



3 Reasons I Love This Trifecta of Growth

Description

My three [favourite](#) cannabis stocks are **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)), **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **HEXO** ([TSX:HEXO](#)).

Two of the three company's CEO's recently appeared in High Times' list of the 100 most influential figures in the cannabis space. While HEXO CEO and co-founder Sebastien St. Louis didn't appear, Mike Gorenstein (CRONOS) and Bruce Linton (Canopy Growth) did.

High Times is a leading media outlet in the cannabis space, so their nod doesn't hurt the two companies. Also on the list: Blues Brother Jim Belushi, who has a 22,000 square-foot growing facility out in Oregon. I guess it's true that celebrities do like the weed.

Anyway, like these three companies because they've all entered into partnerships with much larger organizations familiar with large-scale distribution, something the eventual winners in the cannabis trade, will have to figure out.

I go back and forth debating which is *the* best stock to own of the trio.

Here are some brief thoughts on each of them.

Cronos Group

For me, the tie-up with **Altria** is a natural one. That's because the owner of Marlboro cigarettes has been rolling tobacco products since the mid-1800s. The Marlboro brand got its start almost 100 years ago in 1924. The name Altria didn't come to pass until 1985.

It's got significant knowledge and understanding of the entire growing, procuring, and processing process when it comes to cigarettes. I always wondered when the tobacco giants would jump into the cannabis game.

However, I [thought](#) it would be former stablemate **Philip Morris International**, who owns the Marlboro name outside the U.S., buying into Canopy, not Cronos.

Cronos reported an \$11.6 million loss March 26, much worse than the \$2.1 million profit it made a year earlier. It was enough to get **Canaccord Genuity** analyst Matt Bottomley to downgrade its shares to “sell” from “hold.”

Bottomley believes Cronos’ stock valuation is too high given its recreational sales weren’t up to snuff compared to its competitors.

If you’re going to invest in cannabis, you’ve got to understand that this kind of event is not unusual. Most firms will experience this kind of pendulum when it comes to revenue and profits.

That’s why I believe buying Altria stock is an excellent alternative to protect against any downside risk. Its \$2.4 billion investment in Cronos isn’t going to break it.

Canopy Growth

Canopy CEO Bruce Linton has become the elderly grandfather of Canadian cannabis – or at least it feels that way given all that’s happened between the company’s founding in 2013 and today.

It’s not easy convincing a \$32 billion market cap that it should partner with a small, but growing unprofitable cannabis business, to make cannabis-infused drinks. It’s even harder to get a company like **Constellation Brands** to part with \$4 billion of its capital.

But that’s what Linton did. It’s people like this; I don’t have a problem getting rich. He stuck his neck out and is getting rewarded for his courage and conviction.

Again, if you want to invest in Canopy, but are worried about the volatility, buy Constellation’s stock instead. At less than US\$170 at writing, it’s a bargain.

HEXO

While HEXO’s CEO didn’t make the High Times list, he’s too busy making deals and positioning the company for growth.

As my Foolish colleague, Andrew Walker stated recently, its [\\$260 million](#) all-stock deal to acquire **Newstrike Brands** is a brilliant move adding significant capacity and a presence in eight provinces.

Oh, and it doesn’t hurt to have the Tragically Hip on your team.

I was a little put off by the limited scope of its partnership with **Molson Coors Canada**. When first announced, it sounded as though the two companies were going to get into the scientific research business rather than product development, but as time passes it appears that they are very focused on capturing a big chunk of the cannabis-infused drink market in Canada.

And like I [said](#) in December, Molson Coors will likely exercise its 11.5 million warrants it got for its contribution to the joint venture, so skittish investors could buy the brewer's stock to tamp down some of the perceived risks.

You can't go wrong with this trifecta of growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:CRON (Cronos Group)
3. TSX:CRON (Cronos Group)
4. TSX:HEXO (HEXO Corp.)
5. TSX:WEED (Canopy Growth)

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