



Grading the Top 5 Marijuana Stocks

Description

The anniversary of the Cannabis Act is a few months away. Despite the twists and turns that have emerged, investors remain passionate about the marijuana industry.

Today, at the halfway mark of 2019, let's grade the top five marijuana stocks.

The “dawn”

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) is living up to its name. The company's name derives from the Latin word *aurora*, which means “dawn.” Yes, the largest cannabis producer is seeing the break of day and is the [brightest spot](#) in the sector at the moment.

Even without a wealthy and strategic partner, Aurora has the best chances of clinching industry leadership. The company's production profile is unrivaled. Aurora expects to reach an annual run rate of 625,000 kilograms of cannabis.

The huge volume can win a significant share of the recreational marijuana market and a lion's share of the high-value medical marijuana market. Further, Aurora has the largest international footprint with sales and operations in 23 countries. The stock could finish 2019 stronger with the expected profits in the fourth quarter.

Grade: A-

Giant downgrade

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) should be grateful as investors still have high hopes for the largest weed company by market cap. The firing of Bruce Linton as CEO in early July caused the stock to tumble. WEED is now down by 17.6% since the company founder's [unceremonious departure](#).

Investors believe that Canopy's partner, **Constellation Brands**, will be a factor in turning things

around and end the cannabis producer's struggle with profitability.

Everyone is eagerly awaiting Canopy's first-quarter fiscal 2020 ended June 30, 2019. The company will present the quarterly financials on August 14, 2019. The results will have a material bearing on the stock.

Grade: B

Surprise upgrade

It's good to note that the cannabis companies involved in the latest scandals or controversies don't include **Aphria** (TSX:APHA)(NYSE:APHA). The company has a fair share of negative publicity in recent months. But the stock should pick up as Aphria has leveled up to become the first weed company to turn a profit.

The company reported \$18.5 million recreational cannabis sales for the second quarter of 2019, which represents a 158% jump from the previous quarter. Aphria projects \$650-\$700 million in revenue in fiscal 2020. The earnings for the quarter ended May 31, 2019, reaching \$129 million, which beat the consensus estimate.

There is no immediate plan to replace Aphria's interim CEO, Irwin Simon. The company will continue to build partnerships and alliances in the U.S. to establish a presence in the CBD market there. Aphria's goal is to generate \$1 billion in annualized revenue by the end of 2020.

Grade: B

Valuation issues

I would have to lump together **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) and **Cronos** ([TSX:CRON](#))([NASDAQ:CRON](#)) because both companies have valuation issues.

Hexo's valuation has diminished following the stock's free fall. But the stock can bounce back with the 20,000 kg, long-term supply contract with the province of Quebec. The joint venture with **Molson Coors Brewing** could also help capture a bigger slice of the cannabis-infused beverage market.

Cronos appears overvalued. The \$6 billion cannabis firm can produce 200,000 kg annually, which is just a little more than what the \$1.3 billion Hexo can yield. In addition, market analysts see the partnership with tobacco-maker **Altria** as a nonsensical synergy. The bullish sentiment has dissipated.

Grade: C-

The top five marijuana stocks earned passing marks at the halfway point of 2019. It's not too late for grades to improve as the year-end approaches.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. NASDAQ:HEXO (HEXO Corp.)
5. TSX:ACB (Aurora Cannabis)
6. TSX:CRON (Cronos Group)
7. TSX:HEXO (HEXO Corp.)
8. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/23

Date Created

2019/08/06

Author

cliew

default watermark

default watermark