



Ditch the Lottery: These Cannabis Stocks Can Make You Millions

Description

Everyone wants to win the lottery, but of course, the odds are heavily stacked against you. In some cases, your chances are lower than one in a million, but there are other ways of striking it rich without shooting for the moon.

Cannabis stocks are a perfect example. It's rare to see a multi-billion industry appear virtually overnight, but that's exactly what's happening.

By 2030, legal marijuana sales could hit \$100 billion — a 10,000% increase from just a few years ago. Full legalization in gigantic markets like the U.S. could send growth expectations even higher.

If you want to play the cannabis lottery, you have to play it right. As with any emerging market, there are real players, but also real frauds. You can make millions betting on this industry, but nothing is guaranteed.

Fortunately, of the dozen or so publicly traded pot stocks, two in particular stand out. These companies have two very different strategies for success, but both have clear upside potential.

One of these stocks could rise by 250% in 2020 and *still* trade at a discount to its peers. The other has the backing of a multi-billion dollar behemoth that's doing all it can to make shareholders rich.

Pick up the pieces

Green Organic Dutchman Holdings Ltd (TSX:TGOD) is now [too cheap](#) to ignore. On many metrics, it trades at an 80% discount to its peers. After a steep decline in 2019, the company has a valuation of just \$200 million despite analyst expectations for \$90 million in sales next year.

The reasons for Green Organic's huge discount are clear.

First, the cannabis bear market this year crushed every pot stock regardless of merit. Most marijuana ETFs have fallen by at least 50%. As one of the smaller players in the industry, it's not surprising that

Green Organic has experienced the worst of the downturn.

Second, it recently lost its biggest potential customer, **Aurora Cannabis Inc.** Note the word *potential*. Last year, Aurora committed to buying 20% of Green Organic's cannabis production at wholesale prices. A few months ago, it terminated the agreement given that it now has the ability to source organic pot internally.

But Green Organic is just getting started. This quarter, it delivered its first pot production. In the coming months, the sales ramp should be jaw-dropping.

This stock has been left for dead, but closing the valuation gap halfway should lead to 250% in upside. When sales figures hit the income statement for the first time, expect the market to re-rate shares quickly.

Bet on the best

Canopy Growth Corp. ([TSX:WEED](#))(NYSE:CGC) is a great bet if you want to mitigate your risk but still have lucrative long-term upside.

Constellation Brands, Inc. ([NYSE:STZ](#)) owns one of the largest beverage brand portfolios in the world, including well-known staples like Corona and Modelo, which owns roughly 40% of Canopy, for which it paid \$5 billion. Canopy is now years ahead of the competition in developing value-add, cannabis-infused beverages.

Worldwide, the alcohol market is worth more than \$1 trillion. That's *ten times* bigger than the marijuana market is expected to be a *decade* from now.

Few investors are paying attention, but the cannabis beverage market could end up being several times larger than the value of traditional flowers and concentrates.

While this story will take time to play out, you only need to take a look at **Anheuser Busch Inbev NV** (worth \$130 billion) or **Heineken N.V.** (\$60 billion) to understand how much higher Canopy stock can run.

CATEGORY

1. Cannabis Stocks
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3. TSX:WEED (Canopy Growth)

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Date

2025/07/02

Date Created

2019/12/05

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