



## Load up on Marijuana Stocks Before Cannabis 2.0!

### Description

After the massive leap in valuations leading up to the legalization of recreational cannabis last year, things are very different in the pot industry now. October 17, 2018, saw the Canadian government legalize the sale of recreational marijuana. Cannabis industry stocks were skyrocketing ahead of this move, only to drop drastically right after the change came into effect.

October 17, 2019, is going to see Cannabis 2.0 come into effect. This move will result in the legalization of further cannabis-related products, including edibles and beverages derived from weed. It's a potentially major shift, but last year's performance might have left a lot of possible investors wary of getting too excited.

At a time when some might think weed stocks are a lost cause, I think it could be the perfect opportunity to load up. Cannabis stocks are already down, and it is unlikely they will go down further. This dip can be a positive sign if you are thinking about buying shares in pot companies ahead of Cannabis 2.0.

I will not say that the legalization of cannabis derivatives is a get-rich-quick strategy. Instead, I think buying stocks now can prove beneficial over the long term. Cannabis derivatives are more desirable products. Pot companies stand to get higher margins for these products, and that means improved performance in the long run.

If you are in it for the long haul, buying and holding these two stocks could be an excellent strategy.

### A potentially undervalued pot company

Since the end of April this year, **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) shares have dropped around 50%. This plunge in share price might not seem promising for a lot of investors, but I think the cannabis derivatives market can create a drastic change in the situation.

Hexo is well prepared for the legalization of cannabis derivatives. The company's partnership with **Molson Coors Canada** is the most substantial move in [anticipation of Cannabis 2.0](#). The two

companies are already focusing on CBD-infused beverages. Once legalization takes place next month, Hexo could potentially be in an excellent position to tackle demand and supply.

If you are interested in the prospects of Hexo for making you wealthy overnight, I will advise you to be patient. While legalization will take place mid-October, derivatives are not likely to hit the markets until December.

## A screaming bargain

Another pot stock that I feel should be an [attractive buy option](#) is **Aphria Inc** (TSX:APHA)(NYSE:APHA). The company reported excellent Q4 2019 earnings results earlier in September after the shares saw a significant boost in the stock market. The pot company said that net revenue increased by 75% year over year, to \$128.6 million in Q4 2019.

Revenue generated by Aphria from recreational marijuana increased by almost 160%, to \$18.5 million, and, according to the company, expects net income between \$650 million and \$70 million in fiscal 2020. The company is on track to reach an annual production capacity of 255,000 kilograms.

Due to its recent performance, the company is securely back among the top pot companies at third place after **Canopy** and **Aurora**. It remains to be seen how Cannabis 2.0 affects the overall industry, but the signs for Aphria are good.

It is difficult to make guarantees about one of the most volatile asset classes in the stock market. From what I can see, I feel that both Hexo and Aphria could be good long-term buys for investors interested in the marijuana industry.

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1. Cannabis Stocks
2. Investing

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