



## Aurora Cannabis (TSX:ACB) Stock Failed the TSX 30 Grade

### Description

Canadian cannabis stocks were among the best-performing equity investments on the TSX and its junior **TSX Venture Exchange** over the past three years since 2016, but surprisingly, most marijuana names, including **Aurora Cannabis** ([TSX:ACB](#))([NYSE:ACB](#)) and **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) didn't make it onto the inaugural TSX 30.

On Thursday, the **Toronto Stock Exchange** announced its inaugural list of the top 30 best-performing stocks on the TSX in terms of total investor returns over a three-year period to June 30, 2019, which featured both newer and long established public companies on the largest local exchange. Only four of these were marijuana stocks, however.

**Canopy Growth** ruled the list at pole position with a 1,823% total investment return between June 30, 2016 and June 30, 2019, followed by tech darling **Shopify** at 883%, while **Village Farms** came in third at 868% total returns.

However, all of these top names' numbers were way below the best pot returns on the Toronto Stock Exchange during the period.

For some perspective, Aurora stock returned a whopping 2,080% during the period, while Cronos Group's equity return was up an eye-popping 10,400% during the specified three-year period.

Two other cannabis firms, **Aphria** (479%) and **Neptune Wellness Solutions** (322%) made it to the inaugural list.

### Why did pot champions fail to make the grade?

It all comes down to the subjective minimum selection criteria used for inclusion into the TSX 30 hall of fame.

The ranking was based on several key filters that included the following:

- Corporate operating business listed on TSX on June 30, 2019
- Listed on TSX for a minimum of 3 years or, if a TSXV graduate, a combination of TSX and TSXV for a minimum of three years with at least one year on the TSX
- Closing dividend-adjusted share price of at least \$0.50 on June 30, 2016
- Minimum market cap of \$50 million on June 30, 2016

The above minimum selection rules left just 583 companies that qualified for the 2019 TSX 30 ranking to allow even **The Boyd Group's** 126% return over the three-year period to rank 30th and insult **Hexo's** enviable 1,230% share price growth during the same period.

Aurora was a lousy penny stock during the first half of 2016, with shares trading around the \$0.37 per share mark, while Cronos Group shares asked for just \$0.20 each to open a long position. Thus, both tickers couldn't make it to the list based merely on the \$0.50 minimum trading price criteria.

## The big takeaways

Equity returns can be outsized if one gets in at the floor in a new industry that's about to take off, but investors' sometimes very limiting stock screens can exclude some very potent winning tickers from being considered for further due diligence.

If one was using the same screening parameters of minimum market capitalization \$50 million and a minimum trading price of \$0.50 per share, then ACB and its winning peer CRON were definitely dropped from the screen, yet they beat the TSX 30 best by wide margins over the past three years.

The two companies were just about to take off, the mainstream media was yet to discover them, but they were also yet to report significant business traction in terms of revenues and productive capacity growth.

ACB could only boast of just around 5,000 kilograms of potential marijuana annual productive capacity back then, which it achieved only later in 2017. Cronos Group is yet to be convinced on the capacity side, but a partnership with **Altria** and new [ground-breaking innovation](#) could help the company emerge among the best players in the nascent industry.

As a growth investor, be careful which parameters you select for your stock screens in case you miss great opportunities. Also, don't ignore the TSXV — an incubatory chamber for success stories.

That said, although small cap stocks can significantly outperform their larger peers, they are fickle beasts with a bigger share of investment risks and can wipe out an account before you know it. It's important to be very honest about one's personal risk tolerance thresholds.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

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## TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CRON (Cronos Group)
3. TSX:ACB (Aurora Cannabis)
4. TSX:CRON (Cronos Group)

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