



## Buy the Dip in This Cheap Cannabis Stock

### Description

Cannabis stocks started flying this week on news that the U.S. House of Representatives passed a bill that legalizes marijuana at the federal level.

Many U.S. states have already passed legal recreational or medical marijuana legislation. Naturally, investors reacted positively, driving up the price of marijuana stocks. The U.S. market represents a solid export opportunity for Canadian pot stocks.

**Auxly Cannabis Group** (TSXV:XLY) shut up to \$0.73 per share by Thursday's close. Friday morning, the stock opened at \$0.68 per share and stayed there into the afternoon. Auxly Cannabis is still an undervalued player in Canada.

When it comes to cannabis stocks, understated players are the stocks you want to look out for. Many of the cannabis stocks have experienced more volatility and price appreciation than what is genuinely warranted.

Day traders and speculative investors have been creating bubbles in the stock market as they try to become marijuana millionaires.

If you really want to become a marijuana millionaire, the best advice you can accept is to adopt a [long-term mindset](#) on your investments and find the stocks that shareholders have undervalued.

Cheap stocks will soon find their place, while the overvalued players will only give shareholders sustained capital losses.

## Auxly Cannabis has come a long way

Auxly Cannabis maintained a near-zero per-share price from 2013 until 2017 when the stock quickly gained traction on upcoming marijuana legalization.

By May 2017, the stock was up to \$1.60 per share at writing. Unlike many other famous cannabis

players, Auxly avoided much of the volatility and speculation.

The stock reached an all-time high of \$2.53 in January 2018; after some sustained declines in value throughout 2018, the capital became more stable in 2019.

Today it's down to just \$0.69 per share. The firm stock price for the past year indicates that it may be a pretty safe way to gamble on marijuana legalization without breaking your savings account.

## Auxly Cannabis has outstanding revenue growth

Auxly is a great microcap stock with quarterly revenue growth at 132.7% year over year. Revenue growth is crucial for smaller companies that have yet to turn a profit. Microcap stocks should at least be pulling in increasing amounts of revenue, even if the business has not been profitable.

The downside on Auxly stock is that the levered free cash flow stands at negative \$47.92 million as of writing. Many other more prominent cannabis players report even more extreme levels of negative levered free cash flow (in the billions). Levered free cash flow is a measure of shareholder value after accounting for the earnings set aside for debt holders.

## Foolish takeaway

Canadian investors who want to profit off marijuana stocks should look for understated, up-and-coming stocks that shareholders haven't abused with too much speculation.

Many of the marijuana stocks traded today are drastically overvalued and volatile, depending on what the news cycle decides to report during the day.

The best thing you can do if you don't want to miss your chance at earning returns from this newly legal industry is to find stocks like Auxly, which are cheap.

For only \$69, you can snap up 100 shares. If you walk away from it a loser, you only lost \$69, but the upside potential is higher.

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