



Big Marijuana Is Thriving: Here Are Their Ideal Partners

Description

The partnerships sealed by big corporate names with cannabis producers is a clear indication that the income potential in the cannabis industry is immense and beyond imagination. Indeed, experts predict the global legal marijuana market to be worth a staggering US\$146.4 billion by the end in 2025.

Will each of the partners of **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC), **Cronos Group Inc.** ([TSX:CRON](#))(NYSE:CRON), and **Hexo Corp.** ([TSX:HEXO](#)) regret investing or do they see a match made in heaven?

Cannabis and beer

Constellation Brands Inc. ([NYSE:STZ](#)), the maker of beer, wines, and other spirits, invested \$5.0 billion in Canopy Growth that translated into 38% ownership of the cannabis producer. The Corona-beer maker is bent on assuming the leadership role in the [global alcohol/cannabis industry](#) over the next decade and beyond.

Molson Coors Canada Inc. ([TSX:TPX.B](#)), the Canadian business unit of **Molson Coors Brewing Co.** ([NYSE:TAP](#)), formed a joint venture with Hexo called Truss. Hexo was able to raise \$57.6 million from the JV, while Molson was awarded a 57.5% stake. The goal is to develop non-alcoholic, cannabis-infused beverages.

Most cannabis companies are reporting phenomenal increases on the top line, but declaring wide losses on the bottom line. Until the losses are reversed, the drag might weigh heavily on Constellation Brands and Molson Coors.

Of the projected US\$146.4 billion total of the global legal marijuana market, the global cannabis beverages market would generate US\$4.5 billion. This new market has two types and refers to alcoholic and non-alcoholic beverages.

Molson Coors has specified the focus on non-alcoholic, cannabis-infused beverages to serve the Canadian market. Constellation Brands will rule the alcoholic cannabis beverages market consisting of

cannabis-infused beers, cannabis-infused spirits, and cannabis-infused wines.

The demand for non-alcoholic cannabis beverages and smoke-free cannabis is strongest in North America. Molson Coors will definitely pursue and seize the opportunities. We can anticipate a head-on collision in the region as the respective partners of Canopy Growth and Hexo take on the driver's seat.

Cannabis and tobacco

Cronos can boast of a having solid partner too; this time it's [a mix of cannabis and tobacco](#). **Altria Group Inc.** ([NYSE:MO](#)), the maker of Marlboro cigarettes, acquired a 45% stake in Cronos as part of its diversification strategy. Declining tobacco sales prompted the move.

With US\$1.8 billion from the undisputed leader in the U.S. tobacco industry, Cronos has the cash to expand production as well as establish distribution footprint. The company can accelerate the construction of greenhouses and new processing facilities in Canada.

Cronos can earmark funds for R&D to fast track the development of cultured cannabinoids. The capital infusion is timely because the company can scale up and produce cannabis oils and extracts, and there is no further hindrance to making technology-related investments to perfect their complex extraction process.

Greatest weakness

The three cannabis companies have great partners, all of which gained significantly from a strategic and financial standpoint. However, investing in weed stocks is still speculative and the lack of fundamentals is their greatest weakness.

CATEGORY

1. Cannabis Stocks
2. 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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