



This Cannabis Stock Has Plummeted 80%: Buy It Cheap Now?

Description

If you have had anything to do with the legal cannabis sector on the **Toronto Stock Exchange** or have even the slightest interest in it, you know that the industry is getting crushed right now.

Early investors in the industry gained a lot over the past few years, and the prior year has obliterated any hopes that investors had from the sector.

An industry-wide decline weighed down with scandals, performance issues, regulatory restrictions, and stiff competition from the illegal pot industry has left cannabis producers and investors reeling.

Some people, like yours truly, still believe there are reasons to be hopeful about the long-term prospects of the cannabis sector.

Most analysts expect the global market for marijuana to exceed \$100 billion in sales in the next ten years. Others believe the sales could even exceed \$200 billion by 2030.

If that's true, the horrendous downturn could present investors a one-in-a-million chance to scoop up stocks before they grow too far out of their reach.

Make no mistake: I think investing in marijuana stocks would be a [contrarian move](#). Still, I feel that stocks like **HEXO Corp** ([TSX:HEXO](#))(NYSE:HEXO) can present you likely reasons for optimism in such difficult times for the industry.

A pot company with a unique approach

The \$719 million market capitalization company is a minnow. Very few investors are even looking at the company, and a lot of top analysts have shrugged HEXO aside.

HEXO has a unique approach in catering to the burgeoning and struggling legal pot industry, and it could become one of the landmark businesses in the industry. You therefore shouldn't ignore it.

One of the things that can kill the growth prospects of a company is that the goods it sells become commoditized. Commoditization can effectively allow a business to make profits from the products it sells. Cannabis is a commoditized product now.

HEXO is ahead of the curve in understanding the pitfalls of commoditization, which is why the company has kept commoditized cannabis as a small part of its business. The real money for HEXO lies in creating something that its peers cannot compete with: a cannabis platform.

HEXO does not plan to become just some seller of cannabis. The company is establishing growing facilities, R&D centres and improving its packaging abilities to create the first cannabis platform in the industry.

The company wants to cater to all cannabis-derived consumer goods. They want the end consumer to get access to safe, effective, and compliant cannabis products.

HEXO is partnering with existing brands to take advantage of each company's expertise in creating a broader customer base. Perhaps one of the most relevant partnerships for the pot producer is with **Molson Coors Canada** in 2018. HEXO joined hands with the company to produce cannabis-infused beverages.

In the coming year, HEXO wants to expand further with partners to produce sleep aids, edibles, cosmetics, and much more.

Foolish takeaway

At the time of writing, HEXO stocks are trading at \$2.64 per share at writing – almost a fifth of its high of \$11.11 back in April 2019. [2020 could be the make-or-break year](#) for the company to launch products into the market for successful sales.

The illegal pot industry has beaten up the legal sector. HEXO could be the company that leads the charge for the regulated market to succeed through products that the illegal sector cannot replicate.

While I would not place all my faith in the cannabis sector, HEXO does present investors interested in marijuana a bit of much-needed optimism.

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