



## Cannabis Melt-Up 2021: Buy Canopy Growth Stock (TSX:WEED) or a Top Peer?

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) surged another 6% on Wednesday alongside its white-hot cannabis peers as its post-earnings rally continued strong.

Canopy stock now finds itself flirting with its 2019 high; a level thought impossible after the stock imploded nearly 80% from its 2019 peak to its 2020 trough. The cannabis trade definitely seemed dead back then, but that was then and this is now.

With Canopy now poised to make a move into the green in the second half of 2022, there's no question that the pot stock trade could start to really [heat up](#) again. But here's what you need to know before you place your bets on the smoking-hot industry to avoid getting burned.

### What's driving Canopy Growth stock higher?

How much of Canopy's latest leg up is based on the firm's stellar third-quarter numbers and the equally stellar forward-looking guidance?

How much of the rally is euphoria over the anticipation of legalized marijuana in the U.S. with a green-friendly (with regards to clean energy and cannabis, it seems) President Biden?

Is it possible that the WallStreetBets army of euphoric retail traders is driving pot stocks above and beyond that of their estimate of intrinsic value?

There's are definitely big questions on the minds of cannabis investors. When it comes to the hottest cannabis stocks like Canopy Growth, which is fresh off a magnificent quarter and **Tilray** ([NASDAQ:TLRY](#)), a favourite play among momentum chasing speculators, shares of each company are starting to look a tad on the fully-valued side. And that's taking into consideration the promising guidance given by Canopy's management, the exceptional cost-cutting efforts, robust demand for cannabis amid the pandemic, among numerous other exciting positives.

## Is there still value out there?

I urged investors to load up on cannabis stocks in numerous prior pieces while the trade was still dead in the water. If you took my advice, you're probably very pleased with the results and are wondering if you should be adding or subtracting from your position.

"Bargains remain abundant in the cannabis scene," I [wrote](#) in December 2020. "After the cannabis bubble burst, I highlighted the absurdly low valuation multiples to be had in names such as Canopy Growth, also noting that there was still ample growth to be had over the long run, despite the lack of enthusiasm in pot stocks following the catastrophic meltdown in their share prices."

Although the biggest "bargains" are all but gone after the latest surge, there's ample value to be had with lesser-loved names in the pot space, most notably **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), whose shares remain off considerably from their all-time highs. Like Canopy, Aurora has been doing a great job of cutting costs and could be headed for the same fate as Canopy, with sustained profitability at some point within the next two to five years.

Aurora stock has room to run, and I think the stock could easily make up for lost time as it looks to play catch-up with its smoking-hot peers in the Canadian cannabis scene. Aurora Cannabis stock was up a whopping 22% on Wednesday, but it's still noteworthy that shares still trade below 1.5 times book value, which I find to be absurd given the long-term growth prospects.

## Hotter than hot — too hot to handle?

Tilray stock led the upward charge on Wednesday, adding a whopping 51% in gains during Wednesday's trading session, bringing shares of the Canadian pot play up over 1,200% from its September lows.

While both Tilray and Canopy Growth shares are worthy of a premium price tag, I think one has to draw the line somewhere, and I think that line has been passed quite a while ago, thanks in part to the speculative crowd who seek to play the game of greater fools.

I think Aurora Cannabis has the superior risk/reward trade-off versus the likes of Canopy and Tilray. But don't think for a second that ACB stock will be spared come the next round of volatility.

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

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## **Date**

2025/08/20

## **Date Created**

2021/02/11

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