



2 Canadian Marijuana Firms Set to Benefit From Israeli Export Legalization

Description

News that the Israeli government had finally approved the export of cannabis products from the local growers stirred the country's listed stocks strongly on Sunday, as investors priced in the latest developments and traders took profit. Some Canadian marijuana firms stand to significantly benefit from the opening of one of the oldest pot research markets.

Two of the biggest Canadian beneficiary firms from the latest development in Israel are **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) and **Namaste Technologies** (TSX:N), and here's why.

Namaste Technologies

One of the biggest and [recently fast-growing](#) online retailers of cannabis and cannabis accessories in the world, Namaste Technologies strongly celebrated the news of export legalization from Israel, and there's a big reason for this.

The company has a 10% stake in **Cannbit**, one of the 13 licensed marijuana grow operations in Israel that is listed on the Tel Aviv Stock Exchange. The opening of new access to the world's currently undersupplied legal medical cannabis market could exponentially grow the Israeli pot producer's revenue base and total addressable market, but there is more.

Namaste has a standing collaboration and supply agreement to purchase medical cannabis from Cannbit, and the company "intends on facilitating the import of medical cannabis from the Israeli market to Canada and other jurisdictions," explains the company's Monday press statement.

Should Health Canada permit Namaste to import marijuana products from Israel, the company could soon add Cannbit's cannabis to its Cannmart product line "later this year." If the ongoing product shortage on the Canadian marijuana market persists, the company could fill up a very lucrative supply gap and be handsomely rewarded in return.

Further, Cannbit has Good Manufacturing Practices (GMP) certification for its facilities. Meeting the stringent production and processing standards allows Namaste to quickly obtain sales licences in

European and other cannabis markets, where sales may be allowed on its platforms, thus unlocking serious growth opportunities.

Cronos Group

Production facility expansion and export revenue growth has been relatively slow at Cronos Group, but the company made some great strategic choices in investing in a production facility in Israel back in 2017.

Through a strategic joint venture with Kibbutz Gan Shmuel, a commercial farming community and food company, the duo is set to build a 45,000-square-foot cannabis production facility that yields 5,000 kilograms of cannabis annually.

The joint venture has the capacity to increase production to about 100,000 kilograms per annum, but that is not the best part.

Cronos Israel has the potential to produce cannabis at costs as low as \$0.40-0.50 per gram, allowing the pot company to become the lowest-cost producer in the world. Such a low-cost profile could kill the competition and allow Cronos to significantly dominate the world market on cost leadership.

The Israeli operation was expected to supply product to the European market, where Cronos Group already has serious distribution arrangements with mighty Pohl-Boskamp in Germany as well as inroads into Poland. We could see Cronos reporting massive export revenue growth rates later this year, as it starts reaping the benefits of new export licences from Israel

Foolish bottom line

Namaste's Cannbit has a small 43,000-square-foot facility in Israel, so production space will be limited — worse so, considering that the Israeli company is subcontracted to grow strains on behalf of Tikun Olam. Production for Namaste's Cannmart platform may be limited and pushed to later accounting periods. This may slow down the potential growth rate from latest export legalization in the short term.

Cronos Group has started 2019 on a high note, the company's cash bounty after a \$2.4 billion investment by **Altria Group** could allow it to reap the benefits of low-cost cannabis production through a quicker Israel facility expansion and allow the company to significantly grow its gross margins as export revenues growth accelerates in the near term.

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3. TSXV:LFST (Namaste Technologies)

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