



2 Stocks to Buy With Cannabis Edibles Set to Hit Shelves Later This Year

Description

Canada has moved forward with cannabis offerings at a snail's pace. Ontario, the most populous province in the country, just began offering retail cannabis over the counter in the spring. Recreational cannabis sales in Canada have been sluggish in the first half of 2019. This can only be considered a massive disappointment, as the country had a golden opportunity to establish itself as a global leader in this burgeoning market.

The slowdown in sales has been [reflected in the earnings](#) for Canada's top producers. Cannabis stocks started off hot in 2019 but have since struggled in the face of these headwinds. Fortunately, there may be some help on the horizon.

Cannabis edibles will hit Canadian shelves in December of this year. Canada has taken its time to weigh this decision due to the difficulty in regulating THC limits. The selection at the outset will be limited as edibles gradually make their way to Canadian shelves. Still, investors should be excited about this new product.

HEXO ([TSX:HEXO](#)) and **Molson Coors Canada** ([TSX:TPX.B](#))([NYSE:TAP](#)) are two stocks to watch closely as edibles begin to hit Canadian shelves. These companies formed a partnership in the summer of 2018 in order to create a joint venture to produce cannabis-infused beverages. Later that year, both companies announced the launch of Truss, a standalone beverage company. Consumers will be getting more details on products in the lead up to cannabis edible availability.

Mark Hunter, president and CEO of Molson Coors Canada, predicted earlier this year that edibles would make up 20-30% of the broader cannabis market. This could put its valuation in the \$3 billion range. A late 2018 report from ArcView Market Research projected that the North American edibles market would exceed \$4.1 billion by 2022. The report mentioned that food and drink products accounted for approximately 11.4% of total cannabis spending in the United States and Canada in 2017.

This projection falls slightly below the Molson Coors forecast, but it is still very promising. Last month, I'd [recommended that investors look to add Molson Coors](#) in anticipation of its big launch. The stock

has dropped 2.9% in 2019 as of close on June 28, and shares have a favourable price-to-earnings ratio of 11.9.

HEXO stock is still up nearly 50% in 2019 so far, but shares have plunged 20% over the past three months. Like many of its peers, HEXO unveiled an earning miss in the third quarter. However, it did outline a push into the highly lucrative United States CBD market. The company hopes to achieve \$400 million in revenue by its 2020 financial year, but delays in Canada's edibles market are a cause for concern.

Still, HEXO is nearing a more attractive price point as we kick off the month of July. The stock hit technically oversold territory in late June and still boasts an RSI of 35, which is just outside of oversold range. HEXO and Molson are worthwhile pick-ups in the early summer.

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2. TSX:HEXO (HEXO Corp.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

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Author

aocallaghan

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