aphria grew its revenue by 617% and its gross profit by 101%. Although net income came in at a massive $108 million loss, it was influenced by non-cash factors, including a $9 million loss on the fair value of biological assets. The operating loss was much smaller at $89 million.

With a price-to-book ratio of 1.03 as of this writing, Aphria is extremely cheap for a marijuana stock.

CannTrust

Through its short history, CannTrust has been one of the more profitable TSX marijuana stocks, posting positive net *and* operating income. In its second-most-recent quarter, it posted net income of $6.8 million and operating income of $9.2 million. More recently, those figures swung to losses after CannTrust began investing more heavily in growth. However, it's still undeniable that CannTrust has historically been one of the more profitable marijuana producers.

Recently, TRST shares started tumbling after it was revealed that Health Canada had put a hold on CannTrust's inventory due to unlicensed growing. The company admitted to its error and has committed to improved regulatory compliance going forward.

Health Canada's hold on CannTrust's inventory amounted to 5,000 kg in total. The company is still able to produce marijuana and will be able to sell weed that did not originate from the unlicensed rooms that triggered the regulatory clampdown.

Assuming that no further Health Canada drama is forthcoming, CannTrust should bounce back from its current woes. That's no guarantee, but if the current issues are smoothed out, then CannTrust could eventually prove to have been a bargain at current prices. With a price-to-sales ratio of 7.02 and an estimated forward P/E of 15, it's easily the cheapest TSX marijuana stock right now. Just keep in mind that this stock has gotten cheap for a good reason, and there could be more pain ahead.

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