

## This Up-and-Coming Marijuana Play Could Be the Best Performer in 2019

### Description

With a firm legalization day in the books, all eyes will be on the marijuana space, as companies ready themselves for a triple-digit sales-growth opportunity that's hard for many of today's investors to fathom. Forget year-over-year growth; with marijuana demand poised to overwhelm supply in the first few years after legalization, many of today's up-and-coming pot stocks are capable of quarter-over-quarter numbers that would blow your highest-flying NASDAQ-traded security completely out of the water.

Moreover, it's not just the Big Three Canadian producers that stand to profit profoundly from the lifting of prohibition. The space is about to get crowded, as Health Canada grants more licences to up-and-coming firms that will contribute to the gradual increase in aggregate marijuana supply to form a market equilibrium at some point in the 2020s.

Before you back up the truck on some random pot stock, though, you should know that possession of a licence to grow is simply not good enough for Foolish investors. Quarterly reports are chalk-full of questionable accounting tactics, and speculation has taken control of the marijuana space. It's important to remember that Warren Buffett's principles still apply, even in a world that's clouded by marijuana smoke.

When looking for the next **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC), it pays dividends to look for a company that's truly differentiated itself from the pack, because, as you may know, the barriers to entry are low, and you'll want a firm with the ability to stick it out and continue thriving once the "green rush" window closes off.

Enter **Hydrophothecary Corp.** ([TSX:HEXO](#)), the hottest new pot stock to graduate to the TSX after skyrocketing 270% over the past year. The Quebec-based marijuana producer prides itself on its impeccable quality-assurance procedures and a line of branded products that have found a spot among Quebecois stoners.

### Solid customer loyalty within the Quebec market

In a previous piece, I'd noted that the Quebec market has a preference for local Quebecois brands over other national brands. With such loyalty for Quebec-based products, one ought to think that Hydrophothecary has the unique advantage as a Quebec firm that's expanding outwards.

This April, Hydrophothecary signed a five-year supply deal with Quebec's alcohol distributor, which could see over 200 metric tonnes of marijuana being distributed across Quebec. While there's certainly no wall surrounding the Quebec border, it certainly will seem like it for producers looking to break into the Quebec market to take away Hydrophothecary's dominant share.

### Overlooked brand power

The federal government is not a fan of branding on marijuana packages, but this may change in a few short years after legalization day.

Hydrothecary is really doubling-down on brands in the meantime anyway. Who knows?

With an already devoted Quebecois fan-base, the company may give Canopy a run for its money when it comes to [branding prowess](#). Branding is a big deal, and I believe it will be directly proportional to the success of companies over the long term, as the nascent industry has the opportunity to mature.

The most unique product offered by Hydrothecary is its signature product line called "Time of Day," which could be an absolute hit among recreational users. The product line has a strain of dried bud that's customized for various times of the day, from "Good Morning" indica-hybrid strains to "Bedtime" high-THC indica strains.

The packaging lacks any apparent branding but possesses intriguing cartoonish birds that are really the closest thing to a brand that may get an okay from the federal government.

### Bottom line

Hydrothecary is a rapid up-and-comer that could become a fourth major player alongside Canopy, [Aurora Cannabis Inc. \(TSX:ACB\)](#), and [Aphria Inc. \(TSX:APH\)](#) over the next year or so. The company, like many other dominant players in the space, is poised to consolidate the marijuana industry, which is about to get crowded.

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