These 3 Cannabis Stocks Are Looking Okay for 2020

Description

As it draws to a close, 2019 is not looking like a good year for cannabis stocks.

The **Horizons Medical Marijuana Life Sciences ETF** (TSX:HMMJ) declined 29% for the full year, and even more from its 52 week high. While individual marijuana stocks have varied greatly in their results, none of the large ones are up for the year.

The poor performance of cannabis this year could lead one to think that these stocks aren't worth buying. For the most part, I'm inclined to think that that's true. However, not all marijuana stocks are created equal.

As you're about to see, some marijuana stocks that have actually been doing OK recently–if not in the markets then at least in terms of the underlying company.

The following are three that may be 'not too terrible' for 2020.

Aphria Inc

Aphria Inc (TSX:APHA)(NYSE:APHA) is a top marijuana stock that recently posted two consecutive profitable quarters. This is a rare feet for a cannabis producer, and it's not the first time Aphria has posted profits either.

Aphria benefits from a number of factors that other marijuana producers can't boast.

First, it owns a distribution business (CC Pharma) that contributed $95 million in revenue in the most recent quarter.

Second, it has an investment portfolio that's more conventional securities than speculative weed plays.

Third, its cannabis operations are highly profitable even without the distribution business, making it profitable across both of its major operations.

Aurora Cannabis Inc

Aurora Cannabis Inc (TSX:ACB)(NYSE:ACB) is a cannabis stock that is currently second by market cap after Canopy.

The company is a big revenue earner, having brought in $98 million in its most recent quarter. On that revenue, the company had an adjusted EBITDA loss of $11.7 million–down 68% from the prior quarter.

In light of its losses, why should investors be enthusiastic about Aurora Cannabis?

Quite simply, it's the fact that those losses are getting smaller over time. As previously mentioned, Aurora's $11.7 million adjusted EBITDA loss was down 68% from the prior quarter.

There has also been a reduction in the company's loss from operations as a percentage of revenue. At the end of fiscal 2019, the company lost $315 million (115% of revenue), compared to $95 million (170% of revenue) a year before. Yes, the operating losses are growing, but revenue is growing more, suggesting that profit may be on the horizon.

Organigram Holdings

Organigram Holdings Inc (TSX:OGI)(NASDAQ:OGI) is a small marijuana stock that has been growing its business by selling products online. Over the last few years, it has increased its gross profit by 800%, and shows no signs of slowing down.

Recently, Oppenheimer analyst Rupesh Parikh gave OGI a market perform rating, which means that the stock should perform in line with the S&P 500. That's not exactly a frothy return, but let's be honest, it's better than most weed stocks can hope for in the next few years.

Additionally, Organigram has been intermittently profitable. For example, in the second quarter, the company posted Adjusted EBITDA of $13.3 million and gross margin of 60%.

Those are impressive results for a cannabis company. Granted, it's largely thanks to the fact that this is a small company that's not making enormous acquisitions. Still, the company deserves credit for its occasionally strong profitability metrics.

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