



Buy This 1 Cannabis Stock for Longer-Term Growth Potential

Description

There wasn't much of a Santa Claus Rally. But considering the holiday period just past, perhaps that's not much of a shock. The bullishness that characterized much of the latter half of the Year That Shall Not Be Named had largely leached out of the markets come December. There was still a fair amount of green ink in the markets at the end of the year. But this week has seen a lot of red ink taking its place.

Weighing price with growth potential

January is often a good time to pick up a bargain. 2021 is already proving that this year is no exception. A lot of quality names are on sale. For cannabis investors still hemming and hawing over the merger of **Tilray** ([NASDAQ:TLRY](#)) and **Aphria** (TSX:APHA)(NASDAQ:APHA), a potential pullback in share prices could offer a buying opportunity to scoop up some knocked-down stock.

Tilray investors have been [keen on the news](#). The marijuana product developer's stock jumped 22.8% as the potential acquisition made waves in the investment community. The gains fell away by the end of that week, though, to close up 1.2% just two days later. Aphria closed out that week up 2.6%. This month sees Tilray up 9.8%, and Aphria up 2.9%. But in the already volatile January market, a retreat could be imminent.

A future wide-moat cannabis stock?

Cannabis still has a long way to go before it's a trusted asset. It's certainly not the kind of commodity that can be packed with confidence into a lower risk portfolio. Consider, for example, a Tax-Free Savings Account (TFSA) founded on such asset classes as chemicals and metals. What would it take for marijuana to be included on this list? For the general investor who is still dubious about cannabis growth potential, the challenges might always remain insurmountable.

But in years to come, such names as Tilray could come to command positions of wide-moat authority. This would take a period of high-level M&A. But that period has now been kick-started. Whether Tilray will be one of the eventual market leaders is of course up to history to decide. For now, though, Tilray

could be a tentative buy for speculative investors [going long on the green stuff](#).

Now, Tilray may be hot of late, but investors may want to treat this name with caution. Its 36-month beta is way up at 3.17. Consider, for a moment, the volatility of the market in the last three years. This stock is more than three times as frothy – and much of that froth has been churned up in the last 12 months alone. In just the last three months, Tilray has gained 70%.

In summary, Tilray is worth buying for a number of reasons. But because this is still a highly speculative market, Tilray may need to come down in price. Yes, there's that 42% 12-month overall decline. But this stock still trades with a P/B ratio of 6.1. Considering that pot stocks can sell at their book price right now, Tilray may still be too rich for some investors.

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