



2 Oversold Pot Stocks

Description

Cannabis stocks have been throttled in the summer. There have been several factors that have [contributed to this decline](#). The largest licensed producers have posted disappointing earnings, which were anticipated by industry experts. More distressing has been the handling of recreational legalization in Canada. Governments have dragged their feet in issuing brick-and-mortar licences in the largest provinces, and the black market is beginning to gain ground due to accessibility and price advantages.

There is some good news on the way in the sector. Edibles are set for legalization in Canada by the middle of October, which sets up an additional revenue stream for producers. This is a big step forward for the second equity we will cover today, which is a newcomer in this space.

Both stocks I will look at today have succumbed to turbulence in this sector and due to broader volatility. Is this a buy-low opportunity? Let's dive in.

Canopy Growth

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is the largest cannabis company by market cap on the TSX. Shares have dropped 9.4% in 2019 as of close on August 26. The stock has plunged 44% over the past three months. Shares dipped after the release of its first-quarter fiscal 2020 results.

The company estimated that it is still three to five years away from profitability after revenue fell 4% from the previous quarter to \$90.5 million. Canopy is ramping up production, but the sales growth numbers have not been there in the back half of FY 2019 or Q1 FY 2020. Fortunately, Canopy is investing heavily in products like beverages, edibles, and vaporizers, which will enter the legal market in the coming months. Patient investors will need to stomach a period of adjustment for Canopy and other producers.

Shares of Canopy had an RSI of 23 as of close on August 26. This puts the stock in technically oversold territory. It is still hovering around a 52-week low at the time of this writing.

Molson Coors

Molson Coors ([TSX:TPX.B](#))([NYSE:TAP](#)) is an alcoholic beverage company that recently dipped its toes into the cannabis space. It partnered with **HEXO** to produce cannabis-infused beverages, which customers should see launch in the coming months. Shares of Molson Coors have also dropped 9.4% so far this year.

The company reported a 4.4% year-over-year decline in net sales in the second quarter of 2019. All its major segments posted declines, led by a 13.3% sales decline in its International segment. Its growth struggles have led to Molson exploring different avenues, one being the cannabis space. Truss, its cannabis-infused beverage, will launch this fall. Cannabis-infused beverages have grown popular in U.S. states where recreational use is legal, while alcohol sales have remained mostly undented.

Molson Coors stock had an RSI of 37 as of close on August 26, putting shares a bit outside technically oversold territory. Still, shares have a favourable price-to-earnings ratio of 12.8 and a price-to-book ratio of 0.8 at the time of this writing. I like the stock ahead of cannabis edible legalization.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:TAP (Molson Coors Beverage Company)
3. TSX:TPX.B (Molson Coors Canada Inc.)
4. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/08/18

Date Created

2019/08/27

Author

aocallaghan

default watermark

default watermark