



This Stock Should Be the Fastest-Growing Pot Stock in 2020

Description

The cannabis sector as a whole had a rough time in 2019. The **Horizons Marijuana Life Sciences ETF**, which copies the performance of the North American Marijuana Index, has fallen more than 30% year to date. Cannabis stocks fell sharply as investors' enthusiasm for strong growth prospects and mergers of successful companies faded.

Limits on the types of cannabis products companies can sell were lifted in October. Companies should start selling foods, beverages, and other marijuana-infused products this month. If there is a significant increase in sales, it could help push stock prices higher.

Industry analysts predict that the marijuana market will continue to grow over the next decade, which should bode well for cannabis stocks.

A small pot stock with tremendous growth

There are some small pot stocks worth considering to invest in. While most of them are not [turning a profit](#) yet, their revenue is increasing fast. One of them, **Auxly Cannabis Group (TSX:XLY)**, is expected to have the fastest growth in revenue in 2020. Indeed, the pot producer should increase its revenue at a stunning rate of 1,108.90%, from \$5.2 million to \$62.5 million.

Let's look at possible triggers for such a strong growth rate.

Major deals to increase Auxly's revenue in 2020

This strong growth's prediction can be explained by the fact that Auxly's major agreements and partnerships won't be coming into full effect until next year. For example, most of the company's production will come from its joint venture with Sunens to build a 1.4 million square foot greenhouse in Ontario, and this won't be licensed and operational until the second quarter of next year.

The second wave of cannabis legalization, which came into effect on October 18, allows the sale of edibles, topicals, and concentrates for recreational use. Auxly is really well positioned to benefit as it has actually suspended the production of dried cannabis flowers with the intention of using it for

derivatives. As the derivatives market has a higher margin than dried marijuana flowers, it is a wise decision from management to maintain inventory for derivatives products.

In August, Auxly signed a cultivation and purchase agreement with hemp growers in Prince Edward Island. This deal will allow Auxly to receive all the hemp produced on a 300-acre farm. Cultivation began this fall and will position Auxly to thrive in the booming CBD market.

According to Auxly, this project will increase the company's ability to meet the growing market demand for wellness and CBD-based products. It should also enhance its commitment to bring innovative, branded derivative cannabis products to Canadian consumers.

The biggest benefit for Auxly is expected to come from a [US\\$123 million deal](#) recently signed with British tobacco giant **Imperial Brands**. This partnership will allow the Vancouver pot company to have access to Imperial's global licenses for its vaping technology. In return, Imperial will receive a 19.9% interest in Auxly shares at a price of \$0.81 per share, which is significantly higher than the current value of Auxly.

This capital investment should help Auxly to achieve its ambitions for 2020, as it seeks to expand into the vaping market, which is expected to grow significantly in the Cannabis 2.0 market. It remains to be seen whether Auxly stock will really be the fastest-growing pot stock of 2020, but the company certainly seems well-positioned to do so.

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