



The U.S. Market Could Send These Cannabis Stocks Soaring in 2020

Description

Canada's cannabis market is going crazy. A new report suggests that spending, which totaled \$570 million in 2018, will grow by at least 40% per year, surpassing \$5 billion by 2024. It's not often that a multi-billion-dollar market appears practically overnight, but this is one of those rare opportunities.

"Canada is the largest country in the world to legalize cannabis, and because of this, it has dramatically reshaped the cannabis investment landscape," notes Troy Dayton, CEO of the Arcview Group.

Yet Canada is simply the first step towards global cannabis legalization. Recreational marijuana is already legal for adults in 11 U.S. states, with several more on the way in 2020. More than 30 states, representing around 70% of the U.S. population, now permit medical cannabis sales.

Cowen analyst Vivien Azer believes the U.S. market will be worth \$80 billion by 2030 if cannabis is made nationally legal. That could increase the North American opportunity size by more than 500% — a huge boon for [pot stocks](#) that can target opportunities in both Canada and the U.S.

Which companies are primed to benefit? Look no further than the following two picks.

Follow the leader

The cannabis industry is still in flux. Companies are still trying to figure out exactly how to market to customers and differentiate their offerings, not to mention how to navigate the increasingly complex regulatory environment. Fortunately, there are examples of companies that have done this before.

In 1979, **Altria Group**, formerly Phillip Morris, started trading on the New York Stock Exchange. The tobacco company needed to fend off intense competition, overcome new regulations, and figure out how to create world-class brands capable of resisting commoditization. Over the next four decades, when including dividends, shareholders earned roughly 2,000%, far outpacing the market's performance.

It wasn't always easy, though. Several times over the years, Altria stock has lost 50% or more of its

value. Yet today, it controls nearly half the U.S. cigarette market, owns well-known brands like Marlboro, and pays a 7.2% dividend. This success is exactly why you should pay attention to **Cronos Group**.

Earlier this year, Altria took a 45% position in Cronos for \$1.8 billion. The two parties are now exclusively tied at the hip. With unparalleled experience and influence in regulated U.S. markets, there simply isn't a better partner to capitalize on the North America pot opportunity.

Cronos's value has been slashed by two-thirds since March. With Altria now by its side, this stock looks best positioned to win the cannabis wars in 2020 and beyond.

Get a head start

Canopy Growth has taken a similar approach to Cronos. Last October, consumer beverage behemoth **Constellation Brands**, which owns well-known brands such as Corona and Modelo, took a 9.9% stake in Canopy. Soon after, it boosted its stake to 38%, injecting roughly \$4 billion into the pot company.

While companies like Cronos are focused on traditional marijuana applications, the tie-up between Canopy and Constellation proves that there could be big opportunities found in new verticals such as cannabis-infused beverages. Consider this: alcohol sales in the U.S. reached \$250 billion this year, while tobacco sales remained around \$100 billion. If cannabis-infused beverages can find a market fit, the opportunity size could be much larger than cannabis flowers or edibles.

This cannabis category will take time to sort itself out, especially considering pot is not yet federally legal in the U.S. Both Constellation and Canopy are now well-funded, however, and can afford to invest in R&D and infrastructure to seize the opportunity as it opens up.

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