



Why Canopy Growth (TSX:WEED) Stock Is Your Best Cannabis Bet for 2020

Description

Pot stocks went gangbusters last year. Countless millionaires were minted. But this year, conditions have turned dramatically. The stocks of many major cannabis companies are down 30% or more. The days of exuberance are likely over, but there's still plenty of money to be made. Just be careful, as not all marijuana stocks are created equal.

If you haven't learned about the [number one risk](#) every cannabis investor must avoid, start there. The threat of commoditization will revolutionize how investors approach the industry. In fact, there's evidence that commoditization has [already begun](#).

If you want to make sure you invest in winning pot stocks, pay close attention to **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC). This company is ready to capitalize on the Cannabis 2.0 revolution in ways that competitors simply cannot match.

A different approach

Take a look at most pot stocks, and you'll discover one thing: the majority are trying to ramp cannabis production as quickly as possible. As we learned recently, this is a terrible long-term strategy.

Last month, **Tilray** stock was pummeled after it revealed its average price per gram sold dropped 28% to \$4.61. The precipitous declines in pricing will only worsen in future quarters. If you're simply growing cannabis, the future is growing dark.

The key to success will not be production growth, but *differentiation*. If your product is differentiated, you can build brand loyalty and pricing power. Canopy Growth's management team realized this from day one.

Here's what CFO Mike Lee said in August:

"From the beginning, our company has had different aspirations ... We have long believed

the success in this industry should not be judged by selling dry cannabis flower to existing cannabis consumers in Canada. Instead, we believe the true opportunity and ultimately the path to generate the greatest sustainable return on investment over the long-term will be driven by our company becoming a global consumer medical products company with a product offering that expands the cannabis category beyond traditional consumers to also include consumers that have not yet tried cannabis for the first time.”

While competitors are focused on the current market, Canopy Growth is building its business around the *next* phase of customers. It knows that simply selling dried flower likely won’t convert the next few million cannabis users.

Non-traditional users will likely prefer value-add products that are more familiar and don’t require special equipment to use. This includes items like beverages and edible products.

Canopy Growth has spent millions of dollars in research and development to develop the next generation of cannabis products. Demand has been limited in recent years, but everything is about to change in October.

Now is the time

According to a recent report from Deloitte, “All eyes remain on Canada as it prepares for the next stage of cannabis legalization — a step that will keep the country firmly at the vanguard of a societal revolution and a new industry exploding with potential.”

They’re talking about the Cannabis 2.0 movement, which will see dozens of new cannabis edibles and concentrates become legal on October 17 of *this year*.

“The introduction of these new products is creating new opportunities in product mixes, reaching new cannabis consumers not fully comfortable with traditional consumption methods currently available,” Deloitte’s report concludes.

This is *exactly* what Canopy Growth has been preparing for. When the flood of demand hits for these products, Canopy Growth should take heavy market share considering it remains years ahead of most competitors in terms of product pipeline and regulatory clearance.

Canopy Growth isn’t the only company ready for Cannabis 2.0, but it’s one of the best positioned to capitalize.

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