Cannabis Investors: Is the TSX the Wrong Place to Buy Pot Stocks?

Description

The potential for pot stocks to grow seems to be getting more and more limited. **Canopy Growth** (TSX:WEED)(NYSE:CGC) looks to have run into a bit of a ceiling at over $70 a share, as investors have started to sell the stock.

And while it's possible that the stock will recover, this is not an unknown or low-profile stock anymore that will generate significant returns over the long term. The biggest potential that I believe still exists for the industry is for companies that operate south of the border.

The legal issues surrounding pot in the U.S. have been well documented, but that hasn't stopped companies there from growing their operations. After all, as long as it remains in states that have legalized marijuana and it isn't crossing state lines, then companies *should* be okay.

The problem, however, is that for investors wanting to get in on these opportunities they will have to invest in the Canadian Securities Exchange (CSE), which has welcomed these companies with open arms, unlike the more restrictive TSX, which currently does not allow for companies involved with U.S. pot to be listed on its exchange.

While the TSX will still likely have more new pot stocks enter its exchange, the problem is that any new companies will be fighting for market share in a country that might already be a bit saturated with cannabis producers.

California, which recently legalized marijuana, has a larger population than Canada on its own. And so a multi-state grower could have significantly more potential than any stocks operating only operating within Canada.

This is likely a big reason why Canopy Growth and its peers have been looking at opportunities around the world to invest in. Although the company may claim the potential for the market in Canada will be significant, ultimately it won't be that big of a pie spread across many different competitors in a highly regulated field where branding is going to be a big challenge.

New pot stock launches with a valuation of over $5 billion

Curaleaf Holdings (CNSX:CURA) started trading earlier this week and it could see a lot of potential, as the company operates in a dozen states and has 28 dispensaries. It currently has licences pending for California and Pennsylvania, so it is looking to expand on its existing operations as well.

The company made its way onto the exchange via a reverse takeover of Canada's Lead Ventures Inc.

More on the way?

There could be another big listing coming as well, as Chicago-based Cresco Labs is planning to expand its business as well, and it's going to need to raise funding in order to do so. It too is planning a reverse takeover of its own that could see its stock traded in Canada.

What makes Cresco different is it isn't just a grower and is involved in every stage of the seed-to-sale process. The company is also filled with professionals that know how to run businesses, and that could be very desirable in an industry that's been focused on growing as fast as possible, with costs and profitability often not taking on much importance.

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