



Weed Stocks Are Blowing Up in 2021: Buy or Sell?

Description

Should investors unload their weed stocks or buy more in 2021? The winds of change are blowing in the U.S., and Canadian and American cannabis producers are thrilled. In the stock market, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **Aphria** (TSX:APHA)(NASDAQ:APHA) are stunningly [gaining traction](#).

Industry leader Canopy Growth has gained 37% in January, while Aphria's year-to-date gain is an incredible 87%. The two companies should be the industry's top draws this year, as they compete for market leadership across the border. Cannabis investors are hopeful a "true" marijuana boom is coming.

Solidifying leadership position

Investors' sentiment in cannabis is soaring once more. **Constellations Brands**, a significant stockholder in Canopy Growth, could finally [hit pay dirt](#). Despite Canopy's US\$37.1 million loss in Q4 fiscal 2020, the U.S. drink firm remains upbeat about the business prospects.

Constellation Brands even increased its ownership in the Canadian pot grower to 38.5%. The stake could jump to 55.8% if the beverage company exercises its warrants and senior notes. Bill Newlands, Constellation Brands's president and CEO, said, "While global legalization of cannabis is still in its infancy, we continue to believe the long-term opportunity in this evolving market is substantial."

Regarding the purchase of additional shares, Canopy's CEO, David Klein, said, "This additional investment validates the work our team has done since attracting the initial investment in 2017." Klein adds that it will strengthen Canopy's ability to pursue the immense market and product opportunities available not only in Canada and the U.S. but also elsewhere.

Most attractive choice

The months ahead are promising for the cannabis sector as a new administration takes over the reins

of the U.S. government. President Biden and Vice-President Kamala are likely to tackle federal cannabis reform. In the November 2020 elections, cannabis legalization passed in Arizona, Mississippi, Montana, New Jersey, and South Dakota.

Aphria is now the top-of-mind choice among all weed stocks. The most recent better-than-expected quarterly results and coming merger with rival **Tilray** are the reasons for the renewed investors' interest.

The Aphria-Tilray union will produce a cannabis powerhouse in North America. While it's a takeover by Aphria, the combined businesses will use the Tilray name. A new growth driver is the nearly \$300 million acquisition of SweetWater Brewing, a cannabis-flavoured beer maker. Aphria can compete with the Canopy-Constellation Brands tandem.

Aphria's CEO Irwin Simon said new brands and product innovation would enable the company to outperform market players. Management is laser-focused on profitability as the industry evolves and consumer and patient preferences and demands change.

Operational excellence is also a major focus. Aphria expects to remain a low-cost, high-quality cannabis producer. Its cost-management strategies should increase profitability and result in a strong cash position for growth and expansion of geographic reach. Market analysts are bullish and recommend a buy rating. The forecast is a 58% climb of the current share price to \$26 in the next 12 months.

Head start

Canopy Growth and Aphria are not without competition. According to Viridian Capital Advisors, some U.S. cannabis companies are due to close US\$975 million new equity raises to fund America's growing cannabis market. While the two Canadian producers have a head start in 2021, the battle for supremacy should be tough.

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