



## 2 Pot Stocks to Buy Before Canada's Cannabis 2.0 Legalization

### Description

Canada will legalize cannabis-infused edibles for recreational use this month. The selection of products that will be available in retail outlets, however, will be limited. Nonetheless, the cannabis edibles, extracts, and topical market is estimated to be worth \$2.7 billion annually.

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) are the pot stocks competing for market leadership in this growth opportunity and have delivered the significant gains to investors.

### Potential champion

Canopy continues to disappoint investors so far, and the huge losses recently are worrisome. However, among all cannabis producers, this company has spent the most time and resources toward Cannabis 2.0. Its efforts will soon pay off.

The partnership with alcoholic beverage maker **Constellation Brands** is a clear sign that Canopy is likely to assume the leadership position in the cannabis-infused beverages market segment. Expect Canopy Growth to introduce multiple cannabis beverages, including zero and low-calorie drinks.

Mark Zekulin, Canopy's interim CEO, believes that the cannabis beverages market will expand the cannabis consumer category to reach a larger portion of the population. Aside from beverages, Canopy will sell a variety of CBD products, including edibles and oils, later this fiscal year.

Since early July, Canopy has fallen sharply by 41%. But I expect the stock to gain [strong momentum](#) when the legal production and sales of cannabis beverages and edibles go into full swing. WEED could rise to \$85 or a potential gain of 169%.

### Worthy contender

Canopy isn't the only cannabis producer with a solid financial backer. HEXO is likewise in the best

position to be a big winner in the Cannabis 2.0 market. The main objective of forming Truss, a joint venture with beer maker **Molson Coors Brewing**, is to develop and market cannabis-infused beverages.

That market segment is Hexo's primary focus. Last June, Hexo CEO Sebastien St.-Louis said that he hasn't "seen anything else in the industry right now that compares to what we have today" with the first version of its cannabis-infused beverage.

But the company made it known that brisk sales won't come from cannabis-infused beverages only. HEXO is also developing gummies and premium vape products. St.-Louis believes that these two could be the top-selling products that could match beverages in terms of market opportunity.

The competitive advantage of Hexo is its dominance in the province of Quebec. Currently, HEXO holds a leading market share of 30% in the province that ranks second to Ontario in terms of population size.

Hexo is down 19.0% since early June, but because of its [enormous growth potential](#) in the Cannabis 2.0 market, analysts are forecasting a 152% potential upside in the next 12 months.

## Collision course

Expect a few kinks before the beverages and edibles markets get going. Health Canada is the process of crafting a strict legal framework that would ensure public safety. The cannabis sector is on the verge of creating valuable new growth opportunities with cannabis edibles and other alternative products.

But the winner in the Cannabis 2.0 market is a toss-up between team Canopy-Constellation and team Hexo-Molson Coors. It's is going to be an exciting head-to-head battle. Pick your pot stock now, and may the better side win.

### CATEGORY

1. Cannabis Stocks
2. Investing

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2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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