My Favourite Marijuana Stock for 2019

Description

Like many in the investing world, I'm excited about the marijuana boom. Everyone expected enormous gains post-legalization. But as it turned out, the marijuana industry is more complex than initially imagined. Instead of reporting massive profits, Canadian cannabis producers are reporting staggering losses.

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The problem now is, how long it would take to recover those losses and post profits. As the players ramp up production to build scale, losses continue to rise. Hence, it somehow poses a dilemma to choose a favourite marijuana stock this year.

Now that we're at the halfway mark of the year, I pick **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) as my weed stock for the rest of 2019. Market observers opined that the bigger marijuana producers and cultivators are the biggest buys. But I prefer a second-tier player that is also a cannabis-focused drug maker.

Healthcare expertise

My choice of CannTrust is anchored on growth opportunities and its capability to get the most out of those opportunities. The company's market capitalization is the smallest among the major players. But being a specialty and generic drug manufacturer puts it in good stead to compete in the medical marijuana market.

The opportunities for CannTrust abound, as more and more countries around the world legalize medical marijuana. In the U.S., more states are doing the same. I've taken into account that it isn't the top marijuana grower. However, the potential annual peak production of 200,000 kilograms makes it a worthy competitor.

Grand plans

CannTrust Holdings reported a $13.5 million net loss in 2018 after a profitable 2017. The losses are not alarming and are properly justified. It is natural for expenses to bloat during the implementation of capacity expansion projects. There was also a snag in obtaining the permit for the Niagara facility — its flagship facility.

About 200 acres of land will be added for outdoor production to boost production and attain a yield of 200,000 kilograms. CannTrust will use the acquired land for extraction purposes. The objective is to develop high-margin cannabis-derivative products.

The 840,000-square-foot flagship Niagara facility is in phase three expansion already. Once completed, it will complement the 60,000-square-foot Vaughan facility. In both facilities, CannTrust is using hydroponic methods to grow weed. The methods utilize low-cost water and electricity.

Get hold of the opportunities

As of this writing, CannTrust's price of $7 is almost the same as when this year started. In late March, the stock traded at a high of $13.45. Analysts are projecting an 80.7% increase to $12.65. That's a generous return from a less than $10 investment.

The current price is cheap and very reasonable as an entry point to the cannabis world. I won't even compare CannTrust with other weed stocks. I believe the diversified product portfolio consisting of edibles, topicals, and others for medical use have higher profit margins. CannTrust will capitalize on these opportunities.

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The partnership with Cannatrek (Australia) and the joint venture with STENOCARE (Denmark) is just the beginning of more international strategic collaborations. CannTrust will not allow these opportunities to slip away.

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