



3 Cannabis Stocks: Now Is the Time to Buy!

Description

Pot stocks went gangbusters last year. Several companies increased in value by 100% or more. 2019 has been a different story, with marijuana indexes falling by as much as 50%. The days of glory have turned to pain, and many early investors are bailing on the industry.

If you're brave, now is the time to scoop up high-growth cannabis stocks at a steep discount. If you believe in the cannabis story, don't pass this opportunity up.

With the stocks of a dozen pot companies on the decline, which opportunities look most attractive? After screening through the entire industry, I pinpointed three companies that trade at rock-bottom valuations despite [massive growth](#) ahead, in 2020 and beyond. If you want to take advantage of this rare downturn, here's how to bet.

Partner with giants

The cannabis industry is going to be huge. According to some estimates, the market size could surpass \$100 billion by 2030. Who exactly will win, however, is up for debate.

One of the most popular theories is that the market will follow the lead of tobacco, with a few highly-regulated players dominating the space. If you're a fan of this theory, **Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)) is for you.

Marijuana is already fully legal in Canada, and more than 30 U.S. states have decriminalized pot in some fashion. Navigating the evolving regulatory environment will be key for Cronos. That's why last year's \$1.8 billion investment by **Altria Group Inc** ([NYSE:MO](#)) is so pivotal.

One of the largest and most experienced tobacco companies in the world now owns a sizable stake of Cronos, and you can bet Altria will dedicate its full resources to helping the company succeed.

Since March, shares have fallen by nearly two-thirds. Now is the time to strike if you think cannabis will follow the path of big tobacco.

The platform play

Not every large company will want to directly invest in cannabis stocks. That's what makes **Hexo Corp** ([TSX:HEXO](#))(NYSE:HEXO) so appealing. Hexo is positioning itself as a marijuana platform company.

It's building the necessary infrastructure for any partner to use the company's cultivation, research and development, and packaging capabilities to create cannabis products quickly and cheaply. Management is targeting large Fortune 500 companies like **PepsiCo, Inc.** and **Kraft Heinz Co.**

While the platform strategy is still early-stage, there's optimism that it can outperform its pure-play peers. Cronos, for example, will likely work exclusively with Altria on major initiatives.

Hexo, meanwhile, can work with dozens, or even hundreds of companies. Hexo is building a company that can scale immensely. The stock is down nearly 50% since the cannabis correction began in March.

Go it alone

If you want the highest upside possible, stocks like **Green Organic Dutchman Holdings Ltd** (TSX:TGOD) are ideal. Green Organic has a market cap of just \$550 million, making it one of the smallest operators in the industry. That's because it doesn't have the critical partnerships that Cronos has, nor the platforming ability Hexo is pursuing.

Instead, Green Organic is more of a pure-play grower, which has caused the market to aggressively sell shares. Since March, the stock has dropped roughly 60%.

While the risks are high, the potential rewards are just as high. Green Organic is aggressively ramping organic cannabis output, something few other growers are targeting at scale. This quarter, multiple new grow facilities will come online.

If the company can prove it's capable of selling its product on the open market, expect the market to re-rate shares in a hurry. If the stock trades at industry multiples, there could be 100% upside in 2020. That potential rests on its ability to secure new customers, but the upside potential is clear.

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