2 Cannabis Stocks That Could Double in the Next 5 Years

Description

Investors who buy individual stocks aim to outpace the broader markets over a period of time. But doing so requires a ton of expertise, patience, and foresight to understand long-term trends. Canadian cannabis stocks touched record highs soon after marijuana was legalized in Canada at the federal level. But these companies have grossly underperformed the broader markets in the last three years.

The cannabis market is expected to expand at a robust rate in the upcoming decade, and these growth rates should accelerate if marijuana is legalized at the federal level in the United States. Let's see which two Canadian cannabis stocks have the potential to double your wealth in the next five years.

Canopy Growth

Shares of Canadian marijuana giant **Canopy Growth** (TSX:WEED)(NYSE:CGC) are down 76% from all-time highs, allowing investors to buy the dip. One of the largest cannabis companies in the world, Canopy Growth reported a net loss of $16 million in fiscal Q2 of 2022 that ended in September. However, the losses were narrowed by $80 million compared to the year-ago period. Alternatively, the company reported non-cash fair value changes amounting to $233 million, which positively impacted the bottom line.

While Canopy Growth burnt $101 million in cash in Q2 on the back of a 3% revenue decline, the company's management expects sales to accelerate in the second half of fiscal 2022. Further, Canopy Growth also emphasized it will look to stabilize market share in the next two quarters.

Last month, it announced the acquisition of U.S.-based cannabis edibles company Wana Brands, which has a footprint in 12 states. With the recent wave of legalization in the U.S., this figure could expand to 20 by the end of 2022.

Canopy Growth cannot traditionally acquire Wana Brands due to regulations and will purchase the right to acquire the business in the future. In order to enter into a call option, Canopy Growth will pay Wana Brands $297.5 million.

Auxly Cannabis

A small-cap stock that should be on your buying radar right now is **Auxly Cannabis** (TSX:XLY). Valued at a market cap of $275 million, Auxly stock is down 32% from its 52-week high but it has also gained 52% in the last month.

Auxly operates as a consumer-packaged-goods company in Canada and is focused on developing, manufacturing, and distributing cannabis products for recreational and wellness consumers. It is now the sixth-largest licensed producer in Canada after the company continued to gain market share in Q3 driven by its innovative portfolio of products. At the end of Q3, Auxly's market share rose to 5.7%, up from 4.9% in Q2 of 2021.

Bay Street forecasts Auxly Cannabis sales to rise by 49.5% year over year to $76 million in 2021 and by 74.3% to $132 million in 2022. Its loss per share is forecast to narrow from $0.14 in 2020 to $0.02 in 2022.

We can see that the stock is valued at a forward price-to-2022 sales of just over two, making it extremely attractive right now. Analysts tracking the stock have a 12-month average price target of $0.55 per share, which is 50% above its current trading price.

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