



## A Top Pot Stock to Buy in August

### Description

Cannabis stocks continue to take a beating as a range of events undermine investor confidence in the industry. Key among these have been massive spending, a lack of profitability and growing regulatory issues. While this should concern investors, not all legal cannabis cultivators are struggling with profitability or cost blowouts. One that is poised to perform strongly in coming months is **Khiron Life Sciences** (TSXV:KHRN) which, despite following larger marijuana stocks lower since mid-March 2019, is still up by 27% for the year to date.

### Growing recognition

Khiron, which has its core operations based in Colombia, was recently added to the **Cannabis ETF**. This is an industry exchange-traded fund (ETF) which seeks to track the Innovation Labs Cannabis Index. That market index is composed of 35 cannabis stocks that are expected to benefit from growth of the growing global legal marijuana, CBD, and hemp industries. This is exciting news for Khiron because it underscores the company's importance in the nascent and rapidly growing legal cannabis industry.

Indeed, it is difficult to ignore Khiron, which expects to commence commercial medical marijuana sales in the third quarter 2019. It is one of the few [Colombian cultivators](#) to have secured all licensing and approvals required to commercially produce legal cannabis and CBD products in the equatorial nation. The difficulty associated with completing that achievement can't be understated, with many cultivators operating in Colombia having yet to reach the stage where they can produce commercial crops in the near term.

Khiron has now registered 22 marijuana strains with the Colombian Agricultural Institute and is progressing its plans to obtain a commercial quota for the commercialization of THC cannabis strains. Khiron has 1.9 million square feet of licensed cultivating capacity in [Colombia](#) and expects to produce a gram of marijuana for as little as \$0.35, which is around a sixth to a 10th of the all-in production costs per gram of Canadian marijuana cultivators.

Khiron is engaged in a developing a range of products which, aside from the usual wellness, skincare,

and other healthcare applications, includes producing medication for patients in specially prepared formulations. That it is forecast will deliver higher margins than wholesale manufacturing. This, in conjunction with the company's low production costs and growing distribution network, will allow it to become profitable far faster than many of its peers.

While the global legal marijuana market has been estimated to be worth US\$130 million by 2029 according to boutique investment bank Jeffries Group, Khiron has chosen to focus its distribution network on Latin America. This, because of its progress to commercial production and wide range of medical, beauty, and recreational products under development, gives it a first-mover advantage in the region. That will go some way to allowing Khiron to establish an economic moat to protect it from competition.

Khiron has also launched its Kuida range of cannabis healthcare products in the U.S. in an alliance with Dixie Brands and is rolling that product out to over 1,000 pharmacies and retailers in Colombia. It has also established an agreement with ILANS, a leading neuropathic clinic in the Colombian capital Bogota, which has over 119,000 patients.

## Foolish takeaway

Khiron finished the first quarter 2019 in a solid financial position with \$38 million in cash and short-term investments as well as a mere \$2.5 million in current and long-term debt. This indicates that Khiron has adequate financial resources to complete establishing its distribution network and bring its first commercial crop to market. If the company performs as strongly as anticipated, it could become a target to be acquired by a larger rival seeking to access its quality assets, established production facilities and low cultivating costs.

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