



Market Rally: Top TSX Cannabis Stocks for June 2020

Description

After a steep decline in 2019, cannabis investors expected the industry to see some better days this year. While there is a whole new set of challenges this year, some optimism is certainly visible for a few **TSX** cannabis stocks.

TSX cannabis stocks as a whole have lost around 10% so far this year. The lockdowns and stay-at-home orders worked in pot companies' favour, resulting in higher revenues last quarter.

However, dwindling revenues amid increasing competition and a liquidity crunch have crushed many cannabis players in the recent past. To add to the woes, some fundamental challenges, like the slower roll-out of retail stores and the expansion of the black market, continue to dominate.

TSX cannabis stock that stole the focus

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) is one pot stock that recently stole the limelight. First, for its price, which has more than doubled since its reverse-stock-split earlier this month. And second, for its volatility. Cannabis stocks are some of the most volatile sections of the broader markets. However, Aurora stock was even more volatile this month.

Its better-than-expected quarterly earnings, acquisition of Reliva, and potential turnaround contributed to [investors' optimism](#). However, how all these factors play out in the next couple of quarters will be interesting to see.

Interestingly, Aurora's entry into the U.S. cannabidiol (CBD) market with Reliva could open a new growth path for it. However, an acquisition that already has a big pile of debt, together with the U.S. FDA's stance regarding the CBD market, are some of the factors worth pondering.

Aphria: Profitable, well-capitalized

Aphria (TSX:APHA)(NYSE:APHA) seems relatively well-placed on the liquidity and profitability fronts.

In terms of financials, Aphria is ahead in the race, with linking quarters of profits. Investors should note that there are many marijuana companies at the moment that are not expected to report profits for the next several quarters.

Also, Aphria's flourishing presence in Europe could be its growth engine for the next few years. A favourable cash position and growth prospects in the cannabis derivatives markets make Aphria an exciting bet.

Aphria stock has fallen only marginally so far this year, beating the TSX stocks at large, which has lost approximately 10%.

The biggest of the TSX cannabis stocks

Speaking of cash-rich marijuana companies, let's not forget **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC). Canopy is the biggest among pot stock by market cap. Even though the company has been burning significant cash in the last few quarters, its cash and equivalents were strong at \$2.5 billion as of December 31, 2019.

It will report fourth-quarter earnings on May 29. Apart from its revenue and earnings figure, its [cash burn rate](#) will decide the stock's path ahead. Notably, Canopy Growth stock has largely followed peers, doubling since the epic sell-off in March.

Foolish bottom line

From a valuation standpoint, Aurora is trading at a price-to-sales multiple of 8 times, Aphria is close to 3 times, and Canopy is expensive at 21 times. Apart from the attractive valuation, Aphria's strong cash position will be more comforting to investors. Clearly, it is a comparatively safe bet in a risky industry.

Many top TSX cannabis stocks have seen a consistent surge in the last few months. However, that should not be seen as the next bull rally. Some significant challenges remain for them, and stocks will continue to remain highly volatile. It remains a high-risk, high-reward game for investors and certainly not for the faint-hearted.

CATEGORY

1. Cannabis Stocks
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2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)
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Date

2025/08/23

Date Created

2020/05/29

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