



## 3 Cannabis Stocks Under \$10 a Share

### Description

The cannabis industry is breaking out, but if market estimates are accurate, there will be plenty of growth for years to come.

Last year, five million Canadians purchased more than \$6 billion in cannabis, equating to an annual spend of more than \$1,000 per person. Emerging legalization across the U.S. is providing a long-term growth driver to this impressive start.

The U.S. market is expected to hit \$80 billion by 2030. Adding international opportunities magnifies the market size even further.

Nearly every cannabis stock has rocketed higher in recent months, but several are still stuck under \$10 per share, including **Green Organic Dutchman Holdings** (TSX:TGOD), **OrganiGram Holdings** (TSXV:OGI), and **Hexo** ([TSX:HEXO](#)).

### Ride this cannabis niche

In January, when Green Organic stock was at just \$2.40, I'd [highlighted](#) how the market is completely ignoring the company's growth potential in 2019.

"Green Organic Dutchman is making all the right moves to grow shareholder value," I wrote. "With shares at an all-time low, this looks like a great entry point for risk-tolerant investors."

In the 90 days since that post was published, Green Organic stock has risen by 100%. As the Canadian market matures, the company still has plenty of room to run.

By 2021, Green Organic should reach 170,000 kilograms of production. Importantly, all of this production is organic — an area that few competitors are specializing in.

As cannabis prices fall due to ramping production, don't be surprised to see Green Organic stock outperform due to its differentiated niche and pricing power.

## The value of value-added products

As Fool contributor Sean Williams notes, Organigram is "one of the cheapest and overlooked pot stocks. Period." The stock has risen by more than 100% this year, but the company is still only 10% of the size of its largest competitors.

What's to like about Organigram?

First, the company is ramping up raw cannabis production. Soon, more than 110,000 kilograms of annual output will be produced across its facilities, nearly as much as Green Organic. Second, Organigram shines when it comes to higher-margin opportunities.

As noted earlier, wholesale cannabis prices should fall as production ramps across the entirety of both Canada and many parts of the U.S. Finding a way to retain pricing power will be key. For example, the company's CEO aims to generate half of Organigram's medical cannabis sales from high-margin oils.

Building a portfolio of value-added products like oils isn't that exciting, but it should help Organigram fight the next few years of pricing pressure.

## Don't forget other markets

Hexo stock has long appeared undervalued. Now with a share price of \$9 and a market value of \$1.9 billion, there still is room for rapid expansion.

While most cannabis investors are focused on bringing production online, forward-thinking stock pickers should be identifying pot stocks that can take advantage of new verticals. Hexo is exploring those options faster than any other competitor.

For example, it closed a deal last year with **Molson Coors Canada Inc.** that will bring cannabis-infused beverages to North American markets. Molson owns 57.5% of the venture with Hexo controlling the rest.

As I [wrote](#) in February, "These partnerships will be the key to success in adjacent markets like beverages."

With a year-long headstart on the cannabis-infused beverage market, Hexo has an opportunity to capture a new multi-billion market that few other players are prioritizing. It could take a few years to play out, but the market seems to be ascribing very little value to this promising venture.

### CATEGORY

1. Cannabis Stocks
2. Investing

## POST TAG

1. Cannabis
2. Editor's Choice

## TICKERS GLOBAL

1. TSX:HEXO (HEXO Corp.)
2. TSX:OGI (OrganiGram)

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