



## Forget Aurora Cannabis (TSX:ACB): Buy This Marijuana Stock Instead

### Description

The marijuana sector promises to be a rare opportunity to earn massive gains over the next few years. With a booming worldwide medical market and the legalization of recreational uses officially underway in the developed world, sales of marijuana are set to increase at an exponential rate.

However, with the hundreds of companies looking to cash in on this huge opportunity, nothing is easier than investing in one that will turn out to be a dud. While a few [companies](#) such as **Aurora Cannabis** garner all the attention, there are other pot firms that are worth considering.

With that said, let's turn our attention to **CannTrust Holdings** (TSX:TRST)(NYSE:CTST), an Ontario-based marijuana company.

### A unique process for growing cannabis

CannTrust presents an intriguing prospect for many reasons. First, the firm's process of growing its cannabis products is very different from those of most of its competitors. In an effort to lower production costs and achieve optimal efficiency, the firm grows its plants in water solvents as opposed to soil. This strategy only works because some of CannTrust's facilities are ideally located (with easy access to hydroelectricity). The company plans on achieving a production cost of \$0.005 per gram of cannabis, a figure that is lower than the industry average.

In the meantime, CannTrust is working on improving its production capacity. The company completed its phase one and phase two expansion projects for its Niagara facility and is currently working on its phase three expansion. This puts CannTrust's annualized production run rate in the neighborhood of 50,000 kilograms. Once the Niagara facility is completed and operates at full capacity (which should happen some time next year), the pot grower should be producing about 100,000 kilograms per year.

This alone should put CannTrust among the leaders in the cannabis industry in this category. However, the firm estimates that future growth projects (including 200 acres of land it has acquired) will increase that number to more than 200,000 kilograms per year, which would put CannTrust near the very top among Canadian cannabis companies in terms of production.

## CannTrust's distribution channels

Though CannTrust is active in the recreational market, it also possesses a strong foothold in the medical market. As of early May, the company had over 70,000 active patients. This is significant: the medical market typically yields higher margins, and medical users are more generous with their money, so to speak. CannTrust created a joint venture with Stenocare — a Denmark-based pharmaceutical company — to distribute medical marijuana products in Denmark.

Further, CannTrust is working with Apotex (a drug maker based in Canada) to develop various medical products and has a partnership with CannTrek to do the same in Australia. Domestically, CannTrust has supply agreements with nine Canadian provinces, giving it access to the majority of the population. The firm has a partnership with Breakthru Beverage Group to distribute marijuana products. According to a press release posted on the company's website:

"Breakthru will invest in the establishment of a cannabis-focused sales brokerage company and develop a route-to-market platform for CannTrust in Canada, effective when the adult-use recreational market opens October 17, 2018. In addition, Breakthru is aligning as a strategic partner with CannTrust through a company investment, as it sees the organization as a long-term market share leader."

## Why you should consider buying

CannTrust has a lot going its way. The firm is looking to minimize the cost of producing cannabis, while taking advantage of both the recreational and medical markets. Its international expansion projects, while not industry leading just yet, are nevertheless noteworthy. CannTrust is no slouch domestically either, with various supply agreements and partnerships to distribute recreational products. All things considered, CannTrust is an enticing prospect for marijuana investors.

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