



Top Weed Stocks for 2020

Description

It's been a horrible year for legal marijuana stocks across the board. Collectively, the top three players have shed billions in market value and currently trading at less than half their price at the start of the year. Some smaller players are indeed on the verge of bankruptcy.

The outlook is dire and the industry is struggling to find its feet. Now that the damage is done, investors must look ahead to try to figure out which producers are likely to survive and thrive when the market shakeout is complete. Here are two stocks that stand out from the pack based on relatively concrete fundamentals.

Canopy

Interim CEO Mark Zekulin said **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) was laser focused on the upcoming [Cannabis 2.0 wave](#). He was referring to the edible products that became legal this week and could be rolled out as early as December 2019.

Products like weed-infused chocolates, gummy bears, cookies, brownies, and even beer could change the game for all pot producers. Companies can finally launch high-margin products that are differentiated by branding and clever marketing. With brands like Tweed and Tokyo Smoke, Canopy is already ahead of the pack here.

Also, with over \$3.8 billion in cash and cash equivalents and the support of one of the world's largest alcoholic beverages giants, Canopy is likely to emerge as the ultimate winner of the legal weed wave next year. The launch of new edible products throughout 2020 should help bolster the company's brand portfolio and consolidated profit margins.

With double-digit growth rates, a new management team, and a stock trading at just 80% premium to book value, Canopy is starting to look attractive again.

Cronos

Cronos Group ([TSX:CRON](#))([NASDAQ:CRON](#)), like its larger rival, has the support of a major corporation. Big tobacco giant Altria-infused \$2.4 billion into the company for a 45% stake last year, which means Cronos has plenty of firepower to expand and launch new products.

On its recent quarterly call with analysts, the team clearly said they believe cannabis-based edibles were a long-term growth opportunity. What sets them apart from larger producers and other rivals is the fact that their [business model](#) is relatively asset light. Production is outsourced to third-party manufacturers.

Earlier this year, the company entered an agreement with Ontario-based MediPharm Labs to deliver cannabis concentrate-filled vaporizer devices that will be marketed under the Cove brand. Investors should expect the company to launch other edibles and innovative products through a similar framework, which should result in higher margins.

The stock has been soaring this past week after someone placed multi-million-dollar block deals to purchase hundreds of thousands of the company's shares. Someone with deep pockets clearly sees potential here.

Bottom line

It's been a tumultuous year for weed stocks, but some would argue the industry needed a reality check. Now that valuations are lower and a new wave of cannabis products with larger margins is on the horizon, growth-seeking investors should start hunting.

At the moment, Canopy Growth and Cronos Group look like decent bets.

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2. NASDAQ:CRON (Cronos Group)
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