Two Cannabis Penny Stocks to Consider Buying

Description

Some cannabis companies have already made a few lucky investors rich. For instance, **Canopy Growth Corp** (TSX:WEED)(NYSE:CGC) was worth just a couple of dollars in early 2016, but the firm's shares are now worth about $35 (at writing). You aren't likely to find such returns in many places on equity markets, or anywhere else for that matter. There are currently dozens of cannabis stocks that are trading for a couple of bucks or so, but two that stand out are Canopy Growth's spin off **Canopy Rivers** (TSXV:RIV) and **Flowr Corp** (TSXV:FLWR). Here is why.

default watermark

Diversified operations

Canopy Rivers is a bit of a venture capital firm that specializes in the cannabis market. The company was originally created to land potential lucrative investing opportunities for Canopy Growth. Given the bright future of the industry, more and more marijuana companies are being formed, and there is no shortage of would-be partners for Canopy Rivers. However, the majority of new ventures fail, which puts an enormous amount of pressure on the company. The firm's deal team spends hours upon hours considering diverse options. According to Canopy Rivers' CEO, Narbe Alexandrian, the company has reviewed over 1,500 pitches in the past year.

Canopy Rivers' portfolio of partners isn't huge yet, which perhaps speaks to the company's careful approach. The 18 investments the firm has made so far include companies that focus on the hemp cultivation and extraction business, others that make edibles and cannabis-infused beverages, and still others that focus on beauty products, and many more. That may be Canopy Rivers' greatest strength: its diversification across the entire cannabis industry. While the fate of pure play marijuana companies is tied to a few segments of the market, Canopy's wide-reaching operation means the firm is less likely to incur significant losses as a result of stagnant sales in any particular sectors of the market.

Premium cannabis

Flowr Corp has a simple vision: to make premium cannabis accessible to as many people as possible. The firm's strategy is to grow high-quality dried flower marijuana, which should allow the company to price its recreational products at a premium. In a market in which a supply glut risks dragging down sales and margins, Flowr Corp's approach seems like a good idea. The company is also active in the medical segment of the market. Though Flowr Corp's current production capacity isn't impressive, the firm recently acquired the remaining shares of Holigen — a company in which it already had a 20% stake — in a cash and stock deal. This deal will allow Flowr Corp to reach a production capacity of about 500,000 kilograms when operating at full capacity, which should put the firm among the top companies in this category. If Flowr Corp can keep pricing its high-quality products at a healthy premium while increasing its production capacity, the company's top line could continue growing at a nice clip.

The bottom line

Both Canopy Rivers and Flowr Corp aren't too far removed from "startup" status, but then again that's true of much of the marijuana industry. Despite the risk involved, though, both companies could end up being winners in the long run. While it may be too early to pull the trigger, I would keep my eyes on them.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

default watermark

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)
2. TSXV:FLWR (Flowr)

PARTNER-FEEDS

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

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date
2025/08/26
Date Created

2019/09/15
Author
pbakiny

default watermark

default watermark