



Top Marijuana Stocks to Buy in 2020

Description

Overall, marijuana stocks did not perform well on the [stock exchange in 2019](#). The only investors who stood a chance at making money and becoming marijuana millionaires last year on pot stocks were short-term, speculative traders. Pot stock investors created a bubble in the stock market in early spring 2019. By summer, the share price began a long slide down to 60% of their market values from the start of the year.

[Now is the perfect time to buy pot stocks](#) if you haven't already. Cannabis stocks have corrected from the spring 2019 bubble. It is time for a turnaround in all three of the most popular pot stocks on the **Toronto Stock Exchange**: **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)).

The graph of volatility in pot stocks is unbelievable

Volatility in cannabis stocks afforded investors many opportunities to make or lose big dollars in the stock market last year. In the spring, irrational exuberance created a bubble, but the opposite is occurring today. Investors have now undervalued these stocks due to irrational pessimism.

You can see the graph of the volatility below, comparing the price change on all three of these stocks to the **S&P 500/TSX Composite Index**.



WEED data by YCharts.

Cronos Group is in the best financial position to soar in 2020

Canopy Growth has a lot of cash on reserve (\$2.75 billion), which is well enough to cover liabilities, and a cash per share of \$7.90. Investors may have made Canopy Growth a favourite in the newly legal pot industry for this reason. Nevertheless, the company also reported some worrisome figures, like an earnings per share (EPS) of negative \$5.76 and a trailing 12-month return on equity of negative 51%.

Investors are concerned about the financial position at Aurora Cannabis. Compared to Canopy Growth, Aurora Cannabis reported far less cash per share of \$0.18 and a total cash of \$191.93 million. Thus, this stock slid in market value by a more significant 60.77% this past year.

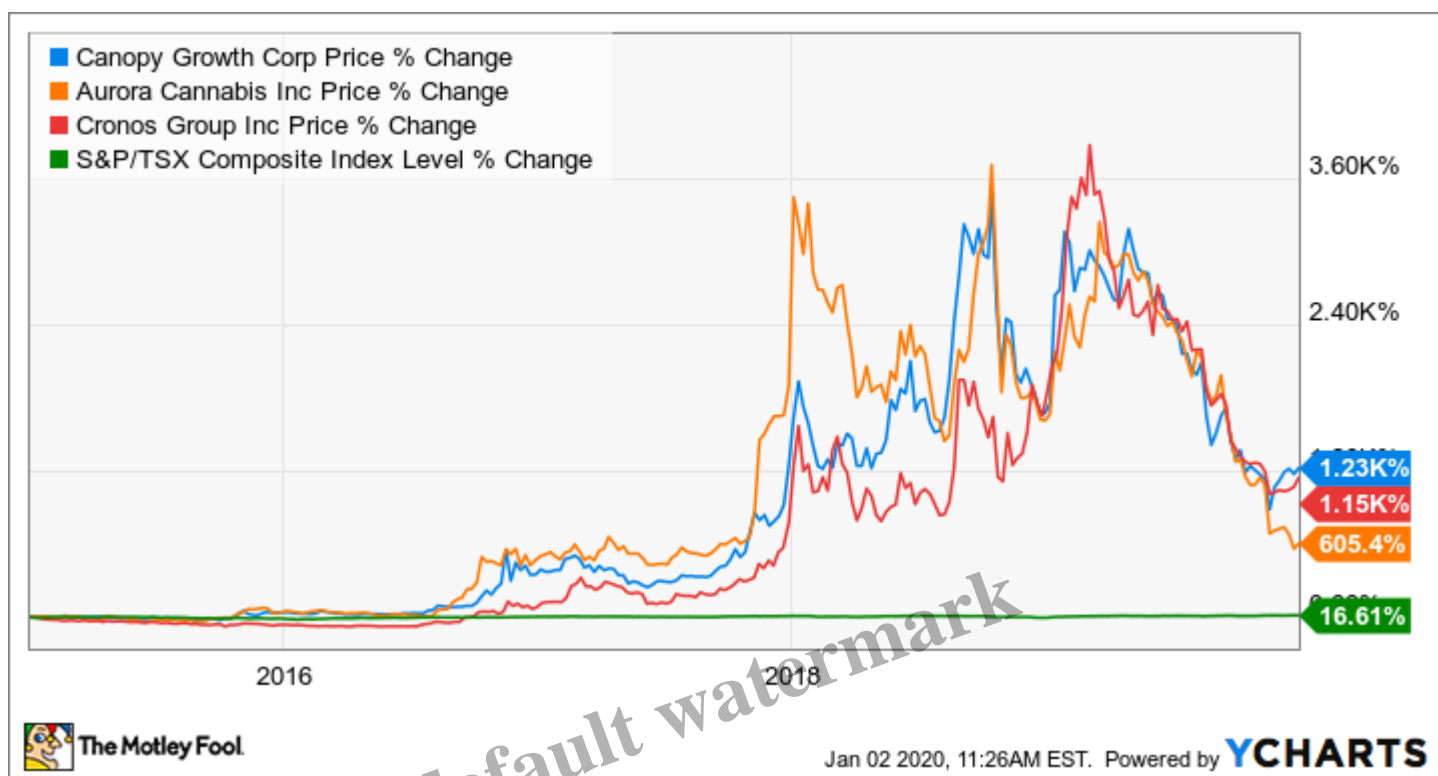
Cronos Group is more than likely the best marijuana stock to buy in 2020. Like Canopy Growth, the Cronos Group boasts a similarly spectacular cash position of \$1.99 billion and cash per share of \$5.8. The difference between Cronos Group and Canopy Growth is that Cronos Group reported a positive trailing 12-month diluted EPS of 1.34 and a return on equity of positive 122.77%!

Pot stocks were best bought five years ago

Although pot stocks did not fare well in the past year, over the past five years, pot stocks have made many Canadians very rich.

Canopy Growth's stock price performed better than both Aurora Cannabis and Cronos Group in the last five years at a percent change in the price of 1,230%. Aurora Cannabis might be one of the

cheapest top pot stocks with a high market capitalization, but it still returned 605.4% to shareholders over the past five years. Cronos Group came in a close second to Canopy Growth at a percent price change of 1,150%, but it is still inexpensive at \$9.78 per share.



WEED data by YCharts.

Aurora Cannabis is the more undervalued pot stock

There is a relatively small spread between the book value per share and the price of stock market shares in the Cronos Group, making this a well-priced investment option. The range between the book value on Cronos and the price is \$3.53 at a book value per share of \$6.25. I don't own this stock yet, but I do plan on purchasing it before the end of January.

Canopy Growth may be the most overvalued at a spread of \$11.03 between its book value of \$15.36 per share and the current market price of \$26.39. I would be cautious if you are thinking about picking up additional shares in Canopy Growth.

By contrast, based on book value, Aurora Cannabis is the most undervalued of these three popular pot stocks. The price is \$0.62 for every \$1 of book value. At the current price of \$2.70, the book value is much higher at \$4.34 per share.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. TSX:ACB (Aurora Cannabis)
5. TSX:CRON (Cronos Group)
6. TSX:WEED (Canopy Growth)

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