



Cannabis Investors: 3 Powerful Trends You Gotta Know About in 2019

Description

There's little doubt the rise of Canada's newest sector was the story of the year in 2018.

We finally found out what a world with legalized marijuana would be like last year, and for the most part, it's exactly the same as before — at least from a day-to-day life perspective. Things are far different from an investment point of view, however, with Canada's marijuana sector evolving from a bit sector nobody really took seriously to a place that has attracted massive amounts of capital.

Whether you're an experienced pot investor or just a rookie entering the space for the first time, here are three massive trends that appear poised to impact the sector in 2019.

Continued supply shortages

Naysayers say the supply shortages currently plaguing the legal pot market are all the proof they need to avoid the space completely. Most other people have a more balanced view, saying it just isn't possible to build the infrastructure needed to supply millions of marijuana users from scratch in just a couple years.

No matter which side of the fence you're on for this debate, the fact is this issue should still be a major story throughout 2019. The shortages in retail stores should still persist, although this situation will likely get better as the year goes on. Will this be enough to win back cannabis users who still have their dealer on speed dial?

From an investment standpoint, this is good news for companies poised to bring a lot of production onto the market in 2019. **Village Farms International** (TSX:VFF) is, at least in this analyst's opinion, the [company to benefit the most](#) by adding supply to the market.

Village Farms is a vegetable grower eager to pivot over to cannabis. Through a joint venture, it has already converted 1.1 million square feet of greenhouses to cannabis production. The joint venture also has options to convert an additional 3.7 million square feet to marijuana growth. These two facilities have the potential to produce 375,000 kg of marijuana annually.

The company also has 5.7 million square feet of enclosed growing space in Texas, which it could use to grow recently legalized hemp while waiting for federal approval of marijuana in the United States.

More short-seller attacks

The marijuana space has many things that attract short-sellers betting against individual companies, including lofty traditional valuations, management teams with little experience at this level, and high expectations. These investors know all that's needed to send a stock reeling is introducing a little doubt into the equation.

That's exactly what a prominent short-seller did with **Aphria** (TSX:APHA)(NYSE:APHA). The company was accused of a number of different improprieties, including certain top executives using a Latin American land deal to personally profit, and a Jamaican marijuana farm that didn't have nearly as much product as first reported.

The attack didn't just send shares reeling; it also led CEO Vic Neufeld to step down as head of the company, although he will remain on the board and stay on as a special advisor.

Simply put, the attack worked like a charm. Look for similar attempts on some of Canada's other leading marijuana companies.

Consolidation

The short-seller attack isn't the only reason Aphria has been in the news lately. After rejecting various friendly takeover offers, the company received a hostile bid from **Green Growth Brands**, a Columbus-based startup led by Peter Horvath, a retail industry veteran.

Critics quickly pointed to a number of issues with the bid, including the fact it came in at a discount to Aphria's share price at the time, and the stock has moved up since then. It's also an all-stock deal, something that probably isn't much interest to Aphria's shareholders. But that doesn't mean this deal is dead.

No matter what happens with this Green Growth Brands bid, investors need to know there will likely be more consolidation in the space in 2019.

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Date

2025/09/10

Date Created

2019/01/15

Author

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