



Investors: How to Prepare for the “Next Generation” of Weed Stock IPOs

Description

The quick returns generated by weed stock IPOs are almost unprecedented in stock market history.

As a case in point, consider **Tilray**.

After its IPO, Tilray rallied 750% in the span of a few short months. Although it cooled off shortly afterward, the stock’s rise shows how quickly weed stocks can make investors wealthy.

Unfortunately, with growing losses and increasing regulatory scrutiny, established weed stocks aren’t looking like great long-term plays. However, short-term investors may be able to profit off of the hype generated by upcoming IPOs.

Over the past few months, several marijuana related companies have quietly gone public, with others forming through mergers. Many of them have made investors wealthy, despite the generally bearish trends observed in the cannabis sector. In this article, I’ll be exploring how you can get in on the next generation of marijuana stock IPOs before they peak.

What the Akerna merger teaches us

Akerna ([NASDAQ:KERN](#)) is a marijuana compliance company that was formed by the merger of [MJ Freeway](#) and [MTech Acquisition Corp](#). The company builds software that lets marijuana companies track their supply chain and allows governments to monitor plant shipments for compliance purposes.

As a software company, Akerna is insulated from market factors that may hamper weed producers’ growth, such as changes in fair value of biological assets or declining selling prices. After its IPO, the company briefly shot up 182% before coming back down to earth. It’s still up 35% from its IPO price.

Researching upcoming IPOs

As the Akerna merger teaches us, new weed stock offerings can create many short-term opportunities.

Although technically not an IPO, it demonstrates the insatiable appetite investors have for new weed stocks.

While Akerna's moment seems to be in the past, there are plenty of upcoming offerings to look forward to. If you want to take advantage of them, the key is to research the options available and decide which has the most potential upside.

In terms of production capacity, Breath of Life — which was slated to go public last week but was delayed — looks especially promising. Planning to [produce 870,000 kilograms a year](#), it already has the space in Israeli and Portuguese production facilities to back it up. It plans to offer \$150 million worth of shares and use the funds to get production up and running.

Another interesting option is Cannalife. It develops and markets a number of topical cannabis creams and is looking to go public sometime this year. Although its products are facing regulatory hurdles right now, their novel nature means that they could enjoy patent protection and get an “economic moat” that results in higher-than-usual profit margins.

Foolish takeaway

Over the years, marijuana stocks have made many investors wealthy. Historically, the key has been getting in early. While large-cap weed stocks are floundering now, they were superstars while still young. At the moment, there are at least two significant marijuana stock IPOs coming up, either one of which could become the next big thing. Stay tuned.

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