# 2 Pot Stocks to Hold in July

## Description

Pot stocks have lost some investor attention during the COVID-19 health crisis, but they are still a hot topic. Legal marijuana will be a top growth industry for the next few years. Canadian investors who are interested in cashing in on this newly legal market should look for pot stocks with high revenue growth and innovative partnerships.



**Canopy Growth** (TSX:WEED)(NYSE:CGC) and **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) are two of the most popular marijuana stocks on the **Toronto Stock Exchange**. They both have distinguished themselves as aggressive, growth-oriented companies.

Pot stocks have dragged down the **S&P/TSX Composite Index** this year. Canopy Growth stock lost 18.71% of its market value since January. Even worse: the price of Aurora Cannabis stock fell by 47.55%. By comparison, the S&P/TSX Composite Index level percentage change is 10.47%.

They are underperforming the index today due to competition from black market cannabis and uncertainty surrounding the COVID-19 pandemic. Moreover, these companies have taken on substantial debt burdens to fuel expansive growth. Debt tends to bring down the price of a stock due to added risk and erosion of shareholder returns in favour of interest payments to bondholders.

# Canopy Growth

Canopy Growth reported a net income loss of $1.3 billion at the end of May; the adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) loss is $102 million for the fourth quarter of the fiscal year 2020. Unlike adjusted EBITDA, net income calculates losses associated with interest, taxes, depreciation, and amortization.

These are disappointing numbers for Canopy Growth shareholders. Nevertheless, if we learned anything from the success of **Shopify**, it is that growth investors sometimes overlook low to negative profit margins and enormous losses.



Canopy Growth issued the following statement on firm profitability:

> "Canopy Growth expects Fiscal 2021 to be a transition year as the Company resets its strategic focus, rolls out a new organizational design, and implements a comprehensive operational and supply chain productivity program."

The firm may also be issuing new guidance on how to measure the company's performance amid the COVID-19 health crisis.

# Aurora Cannabis

Aurora Cannabis recently saw a boost in stock price from $8.30 in May to $17.35 per share as of June 26.

At the end of June, Aurora Cannabis updated shareholders on company plans to transform its businesses. The project involved corporate restructuring and facility rationalization. Essentially, Aurora Cannabis engaged in efficiency improvements such as cost cutting, strategic realignment, and production consolidation.

Interim CEO, Michael Singer issued the following statement regarding the firm's progress toward greater efficiency and comparative advantage:

> "Both the Canadian facility rationalization and inventory revaluation are expected to improve gross margins and accelerate our ability to generate positive cash flow."

Aurora's share price will get a substantial boost once the company reports positive cash flow along with steady growth. Further, higher margins will set the company apart from peers.

## Should you buy pot stocks?

Both of these pot stocks are great assets to buy today. No investment is risk-free. That being said, if you are looking for top growth stocks to buy, you could do worse than Aurora Cannabis or Canopy Growth.

Aurora Cannabis has a market capitalization of $1.96 billion. Meanwhile, Canopy Growth's market capitalization is a whopping $8.12 billion. Wherever these figures go from here, if you own these two stocks in your retirement portfolio, TFSA, or RRSP, you can be sure that you are doing your best to invest in competitive, profit-focused companies.

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

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debraray