



2 Top Pot Stocks to Buy Before the End of 2019

Description

The burgeoning legal cannabis industry has been under considerable pressure in recent months, as a slew of disappointing results, regulatory investigations, and claims of fraud have led investors to believe that the pot bubble has burst.

Industry leader **Canopy Growth** has seen its stock plunge by 54% over the last year, while other industry heavyweight **Aphria** (TSX:APHA)(NYSE:APHA) has lost a similar amount.

This shouldn't deter investors from bolstering their exposure to the emerging global legal cannabis industry, which analysts estimate is worth anywhere up to US\$66 billion by 2025.

There is every sign that there will eventually be a push for consolidation in the industry, as regulators crack down on non-compliant operators, and major players push to acquire smaller cultivators as they expand their operational footprint.

Let's take a closer look at two pot stocks you should consider.

Leading cultivator's surprise profit

Aphria defied analysts and reported a surprise fiscal fourth-quarter 2019 profit of almost \$16 million compared to a \$5 million loss for the same period in 2018. That came on after a significant increase in recreational cannabis sales with revenue from adult use cannabis more than doubling year over year to \$18.5 million.

Aphria also boosted its profitability by reducing costs, reporting all-in sustaining costs of \$2.35 per gram of cannabis sold, which was 18% lower than a year earlier.

The company's focus on expanding its Canadian cultivating footprint to allow the production of 255,000 kilograms of cannabis annually. When combined with Aphria's ongoing development of its distribution network and push to become a leading medical marijuana company in one of Europe's most lucrative markets, Germany, it is clear that earnings will keep growing.

Aphria's [attractiveness](#) is underscored by it trading at lower multiples than many of its peers, including trading at 32 times forecast earnings and nine times sales. For these reasons, now is the time to buy Aphria.

Newly listed Colombian pot stock

Since [listing](#) on the TSX on July 18, 2019, Colombian cannabis company **Avicanna** ([TSX:AVCN](#)) has seen its stock plunge by 40%, creating a handy entry point for investors.

Avicanna is a biopharmaceutical company developing, manufacturing, and commercializing cannabis plant-derived cannabinoid products for medical and health applications. It owns controlling interests in two Colombian subsidiaries located near Santa Marta Colombia, which, combined, have 290,000 square feet of cultivating footprint.

Importantly, Avicanna has completed the registration of one non-psychoactive and three psychoactive cannabis strains with the Colombian Agricultural Institute and has submitted another 15 applications for registration. This is an important step, because it allows Avicanna to commence commercial cultivation and export of cannabis oil.

Health Canada has issued three authorizations to the company allowing it to import CBD isolates and cannabis resin into Canada from Colombia for scientific purposes.

At the end of August 2019, Avicanna completed its first export of purified cannabidiol from Colombia to Canada, which is an important step in progressing Avicanna's operations to commercial production.

Avicanna conducts its research and development activities out of its headquarters in Toronto, and it has access to a Health Canada GMP-certified manufacturing facility to produce its cannabis-based health and beauty products.

This gives it the advantage of being able to access the lower costs associated with cannabis cultivation in Colombia while accessing the burgeoning Canadian market with a product manufactured to Canadian standards.

Foolish takeaway

Both cannabis companies are attractively valued and provide an opportunity for investors to access the flourishing global legal cannabis market with an emphasis on medical applications.

The impending legalization of marijuana derivative products, including edibles later this year, will give cannabis stocks a boost and lead to ever-greater demand for the flower as well as oils in a market already experiencing supply constraints.

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