



3 Pot Stocks Robinhood Investors Are Buying Right Now

Description

Cannabis stocks are back on the radar ever since Joe Biden won the presidential election last month. There is a good chance the U.S. government will decriminalize marijuana use at the federal level, which might also result in the legalization of cannabis.

Several pot stocks are popular among Robinhood investors as well. Online investment application Robinhood is known for its commission-free trades and has gained millions of new users in 2020.

While the millennial-focused application has encouraged savings and investments, it's quite evident that young and novice investors are making high-risk investments. If you look at the Robinhood leaderboard, you will see multiple penny stocks among the 100 most-held stocks on the platform.

We'll take a look at three marijuana stocks that are popular among Robinhood investors.

Aurora Cannabis

Shares of **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have fallen close to 60% year to date, and the stock continues to burn significant investor wealth. Over the last few months, Aurora Cannabis has focused on slashing expenses to reduce cash burn and improve the bottom line.

It closed five production facilities and is focused on improving economies of scale in large production farms. It has also halted construction at two of its largest projects to preserve liquidity.

Pot producers, including Aurora Cannabis, will be buoyant, as the number of cannabis retail locations in Ontario (Canada's most populous province) has increased from 24 to 150 in the last year. This is expected to boost demand for cannabis products and lower inventory burn and write-downs.

Aurora, however, [continues to burn cash](#) and raise equity capital constantly diluting shareholder wealth. In the last six years, its share count has increased [by a whopping](#) 11,800%, and this figure might continue to move higher.

Aphria

Aphria (TSX:APHA)(NASDAQ:APHA) is another popular stock among Robinhood users. The cannabis giant gained 86% in market value last month and continues to trade at attractive valuations. It has a price-to-sales multiple of 5.4 and a price-to-book value of 1.8.

In the first quarter of fiscal 2021, which ended in August, Aphria sales soared to \$145.7 million, up from \$126.1 million in the prior-year quarter. Its operating income stood at a healthy \$20.7 million.

Aphria also has a huge international presence as its subsidiary CC Pharma accounts for 50% of total sales. CC Pharma has access to 13,000 drug stores in Germany and is authorized to sell imported medical cannabis products.

Aphria is eyeing expansion south of the border and announced its intention to acquire beer maker SweetWater Brewing in a cash and stock deal valued at US\$300 million. This acquisition will help Aphria gain traction in the cannabis-infused beverage space in the U.S.

Canopy Growth

Marijuana heavyweight **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is up 35% in 2020 and, similar to most pot peers, has gained momentum in the last two months. Canopy Growth is backed by beverage leader **Constellation Brands**, which holds a 38.6% stake in Canopy.

This investment has meant Canopy has over \$1.7 billion in cash giving it enough room to reinvest in growth and improve the bottom line. Canopy Growth has shut down three million square feet of licensed indoor greenhouse space, reduced stock-based compensation as well as lowered the headcount significantly in 2020.

In the fiscal second quarter of 2021, Canopy reported sales of \$135.3 million, but its net loss totaled \$96.6 million. In the last two quarters, the company has lost \$227.4 million, despite several cost-reduction efforts.

The Foolish takeaway

The cannabis sector is a high-growth space but also carries significant risks. However, each of these companies has a huge presence in Canada and access to cash-generating production facilities. In case they are able to consistently generate profits, shares of these marijuana players should move higher over the long term.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

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

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