



Ranking 3 Top Marijuana Stocks for 2020

Description

Marijuana stocks have burnt massive investor wealth in the last 15 months. Several companies have been impacted by a slew of structural issues plaguing this once blue-eyed sector. Investors were worried about mounting losses, low liquidity, high inventory levels, lower than expected sales, and a thriving black market that sent pot stocks to multi-year lows.

However, it appears that marijuana stocks are on the cusp of a turnaround and might move higher in the second half of 2020.

Here, we look at three companies that are a good bet for pot investors in 2020 and beyond.

OrganiGram stock is down 78% from record highs

OrganiGram Holdings ([TSX:OGI](#))([NASDAQ:OGI](#)) is one of the few profitable marijuana stocks right now. However, due to the ongoing bear market, the stock is down 78% from record highs.

OGI is comparatively smaller to pot giants such as **Aurora Cannabis** and **Canopy Growth**. However, valued at a market cap of \$436.1 million, the Canadian pot stock markets products to all Canadian provinces.

OGI's latest quarterly results were less than impressive as revenue fell 8% sequentially to \$23.2 million. It also posted an EBITDA loss of \$1.1 million. However, the company remains a top player in this space as it has consistently reported profits.

Results in the fiscal second quarter [were impacted due to](#) one-time write-downs and price adjustments. However, the long-term prospects of OGI look solid. It is well poised to benefit from the growing derivatives market. It also secured a contract to supply Canndoc, an Israel-based pot producer up to 6,000 kilograms of dried cannabis flower.

Why is Aphria a top marijuana stock?

Aphria Inc (TSX:APHA)(NYSE:APHA) is another profitable pot stock that you need to watch out for. This Canadian-based cannabis giant generates a majority of sales from international markets and has enough room to grow domestically as well.

Aphria has supply agreements with all Canadian provinces and has a 77% share in Ontario's vaping market. It also managed to grow e-commerce sales in Quebec by 200% in the fiscal third quarter.

Aphria's liquidity is enviable with a cash balance of \$515 million. It can use this liquidity to acquire discounted companies in a sluggish macro environment or invest in capital expenditure to drive organic sales higher.

Aphria aims to establish operational hubs in expanding marijuana markets and has allocated close to \$100 million for expansion in regions such as Germany and Columbia. Aphria stock is trading at \$5.76, which is 75% below record highs. It is valued at just three times forward sales and should increase investor wealth significantly in the upcoming decade.

A billion-dollar retail giant

The third and final company on this list is retail dispensary **Trulieve Cannabis**. This [vertically integrated marijuana producer](#) distributes products to company-owned retail dispensaries.

It has a huge presence in Florida, the third-largest state in terms of population in the U.S. with a 53% market share here. Trulieve has 50 retail dispensaries in Florida and is another profitable pot stock. It aims to replicate the success experienced in Florida in other states south of the border.

The Foolish takeaway

The equity markets remain volatile and the COVID-19 pandemic has exacerbated the sell-off in marijuana stocks. However, the pullback provides investors an opportunity to buy profitable pot stocks at a cheap valuation.

The marijuana industry is still at a nascent stage and will expand at a rapid pace over the upcoming decade. These three companies remain top buys due to their low valuation and strong balance sheet.

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