How Top TSX Cannabis Stocks Are Placed for the Future

Description

This year, **TSX** cannabis stocks have continued to trade weak after a steep decline in 2019. While some pot stocks managed to do well in the last few months, they are still trading much lower than their yearly highs.

Falling revenues in an oversupplied market and liquidity issues have crumpled many cannabis players recently. Additionally, the slower roll-out of retail stores and an increase in the black market continue to dominate.

Top TSX cannabis stock

Among some of the top TSX cannabis stocks, **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) undeniably stole the focus in the recent past. ACB stock has soared almost 50% in the last three months amid increasing investors' optimism over its potential turnaround. However, I think Aurora stock remains a speculative bet for long-term investors.

Aurora provided an update on its business restructuring plan on June 23. The cannabis company announced it will lay off 25% of its staff and plans to shut down five facilities over the next two quarters.

The management has maintained its target of turning the company EBITDA positive by the next quarter. With a slew of cost-cutting measures and expected higher revenues, Aurora might be able to achieve that, but turning profitable seems like a distant dream for now. Moreover, its distressed financial position might continue to bother discerned investors.

A safe play in the risky industry

Aphria (TSX:APHA)(NYSE:APHA) stock tracked peer Aurora and gained 48% in the last threemonths. I think Aphria is relatively better from the investment perspective. Its strong market share invapes, higher investments in Germany and Colombia, and, importantly, stronger balance sheet make itstand tall among peers.

Also, the Ontario-based pot company has been making a lot of improvements related to its financial position. In the last eight consecutive quarters, Aphria managed to grow its top line by an average 100% year over year.

Notably, while many cannabis companies struggle to become profitable, Aphria has been reporting quarterly profits, at least intermittently. A favourable cash position and growth prospects in the cannabis derivatives markets make Aphria an exciting bet.

Canopy Growth (TSX:WEED)(NYSE:CGC) stock has soared only 20% in the last three months, underperforming peers by a wide margin. That's mainly because of its weaker-than-expected quarterly earnings last month.

The biggest marijuana company by market cap has been expanding aggressively in the cannabis derivative markets. This might lead to a notable margin expansion in the next few quarters.

The Foolish takeaway

Let's take a look at the valuation of these top TSX cannabis stocks. Aphria is currently trading at a price-to-sales ratio of close to three times, notably cheap compared to peers.

Aurora is trading at five times, while Canopy Growth stock is way expensive at 15 times. Aphria's discounted valuation, higher growth prospects, and a solid financial position make it more attractive from the investment perspective.

While these pot stocks have notably rallied in the last few months, the worst does not seem to be over yet. The fundamental challenges discussed above will likely continue to hamper their performance in short to intermediate term. Thus, TSX cannabis stocks will continue to trade extremely volatile and remain a risky proposition for conservative investors.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

4. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/23
Date Created
2020/06/25
Author
vinitkularni20