



Investing in Cannabis: Top Canadian Marijuana Stocks 2023

Description

Cannabis stocks are a part of an emerging market of legalized marijuana, which involves the harvesting, packaging, and retail sale of good old Mary Jane.

In Canada, the cannabis industry has blossomed nicely since its nationwide legalization in 2018. According to one economic study, marijuana sales have contributed \$43 billion to Canada's GDP and created roughly 150,000 jobs.

Notwithstanding the impressive growth, numerous regulations and compliance issues have slowed down marijuana companies in recent years. A continued dependence on black market cannabis has also made it difficult for some companies to grow bigger.

Below we'll break down marijuana stocks and help you decide if they have a place in your portfolio.

What are cannabis stocks?

Cannabis stocks are companies involved in the growth, distribution, and sale of medical and recreational marijuana. These stocks are generally separated into three main groups:

- **Recreational growers:** Agricultural centres responsible for growing and harvesting marijuana for casual use.
- **Ancillary businesses:** "Non-plant" companies that develop better agricultural equipment for growers, such as improved lighting and more efficient grow centres.
- **Biotechnology companies:** Healthcare companies that use marijuana as the base for pharmaceuticals and other medical treatments.

In addition to these, you'll find other cannabis companies that package, transport, and distribute marijuana, as well as retail stores that sell it to the public. There are also consulting companies that specialize in marijuana legislation and help cannabis companies navigate ever-changing regulations. The three types of companies mentioned above, however, make up the bulk of the top cannabis stocks in Canada.

Top cannabis stocks in Canada

The legalization of marijuana in 2018 has given Canada an abundance of small-cap cannabis stocks to choose from. To help you pick long-term winners, below are some of the top cannabis stocks on the [Toronto Stock Exchange \(TSX\)](#).

Cannabis Stocks	Description
Canopy Growth (TSX:WEED)	Canada's largest producer of medical and recreational marijuana.
Aurora Cannabis (TSX: ACB)	Major producer of medical marijuana.
OrganiGram Holdings (TSX:OGI)	Micro-cap cannabis stock that posted impressive numbers in 2022.

Canopy Growth

Headquartered in Smiths Falls, Ontario, Canopy Growth is one of Canada's largest marijuana companies. As a global distributor, with operations in the U.S., Canada, and parts of Europe, Canopy Growth has held a firm leadership position in the emerging cannabis market.

Canopy Growth produces a wide variety of cannabis and cannabinoid products under numerous brands, such as Tweed, Spectrum, CraftGrow, and the vaporizer Storz & Bickel. Though the company focuses primarily on recreational marijuana, they also grow cannabis for medical purposes, as well as use cannabinoid-related substances in healthcare and beauty products.

Since its [IPO](#) in 2018, the company's stock has thrown investors for a wild ride. Once priced at around \$4.60 a pop, the stock soared upwards to around \$50 in its glory year of 2019, when it was the largest cannabis stock for that year. Notwithstanding another brief peak in early 2021, Canopy Growth has since plummeted back to pre-2019 levels, mainly due to poor earnings and skepticism around federal legalization in the U.S.

Aurora Cannabis

Aurora Cannabis is a medical marijuana company based in Edmonton. The company operates in 25 countries and has eight licenced production facilities spread among them.

The marijuana company has established a more diverse global presence than most other cannabis stocks. Though it's headquartered in Canada, Aurora has expanded to Europe, Latin America, and Australia. Not only has it expanded into other nations, but it has also reached outwards into numerous markets, funding research in [genomics](#) and [biotechnology](#) with cannabis as its base.

Like Canopy, Aurora was once the poster child of the marijuana industry, reaching towards [large-cap](#) territory in 2019. Since then, the stock has fallen significantly (over 98% from its 2018 value), despite having made 16 acquisitions in about as much time. Investors may have reasons to be bullish, however, as the company has established a firmer presence in Europe, one of the most promising markets for cannabis stocks.

OrganiGram Holdings

OrganiGram Holdings is a marijuana company that focuses on both recreational and medical marijuana. Though it began as a medical marijuana distributor, it has since expanded into cannabis-infused edibles and soft-chew candies.

Much like the cannabis industry as a whole, OrganiGram has struggled to prop up investor dollars with strong net revenues. Yet unlike other marijuana companies, OrganiGram posted impressive numbers in 2022.

After releasing new products into the market, the company reported a 90% increase in sales and a 26% increase in its top line. Though that hasn't given the stock much momentum, it could be good news for an industry that's been burning through cash.

Pros of investing in cannabis

- **The cannabis industry has plenty of room to grow.** Marijuana hasn't been legalized in all 50 U.S. states. If you're looking at total addressable market, the cannabis industry has a lot of space to grow.
- **New medical uses.** While non-medical marijuana takes the lion's share of total cannabis sales, medical marijuana research has high prospects. Biotech companies are currently testing cannabis' effectiveness in treating Alzheimer's disease, as well as dementia, cancer, and Crohn's disease.

Cons of investing in cannabis

- **Some cannabis stocks may be overhyped.** There's a lot of enthusiasm around cannabis, both from investors and consumers. This has easily led to some companies being valued above their underlying business fundamentals.

- **Regulation is ongoing and complex.** Legalized marijuana isn't even a decade old, and North American governments are still figuring out how to regulate the industry. Expect lots of volatility in the short term as cannabis companies figure out how to adapt.
- **Not all cannabis stocks will make it.** The industry is still budding, you might say, yet is already saturated with marijuana companies. With so many options, it can be hard to separate the duds from those companies that will be around in 15 years.

Are cannabis stocks right for you?

There's certainly a compelling argument for having a small exposure to the budding marijuana industry. Many great cannabis companies are still in their infancy, and if marijuana sales take off at the rate analysts are expecting, the value of these stocks could go extremely high.

But be cautious in how much of your portfolio you invest in cannabis. Again, this industry is young, and there's simply no certainty about what the future holds for it. Not only that, but nearly every cannabis company is burning through cash and far from profitable.

As time goes on, the mass of marijuana companies will gradually dwindle, leaving only those with strong business fundamentals (and probably good marijuana, too). Be sure you analyze the company itself and decide if it's worth your long-term investment.

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:OGI (OrganiGram)
3. TSX:WEED (Canopy Growth)

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