Coronavirus Bear Market: Where to Invest $500 Right Now

Description

The broader markets are down 35% in just over a month and have wiped off billions in portfolio value. Investors are sweating over the impact of the coronavirus pandemic that has driven equity markets from all-time highs to a bear market at a record pace.

While the massive pullback has investors worried, this decline provides an opportunity to invest in stocks that are trading at lower valuations.

Curaleaf stock gains 17% in the last two trading days

Investors with a high risk tolerance can look to invest in cannabis companies such as **Curaleaf** (CNSX:CURA). This stock has gained 17% in the last two trading days and is currently trading at $4.48, which is 75% above its 52-week low.

Similar to most cannabis stocks, Curaleaf has grossly underperformed broader indexes in the last year and is down 62% from 52-week high. The stock has lost close to 88% in market value since November 2015.

The company ended the third quarter with $91 million in cash and spent $20 million in the first nine months of 2019. This means Curaleaf has enough runway (over 40 months) before it completely burns through its cash.

The expanding cannabis market will be a key driver of Curaleaf's long-term sales. According to the company presentation, the legal cannabis market in the U.S. is estimated to grow from $12.8 billion in 2019 to $30.1 billion in 2024.

Curaleaf claims to have the largest footprint of branded retails stores in the U.S. and is a widely recognized wellness brand on the East Coast. Its pending acquisitions of Select and Grassroots (both equity financed) will be hugely accretive to the top line. Curaleaf will announce its fourth-quarter results after market hours today and will shine more light on these metrics.

Cannabis retail locations in California have reported an increase in delivery sales for the week ended on March 13 as an increasing number of consumers are in lockdown or self-quarantine due to the coronavirus.

Curaleaf is valued at US$1.48 billion, or 6.52 times 2019 sales, which is an attractive multiple considering the company is expected to grow sales from US$77.1 million in 2018 to US$1.24 billion in 2021.

Aphria stock is making a comeback

Shares of Canada-based pot company **Aphria** (TSX:APHA)(NYSE:APHA) are trading at $3.72 and have gained close to 30% in the last five trading days. Aphria shares are, however, trading 81% below its record high.

Aphria is one of the most profitable pot companies and has a market cap of $994 million. It has a forward price-to-sales ratio of 1.8, which is an absolute bargain given the company's long-term growth potential.

According to consensus estimates, Aphria is expected to increase sales from $237 million in 2019 to $792 million in 2022. Its EBITDA is expected to increase from -$27.7 million to $132 million in the same period.

Aphria has a vast distribution network, and its products are available in over 500 stores across Canada. It is also looking at the high-growth medical cannabis space to drive top-line growth over the next decade. It ended 2019 with a cash balance of $498 million and is well poised to survive the COVID-19 downturn.

Cannabis companies can generate considerable wealth for long-term investors given the expanding addressable markets. The ongoing bear market has driven stocks to multi-year lows, making them attractive for contrarian investors.

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