



## 3 Pot Stocks Perfect for Every Cannabis Investor

### Description

Cannabis investors have plenty of options. While many have simply opted to purchase an ETF like **ETFMG Alternative Harvest** or **Horizons Marijuana Life Sciences**, targeting specific stocks will result in the biggest upside potential. But when surveying the industry, there are a ton of options available.

From pure-play cannabis growers to value-add manufacturers, understanding which opportunities are the [most lucrative](#) will be critical.

Fortunately, there are several promising companies that are each taking very different approaches to the marijuana boom. Which strategy will be most successful is still uncertain, but whichever strategy you believe in, the following stocks are best positioned to succeed.

### Go big

**Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) is a giant when it comes to cannabis. Its \$4 billion market cap easily surpasses the other companies on this list. A big reason why Cronos is dominating the industry is because it's actually producing and selling product.

This year, the company is set to generate roughly US\$40 million in sales. Next year, analysts expect it to generate revenue of at least US\$160 million. Cronos sold 1,584 kilograms of cannabis last quarter — a 232% annual increase — but the company will ultimately have capacity to grow more than 117,000 kilograms of pot per year.

In addition, Cronos has the backing of \$75 billion tobacco giant **Altria Group**. Last year, Altria took a 45% stake through a \$1.8 billion deal. Altria still has options to acquire a majority stake in Cronos, paving the way for an outright acquisition.

If you think cannabis will go the way of big tobacco, there's no better stock than Cronos. It has all the infrastructure and expertise in place to be a major player for decades to come, not to mention the direct involvement of one of the most influential tobacco companies on the planet.

## The platform play

**Hexo** ([TSX:HEXO](#))(NYSE:HEXO) is taking a different approach. Instead of cozying up with a specific mega-brand like Altria, Hexo is positioning itself as a plug-and-play provider of co-branded cannabis products capable of integrating with *any* brand, large or small.

If you're a consumer brand like **Coca-Cola** or **Colgate-Palmolive**, partnering with Hexo gives you instant access to regulatory-compliant cannabis as well as fully integrated services to bring your product to market quickly.

Hexo really has everything a consumer brand needs, including a 579,000-square-foot research and development hub, a 1,310,000 square foot grow facility, and a 58,000-square-foot distribution centre. In a nutshell, Hexo is positioning itself as the go-to outsourcer for pot products.

This could end up being the biggest market of all. While big brands like Altria and **Constellation Brands** have proven willing to invest directly into the pot market, most Fortune 500 companies likely don't want to become fully fledged marijuana operators. Working with Hexo gives them all the benefits of a fully owned pot subsidiary without needing to take the actual risk of owning one.

## High risk, high reward

**Green Organic Dutchman Holdings** (TSX:TGOD) is by far the riskiest stock on this list. That's because the company is positioned as a pure-play grower. It has a niche by focusing solely on organic output, but the company will live or die based on its ability to compete in an increasingly commoditized market.

Green Organic should reach first production during the fourth quarter, and output is expected to reach 200,000 kilograms by the end of 2021.

Shares trade at an industry-low 3.1 times forward sales, but given the risk, it's reasonable for the market to remain skeptical. But if the company can secure long-term agreements with large customers over the next 12 months, the valuation could shift dramatically.

This stock is a risky bet with an uncertain future, but the long-term upside dwarves the two other picks on this list.

### CATEGORY

1. Cannabis Stocks
2. Investing

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1. Cannabis

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1. NASDAQ:CRON (Cronos Group)
2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:CRON (Cronos Group)
4. TSX:HEXO (HEXO Corp.)

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## **Date**

2025/08/25

## **Date Created**

2019/09/29

## **Author**

rvanzo

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