



## Buy These Canadian Pot Stocks Now Before the Santa Claus Rally

### Description

A Santa Claus Rally is known in the investment world as the tendency of the stock market to achieve gains during the last two weeks of the year and continue into the first few days of January.

After a dismal 2019, if there is one sector in the **TSX** that needs a rally, it's marijuana stocks.

## Pot companies produce disastrous results in 2019

Here is a list of the most prominent marijuana companies, their highest stock price in the past 52 weeks, and their current stock price as of this writing.

- **Aphria, Inc.** (TSX:APHA)(NYSE:APHA) – \$14.37, \$6.22
- **Aurora Cannabis** – \$13.67, \$3.21
- **Canopy Growth Corporation** ([TSX:WEED](#))(NYSE:CGC) – \$70.98, \$24.72
- **Cronos Group** – \$32.95, \$8.91
- **Hexo** – \$11.29, \$2.79
- **Tilray** – \$106, \$18.20
- **Village Farms International** – \$24.25, \$8.73

## Aphria and Canopy Growth

Of all the major players in the industry, the two companies that appear most destined for a holiday boost are Aphria and Canopy Growth.

In the first quarter of fiscal 2020, Aphria reported net revenue of \$126.1 million, an increase of 849% from the same period last year and the second consecutive quarter of profitable growth. Net income came in at \$16.4 million and adjusted EBITDA was \$1.0 million.

Aphria interim CEO Irwin Simon noted that this success was driven by the international business and the strength and growth of the company's brands, particularly Broken Coast. Simon believes the

company is on track to achieve its fiscal year 2020 financial outlook.

The company predicts that three brands: Aphria One, Broken Coast, and Aphria Diamond can combine to produce an annualized production capacity of 255,000 kilograms. With this production capacity, the company can potentially produce [\\$650 million to \\$700 million of sales in fiscal 2020](#).

Some market analysts have forecast that the stock could reach as high as \$26 in the next 12 months. If this rally happens, it would represent an increase of 320% from today's stock price.

## Celebrities partner with Canopy Growth

If any company can lead a Santa Claus Rally in the marijuana sector, it's Canopy Growth. As Canada's largest licensed producer, the company is known as a bellwether of the industry.

Canopy is adept at leveraging its relationships with celebrities. Recently, Canadian rapper Drake joined forces with Canopy to launch the More Life Growth Co., a fully licensed producer of cannabis based in Drake's hometown of Toronto.

Drake will own 60% of More Life Growth with Canopy holding the other 40%. The brand, a previously wholly owned subsidiary of Canopy Growth, is already licensed by Health Canada for the cultivation, processing, and sale of cannabis.

Drake is the latest in the list of celebrities partnering with Canopy Growth. In March, comedians Seth Rogen and Evan Goldberg partnered with the company to launch Houseplant, a recreational cannabis company.

In February, Canopy joined forces with Martha Stewart. The media mogul plays an advisory role at the marijuana company and assists in developing hemp-derived CBD products.

Stewart was introduced to Canopy through her longtime business associate, Snoop Dogg, who had entered into a partnership with Canopy Growth's subsidiary Tweed in 2016.

## The bottom line

With cannabis stocks bouncing off their 52-week lows, prospective investors should still be wary of the marijuana industry. Pot companies have a long way to go to prove that they can be profitable and sustain those profits for the duration.

If you're hoping for a holiday rally, it's best to stick with Aphria and Canopy Growth, the most likely companies to profit in this volatile industry.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

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