



## 2 Marijuana Stocks Poised for a Comeback

### Description

As a stock market investor, you can take several possible approaches to invest your capital in equity securities and grow your wealth. Many people prefer to choose [red-hot stocks](#) that are exhibiting stellar growth figures. Some choose to invest in income-generating assets that can gradually build your wealth by providing you with regular and reliable payouts through shareholder dividends.

Then there are the value investors who find high quality but [undervalued stocks](#) trading on the stock market for a bargain. Buying and holding shares of these undervalued companies for the long run can provide you with substantial returns through capital gains, as the companies realize their full potential.

Value investors might be interested in several sectors of the economy that boast equity securities that have yet to recover to pre-pandemic levels, despite the economic expansion that we have seen in recent months. One such sector is the beaten-down legal marijuana industry, which burst onto the scene and rapidly entered overvalued territory.

Most of these companies did not manage to live up to investor expectations and quickly became stocks that many investors actively avoided. As the legal marijuana industry continues to grow in Canada and across the border in the U.S., it might be the right time to add high-quality stocks from the sector trading for a discount.

Today, I will discuss two marijuana stocks that are well positioned for a comeback that you should have on your radar.

### Canopy Growth

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is the leading marijuana stock in Canada, and what a story it has had. As investors became a little too excited ahead of nationwide cannabis legalization, they started flocking in droves to buy Canopy Growth shares. After hitting a massive peak in February 2021, the stock is down by almost 67% at writing.

Now that marijuana stocks are not making the news day in and day out, it might be the ideal

opportunity for interested investors to pick up shares of the company with realistic expectations for the long run. The possibility of nationwide legalization in the U.S. could spur another market-beating rally for the stock. The growth might be driven by excitement, but the conditions would be suitable for its fundamentals to match the rising valuation.

## HEXO

If you have been following **HEXO** ([TSX:HEXO](#))(NYSE:HEXO) stock, you might be surprised to see me talk about it here after a grueling selloff saw the stock decline by over 25% between August 19 to trade for just \$3.05 per share at writing. Within an hour after markets closed on Thursday, August 19, the company announced that it was issuing new shares.

The equity offering would cause significant dilution for shareholders, triggering a panic-induced selloff frenzy that saw its share price drop.

HEXO announced the move, because the company's management needed to raise capital to fund its acquisition of Redecan in a deal worth \$925 million. HEXO's management plans to pay \$400 million in cash consideration and settle the balance in shares. HEXO has made several other acquisitions that, along with the deal for Redecan, can provide stellar revenue growth for the company in the next few months.

The rapid decline in its share price after the announcement might have been overdone. Buying its shares for a discount today could set you up for significant gains as the stock recovers.

## Foolish takeaway

Despite all the challenges that the legal marijuana industry has faced, increasing legalization across the border in the U.S. might continue to be the much-needed boon for the sector's growth here in Canada. While investing in marijuana stocks still presents a high degree of risk due to possible short-term pain, the future seems greener (pun intended) and brighter for the biggest names in the industry.

Investing in Canopy Growth stock and HEXO stock could provide you with [substantial long-term returns](#) through capital appreciation as the sector grows.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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#### **PP NOTIFY USER**

1. adamothonman
2. kduncombe

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#### **Author**

adamothonman

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