



Will Marijuana Stocks Bounce Back in 2020 or Will They Continue to Crash?

Description

2019 has been a year of massive ups and downs for the cannabis industry. Stocks from the legal pot industry in Canada were ravaged until the final month of 2019. There were so [many factors](#) that contributed to the immense decline. The legalization of marijuana for recreational use itself back in the tailend of 2018 was not a failure, but it did not exactly prove to be a success either.

The anticipation of the legalization saw investors flock towards marijuana companies traded publically on the Toronto Stock Exchange. Suddenly, the legal weed sector seemed all the rage when it came to the Canadian stock market. Enter the actual legalization and the rollout. The opening months were devastating for the companies due to the supply crunch.

Major woes

The most significant producers of legal weed ramped up production in 2019 to meet the demand-and-supply gap. Retail operations throughout Canada, however, left plenty of consumers hanging dry. Ontario, the largest Canadian province in terms of population, had only 24 retailers by November 2019, while there were more than 300 in Alberta.

Canopy Growth, the top producer of legal weed, suffered greatly in the second half of 2019. The stock is down 37.60% from the start of the year at writing with a share price of \$24.51. **Aurora Cannabis** saw share prices fall by almost 65% to be at \$2.49 per share at writing.

A pot stock that could be profitable

The third major player in the marijuana industry trading on the TSX is **Aphria** (TSX:APHA)(NYSE:APHA). As of this writing, the company's stock is trading for \$6.16 per share and is down 56.65% from its 52-week high in February 2019. Despite its steep fall since January 2018, the stock has recovered to hit 800% of its value since its IPO in December 2014.

Most pot stocks are struggling with increasing losses, but Aphria has managed to claw its way up to

profitability over the last two quarters of fiscal 2019. There is a strong demand in the domestic market for its products, and the company managed to increase sales from \$20.4 million in fiscal 2017 to \$36.9 million in 2019. Despite a challenging 2019, the company increased its sales further to \$237 million.

Analysts expect sales of Aphria's products to reach \$594 million in 2020 and increase every year to hit possibly \$922 million by 2022.

The stock has a \$1.55 billion market capitalization right now with its current share price, and a price-to-book ratio of 0.9 means that it is one of the cheapest pot stocks you can buy right now. The company is continuing its investment in [expanding production facilities](#), producing 255,000 kg annually already.

Foolish takeaway

While Aphria is showing a little bit of a flight, I will still urge you to be careful if you are considering investing in APHA stocks. With 2020 in its initial stages, we will start to see the effects of Cannabis 2.0 and how the rollout of new products will affect the overall market. I cannot say anything for sure when it comes to the whole marijuana industry, but Aphria seems likely to improve its situation in the coming year.

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Date

2025/08/25

Date Created

2020/01/08

Author

adamothonman

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