



Cannabis Selloff: 3 Weed Stocks to Avoid and 1 Must-Buy

Description

You can't blame investors for [losing interest in top cannabis producers](#) like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)). The three companies are industry leaders, yet the [growth stocks](#) continue to disappoint.

The [year-to-date losses](#) are hard to accept, especially if the projected compound annual growth rate (CAGR) for the marijuana industry between 2018 and 2022 is 21%. Thus far, Canopy and Aurora are down 44.3% and 18.68%, while Tilray is losing too. Some investors have shifted attention to smaller cannabis players.

If you were to invest in the cannabis space today, **OrganiGram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)) outperforms the industry giants. At only \$2.95 per share, the trailing one-year price return is 110.71%. Current investors enjoy a 74.56% year-to-date gain. Market analysts forecast a 32.67% upside to \$3.91 in the next 12 months.

Downward spiral

Canopy Growth reported revenue growth of 28% in fiscal 2021 (year ended March 31, 2021) versus fiscal 2020. However, the net loss was \$1.7 billion, or \$283 million more year over year. Also, the current share price of \$17.53 is 10% lower than a year ago. WEED rose to as high as \$66.21 on February 10, 2021. However, the rally did not sustain.

Still, market analysts recommend a hold rating if you own Canopy Growth. They forecast an upside potential of 61% to \$28.20 in the next 12 months. In Q1 fiscal 2022 (quarter ended June 30, 2021), the company reported a 23% increase in revenue versus Q1 fiscal 2021. Management reported a net income of \$390 million compared to the \$128 million net loss in the same period last fiscal year.

Underperformers

Aurora Cannabis was red hot at the same time as Canopy Growth. The share price soared to \$23.96 on February 10, 2021. Unfortunately, it couldn't go any higher. As of September 29, 2021, ACB stock trades at \$8.62, or 64% lower than its peak this year. The year-to-date loss is 18.68%, while market analysts forecast a nearly 4% decline in the next 12 months.

The \$1.71 billion cannabis producer declared a 45% decline in consumer sales in Q4 fiscal 2021 (quarter ended June 30, 2021) versus Q4 fiscal 2020. While it's not good news to investors, Aurora Cannabis's CEO Miguel Marin said the company is on the final leg of its transformation. It should provide a clear path to adjusted EBITDA profitability once complete, says Martin.

The Tilray of today is the mega-merger between Aphria and Tilray. It's almost the same size as Canopy (\$6.53 billion versus \$6.89 billion). Like WEED and ACB, this cannabis stock underperforms. At \$14.18 per share, Tilray has lost 38.3% in the last three months.

Best buy

OrganiGram Holdings started as medical cannabis provider before focusing on high-quality, indoor-grown cannabis production for patients and adult recreational consumers. The \$881.41 million company from Moncton obtained the licence to produce cannabis and cannabis-derived products in Canada.

Unlike its bigger industry peers, OrganiGram is a high flyer. The stock benefited from the February 2021 bull run in the cannabis space, where the price soared to \$7.62. It sputtered eventually, like most weed stocks. However, the most recent quarterly results should attract more investors.

Organigram reported revenue growth of 31% in Q3 2021 versus Q3 2020. Its net loss went down to \$4 million (96% turnaround) from \$89.8 million in the same period last year. The impressive numbers make this weed stock the best buy in the cannabis space.

CATEGORY

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2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:OGI (OrganiGram)
4. NASDAQ:TLRY (Tilray)
5. TSX:ACB (Aurora Cannabis)
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Date

2025/07/01

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