



Which Canadian Cannabis Names Will Benefit Most From U.S. Legalization?

Description

In terms of sheer size, there is not a bigger market opportunity for cannabis than the United States. While estimates for a mature market in Canada range from \$5 to \$10 billion in annual sales, the U.S. market is expected to hit \$22 billion in revenues by 2022, as per the 2018 edition of the Marijuana Business Factbook.

And although marijuana is currently illegal on a federal level, nation-wide legalization enjoys bi-partisan support and it's only a matter of time before we see the market open, south of the border. Currently there are two Canadian LPs with actionable plans to take advantage of this massive opportunity: **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:WEED) and **Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)).

Canopy Growth and Acreage

It's not surprising that [Canopy Growth](#) made the list. After all, the company is the only Canadian LP to explicitly buy-out an American multi-state operator. In a deal characterized by its riskiness, Canopy paid **Acreage Holdings Inc's** shareholders USD \$300 million for the option to buy out the company, following federal legalization, at a ratio of .5818 share of Canopy per Acreage share.

That means that if and when legalization is achieved, Canopy will be able to roll up Acreage's 20-state spanning footprint of growing, processing and dispensing operations. According to both Canopy and Acreage, the deal offers synergies to increase operational scale and efficiency, as well as the introduction of differentiated products to the U.S. market (beverage, vape and therapeutics).

Cronos and Altria

The second name that should be on your radar for U.S. expansion is [Cronos Group](#), which unlike Canopy, does not have to wait for federal legalization, as it is targeting the lucrative CBD market. In June of this year, analysts were touting the partnership deal between Cronos and **Altria Group Inc**, as the key for cross border expansion; according to the analysts, Cronos will be able to leverage Altria's

distribution network across 230,000 stores to launch its own products.

Further, it appears that the company is already taking the necessary steps to prep itself for the coming ramp-up. On July 10, Cronos announced the hiring of Dr. Todd Abraham, ex-Chief Innovation Officer at **Mondelez International**. The involvement of someone with vast experience in the legacy food and beverage industry shows how serious Cronos is about legitimizing and expanding its brand.

In summary, 2023 is the expected date for cannabis to be legalized federally across the United States. In the coming quarters, we can expect more cross-border partnerships and deal making as Canadian LPs look to tap into this key market. For now however, Canopy and Cronos are the clear leaders to play this space.

CATEGORY

1. Cannabis Stocks
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2. NASDAQ:CRON (Cronos Group)
3. TSX:CRON (Cronos Group)
4. TSX:WEED (Canopy Growth)

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