



3 Beaten-Down Marijuana Stocks: Great Time to Buy?

Description

2019 started as a year when the legal marijuana industry boomed. Canada's legalization of recreational use marijuana had a significant impact on improving the overall industry performance. The year has been a difficult one for the industry. A lot of substantial cannabis companies took hits, but the industry is showing positive signs.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC), **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)), and **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have all plunged this year. I think that if you want to make it big with weed stocks, you should be courageous. Let us take a look at the three beaten-down pot stocks to see if the recent plunge could make the companies excellent buying opportunities.

The largest pot company in Canada

Over the last few years, the cannabis industry has dipped several times. Headlines that suggested the cannabis industry bubble had burst were proven wrong. Companies like Canopy keep showing that the cannabis industry is here to stay. Over the past year, the majority of pot stocks have dropped by more than 50%, and Canopy is no stranger to these issues.

I feel that pot stocks like Canopy can have a higher price tag. The recent sell-off for Canopy suggests that there is room for correction upside. I cannot say this for a fact, but I feel that the company might not see profitability in the short term. Despite the margin pressures on the company right now, I think long-term investors should look at Canopy seriously.

The aspect of [legal edibles](#) coming into play soon will likely provide an industry-wide boost, and Canopy is well positioned to benefit from it.

What about Cronos?

Cronos has lost more than half its value since early March, and the short-term outlook on the company does not seem promising. The long-term prospects of Cronos Group, however, show a lot of promise.

A primary part of Cronos's strategy is that the company understands the production of cannabis might not be very profitable. Instead of focusing on the capacity that Cronos has itself, the company is looking to build a network of contract producers. Third-party supply can allow Cronos to enter differentiated and higher-margin cannabis product markets.

If you are looking for short-term revenue, Cronos is not a good option, in my opinion. Cronos's business model is not to be a farmer. The company believes that production capacity is a means to an end, not a driver for a company's value.

For all the patient investors, the company's business model might lead to profitability in the coming few years. I cannot say that I am certain about Cronos's long-term plans. Any splurge on acquisitions can put the company at risk. The price of the stock is very high at \$15.30 at the time of writing. I would suggest investing in Cronos if you can be patient.

Aurora's outlook

The legalization of cannabis edibles is likely to take place within a month from the time of writing. October 17 might sound like a similar date. On the same day in 2018, Canada legalized the sale of recreational marijuana. If you look at the past year, there is a [pattern](#) that we see in 2019 as well.

Most pot stocks plunged over 50% from their highs during the summers. The markets drove up pot stock prices in anticipation of Canada's legalization. Once the legalization took place, the industry suffered big drops again. We can see the same thing happening this year, and Aurora Cannabis is a clear example.

ACB touched \$6.09 per share in August 2018 before reaching \$13.71 in October 2018 — a 125% jump in a couple of months. At the time of writing, the price of Aurora's shares is \$7.87. Analysts are pegging the stock to go as high as \$12.58 per share. This anticipation implies an expected 62.5% upside from today's price.

While it might not be as strong an upside correction as last year's, Aurora is following a similar pattern and setting itself up for robust short-term performance.

Foolish takeaway

The pot industry is still speculative at its best. The marijuana industry trades on speculation and momentum. Traditional investors will likely stay away from all three stocks. Given the impending legalization, if you are an investor with a high-risk capacity, you could look at these three stocks closely.

CATEGORY

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2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. TSX:ACB (Aurora Cannabis)
5. TSX:CRON (Cronos Group)
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