



## 2 Beaten-Down Cannabis Stocks to Invest in During October 2019

### Description

Cannabis investments in September 2019 continued to decline in market value. The overall market was impacted by lacklustre quarterly results from marijuana giant **Aurora Cannabis**, regulatory issues plaguing **CannTrust**, and analyst downgrades for **Canopy Growth** and many peers.

Further, investor sentiment was high in the first week of September due to the upcoming legalization of edibles, vapes, and concentrates. However, this optimism soon turned into fear, as 14 deaths in the U.S. were attributed to the use of vaping products. Cannabis vapes were said to have caused one death.

This drove the demand of vaping products significantly lower in the United States. All major cannabis companies have invested in a slew of vaping products that might be disbarred from sales or will generate tepid demand due to health concerns.

Just when you thought that marijuana stocks had bottomed out, vaping allegations crushed several stocks last month. **Horizons Marijuana Life Sciences Index ETF** fell 12.5% in September 2019.

Here, we look at two cannabis stocks that will be good buys, as they are trading close to 52-week lows and might have overcorrected.

### OrganiGram Holdings

Shares of **OrganiGram Holdings** (TSXV:OGI) have declined by almost 14% in the last month. The stock is currently trading at \$4.75, which is 58% below its 52-week high. OGI shares have lost more than half its value since May this year.

But the recent pullback provides investors with an opportunity. OGI stock is trading at a forward price-to-earnings multiple of 24.2, which is a steal compared to peer cannabis companies. Analysts expect OGI earnings to fall by 38.5% in 2019 and then rise by 150% in 2020.

OGI is valued at \$742 million, or 10 times 2019 sales. Comparatively, Aurora Cannabis, Canopy

Growth, and **Hexo** are valued at 10.2 times, 17 times, and 22 times current-year sales.

OrganiGram will be increasing sales at a robust rate as well. Analysts expect sales to grow by 483.6% to \$72.54 million in 2019 and 115% to \$156 million in 2020.

The stock rose higher by 9.6% on September 5, 2019, after Oppenheimer analyst Rupesh Parikh [initiated coverage on OGI stock](#) with a “perform” rating.

OGI is one of four licensed cannabis producers with a distribution agreement in all 10 Canadian provinces.

## The Green Organic Dutchman

Shares of **The Green Organic Dutchman** (TSX:TGOD) have declined by 33% in the last month. The stock is currently trading at \$1.98, which is 71% below its 52-week high. TGOD shares have lost three-quarters of its value since cannabis stocks slumped last October.

So, why does TGOD continue to underperform cannabis peers? For one, investors were worried after Aurora Cannabis liquidated its 10.5% stake in TGOD in early September. Aurora also terminated its option to purchase 20% of TGOD’s cannabis production.

TGOD is valued at \$545 million, or 18.5 times 2019 sales. TGOD’s valuation is in line with cannabis peers. However, its growth estimates are far higher. Analysts expect TGOD to increase sales by 1,500% to \$29.88 million in 2019 and by 600% to \$208.3 million in 2020.

While OGI is already posting an adjusted net profit, TGOD is estimated to be profitable by the end of 2020. Analysts remain optimistic about OGI and TGOD. While OGI is trading at a discount of 81% to average analysts’ 12-month price targets, TGOD is trading at a discount of 114% to target estimates.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:OGI (OrganiGram)

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