2 Marijuana Stocks That Could Double by Year-End

Description

The marijuana market is hungover again, but if you've been following the nascent industry since the early pre-legalization era, you'd know that such times are among the best times to be a buyer.

The **CannTrust Holdings** fiasco has caused many investors to be wary of the entire sector as a whole lately. Nobody wants to lose their shirt on a whim due to some impossible-to-foresee isolated event.

While the odds of such a single disastrous event are significantly decreased with larger, better-known pot stocks, the well-established cannabis behemoths still trade as though they're spoiled because of the one bad apple (CannTrust) that's been wrongfully associated with them.

Without further ado, here are two top cannabis plays I'd buy on the dip.

Aurora Cannabis

Aurora Cannabis (TSX:ACB)(NYSE:ACB) had its fair share of controversy back in the pre-legalization era when management was going "nuts" with its fast and furious acquisition spree that was highly dilutive to shareholders.

While the moves were unideal for investors at the time, there were no signs of fraud, and the stock had taken a big hit to the chin to adjust for the untimely moves made by management.

Fast forward to today, and Aurora is proving its doubters wrong with astounding growth numbers, while expanding its low-cost production into foreign markets such as Denmark, Uruguay, and Portugal. The company expects to post over $100 million in net revenue, more than five times higher than the same quarter last year.

Add Aurora's focus on lowering the cost per gram of marijuana into the equation, and you've got a company that's positioned to take on the industry by storm.

Canopy Growth

Canopy Growth (TSX:WEED)(NYSE:CGC) has been leading the downward charge in the latest industry-wide pullback. The company delivered a one-two punch to the gut of investors with steeper losses and weaker margins.

Canopy appears to be headed in the wrong direction and is moving further away from the path to profitability. With no Bruce Linton at the helm to shoot down profitability concerns, investors have been ditching the stock to the curb over near-term results that I believe are nothing more than a blip in the grander scheme of things, rather than a start of a trend that'll lead to numbers that'll fall deeper into the red.

You see, Canopy is spending cash at a rampant rate to finance facilities that have yet to come online. As you'd expect, such expenses would stand to erode margins, but all investors seem to care about is getting closer to the green, even if it's at the cost of long-term growth.

Management emphasized that its margins will be back in the 40% range by the conclusion of fiscal 2020. However, most investors either don't appear to be willing to wait it out or are not buying into management's commentary, which I don't think is overly optimistic whatsoever.

Although Linton's firing (the Linton hangover) will act as an overhang on Canopy stock, I think there's a highly favourable risk/reward trade-off for those willing to go against the grain.

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