2 Years Since Marijuana Legalization: Here's How Canada's Top Stocks Have Done

Description

Oct. 17, 2018, is when the recreational marijuana industry officially opened for business in Canada. It's been a topsy-turvy time since then. Investors have seen sky-high valuations crumble over the years, and the CannTrust scandal has destroyed a lot of the confidence investors had in the industry. Bruce Linton, who's able to put a stock on the map just by wearing its t-shirt, was arguably the icon of the industry, and he was unceremoniously removed from his position as CEO at **Canopy Growth** (TSX:WEED)(NYSE:CGC) over a year ago. Those are just some of the most newsworthy developments to have taken place over the past two years.

If you were bullish on the cannabis industry, you may have been tempted to invest in it. With the industry legal, there were high expectations for growth. There was just one big problem: valuations were already out of control. At more than $20 billion, Canopy Growth was grossly overvalued in 2019, as it continued to rise in the legal industry's early stages. But a correction was overdue and as Canopy Growth tumbled, so too did its peers.

Here's how much you'd have left on a $10,000 investment in Canada's top pot stocks

Let's look at a scenario where you invested $10,000 in some of the top pot stocks just before legalization took place, and what the value of those holdings would be today.

	Oct. 16, 2018 Share Price	Shares Owned	Oct 16, 2020 Share Price	Portfolio Value	Loss
Canopy Growth	$68.70	146	$23.47	$3,426.62	$6,573.38
Aphria	$18.69	535	$6.13	$3,279.55	$6,720.45
OrganiGram	$7.29	1372	$1.55	$2,126.60	$7,873.40
HEXO	$8.23	1215	$0.99	$1,202.85	$8,797.15

Aurora Cannabis	$13.98*	715	$0.44*	$314.60	$9,685.40

**Price when factoring out the stock's 12-for-1 reverse split.*

Regardless of which Canadian pot stock you invested in two years ago, you'd likely have a big dent in your portfolio if you held on until now. Even the industry leaders at the time, Canopy Growth and **Aurora Cannabis**, have suffered significant losses in the years since legalization. Concerns surrounding profitability and sometimes even liquidity have put investors on edge. Even with a big investor like **Constellation Brands** backing Canopy Growth, that hasn't been enough to make it a stable buy.

By no means does this mean that these stocks can't recover from their significant declines, but investors should be very careful investing in what's been an erratic industry in recent years. Promises of future growth are meaningless if companies aren't able to deliver the results.

Should you steer clear of pot stocks?

For many conservative, risk-averse investors, the short answer to this question is definitely "yes." Although lots of growth exists in the cannabis industry, it could look a whole lot different in the next few years. Consolidation is inevitable, as some cannabis companies may not have enough cash to stay afloat amid a pandemic and a recession. And with stock prices a fraction of what they were worth a few years ago, dipping into the equity markets to raise cash isn't an attractive option anymore.

If you're investing in cannabis, you need to be aware of the significant risks involved when doing so. There's no guarantee that these stocks have stopped falling in value or that they'll even be around in a few years.

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Date
2025/08/17
Date Created
2020/10/20
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