



## This Is My Top Pot Stock for 2020

### Description

**Cowen Inc**, an independent investment bank, has needed to repeatedly raise its long-term forecast for legalized cannabis sales.

In 2016, it thought the market would grow from \$6 billion to \$50 billion by 2026.

“Cannabis prohibition has been in place for over 80 years.

years, but the tides are clearly turning,” a Cowen report read at the time.

“Potential product applications range from recreational, to health and wellness, to therapeutic, to pharmaceutical.

With more cannabis dispensaries in CO than Starbucks, assuming full legalization, we estimate there could be as many as ~17,000 legal cannabis retailers in the U.S., upon full legalization.”

In 2018, Cowen revised its long-term sales guidance, calling for \$75 billion in sales by 2030. At the start of 2019, however, it raised its forecast to \$80 billion in sales by 2030. This November, it bumped the forecast *again* to \$85 billion.

The emergence of new categories like beverages and edibles, which were legalized in Canada only a few months ago, could force Cowen to up its estimates many more times in the future.

On the surface, the cannabis industry remains hot. The share price of most pot companies, meanwhile, paint a different story.

Since the summer, most marijuana stocks are down by more than 50%. Some of the smaller names have cratered 90% from their highs.

As with any early-stage industry, it's important to maintain a long-term outlook. Volatility was rampant in the early days of internet investing, and a number of companies didn't make it past the first bear market.

The first cannabis downturn has had similar effects, sorting the winners from the losers in quick fashion.

Those that survive could face a much friendlier competitive landscape. As we've seen with other highly-regulated areas, like tobacco, a handful of companies will likely end up dominating this massive market opportunity.

If you want to take advantage of the pullback and load up on highly discounted pot stocks, now is [your chance](#).

## How platforming works

If you're a growth investor, you're likely familiar with the term platforming. Popularized by the tech industry, platforming is a simple way to ensure massive network effects that boost margins, create intense brand loyalty, and push growth rates to exponential levels.

Let's see how it works using one of the most successful examples of all time: Windows from **Microsoft Corporation** ([NASDAQ:MSFT](#)).

When Microsoft built Windows, it didn't rely on itself to build everything the customer would ever want.

It simply built the base infrastructure necessary for other developers to build *on top* of Windows. This is where the term platform comes from.

Over time, companies like **Adobe Inc**, **Autodesk, Inc.**, and countless others identified software needs that Windows lacked.

These companies built new applications that ran *on top* of Windows. This was convenient and cost-efficient given millions of consumers already had Windows-based computers.

The more developers that built on top of Windows, the more valuable it became. Consumers were more likely to choose a Windows computer due to the potential capabilities, which in turn attracted more developers, creating a virtuous circle, the definition of a positive feedback loop.

Platforms like Windows have helped Microsoft become a \$1 trillion. This value creation is easily understood.

If you take away the Windows operating system, many of these applications would be rendered useless.

Microsoft effectively locked-in developers and users to its operating system. Switching to a competitor was costly, burdensome, and often completely impractical.

## Turning to cannabis

**HEXO Corp** ([TSX:HEXO](#))(NYSE:HEXO) is looking to build the first-ever cannabis platform, and already has a big lead.

While nearly every pot company is focused on becoming the next big thing, HEXO has been content to remain in the background.

Rather than launching its own brands from scratch, it's looking to leverage existing brands that consumers already know and love.

HEXO takes care of the behind-the-scenes work, while other companies rally their existing customer bases.

For example, HEXO partnered with **Molson Coors Brewing Co** ([NYSE:TAP](#))([TSX:TPX.B](#)) in 2018 to co-create cannabis-infused beverages.

HEXO provided the raw cannabis through its grow facilities, as well as research, development, packaging, and distribution capabilities. Molson pitched in its expertise, and more important, its globally-recognized brand name.

In December of 2019, the partnership's first cannabis-based drinks will hit shelves in Canada, with scaling efforts expected throughout 2020.

Given that the global alcohol market is worth far more than \$1 trillion, this is a market opportunity to keep a close eye on.

HEXO wants to replicate this partnership across every other cannabis category imaginable. Whether its edibles, sleep aids, cosmetics, topicals, or really anything else, expect HEXO to acquire new partnerships in 2020 with well-known companies.

These co-creations should hit the market faster compared to other cannabis, with quicker adoption rates given consumers will already know the brands they're associated with.

The market value for these non-traditional categories should eventually exceed the sales figures of conventional pot. Long term, they could be an order of magnitude higher.

HEXO is the only company capable of tapping every category, and its fully integrated infrastructure should continue to attract new partnerships, especially given the timely execution of the HEXO-Molson venture.

With a \$500 million market cap, HEXO is now one of the smallest players in the pot market. If its platform model continues to gain traction, it should be one of the biggest winners of 2020.

## CATEGORY

1. Cannabis Stocks
2. Investing
3. Tech Stocks

## POST TAG

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## **TICKERS GLOBAL**

1. NASDAQ:HEXO (HEXO Corp.)
2. NASDAQ:MSFT (Microsoft Corporation)
3. NYSE:TAP (Molson Coors Beverage Company)
4. TSX:HEXO (HEXO Corp.)
5. TSX:TPX.B (Molson Coors Canada Inc.)

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