



2 Pot Stocks Ready for a Rebound in 2020

Description

Despite the recent pullback, marijuana stocks still have plenty of room left to run. On the first day of 2020, recreational pot will become legal in Illinois, adding another 13 million potential customers.

Several additional U.S. states are set to vote on legalization in the coming year. Depending on the federal election next November, country-wide legalization could soon be on the table.

Canada's cannabis market also continues to heat up. This October, form factors like edibles and beverages were made legal. These new categories could ultimately add tens of billions of dollars in annual sales, yet due to the current bear market, many of these [high-upside opportunities](#) aren't being priced in.

If you want to play the rebound in 2020, look no further than the following pot stocks.

These products are ready

There hasn't been a ton of press regarding cannabis-infused edibles or beverages, as these products are more complicated than plain-old cannabis flowers.

They require more research and development, trickier regulatory paths, and more in-depth packaging and branding efforts. You may not see these market segment heat up until late 2020.

Only a handful of companies are capable of tapping this market early. **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) might be your best bet.

Last year, Canopy partnered with consumer giant **Constellation Brands, Inc.** in a multi-billion dollar deal, instantly making Canopy one of the most well-financed, best-positioned pot stocks on the market.

You may not know Constellation, but you certainly know many of its famous brands, including Corona and Modelo. The company is one of the largest alcohol distributors in the world.

With Constellation by its side, Canopy can leverage decades of experience and influence, something few other pot stocks can match. Highly regulated markets can be full of surprises, but Constellation has a proven record of execution.

Where the partnership ultimately heads is still in question, but if history is any indication, the Canopy-Constellation joint venture should result in big gains for shareholders.

Don't count this company out

Canopy isn't the only company with a high-powered partner. Last year, **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) agreed to become the exclusive cannabis partner of **Altria Group Inc** ([NYSE:MO](#)), which invested nearly \$2 billion.

With a \$100 billion market cap, Altria is one of the most successful tobacco companies in history. As with Constellation, Altria has a proven record of navigating highly regulated markets.

Over the decades, it's captured half of the entire U.S. cigarette market, establishing powerhouse brands like Marlboro.

Canopy should capitalize on new market segments like THC-infused drinks. Cronos, meanwhile, should dominate more traditional markets such as dried flowers and vapes.

Altria brings big money and expertise, but also highly successful brands. In 2018, for example, Altria took a multi-billion position in vaping sensation Juul.

Rather than building its own cannabis brands from scratch, Cronos can now leverage trusted brands with worldwide reach. THC-based Juul or Marlboro products, for example, could be an instant success.

There are, of course, small pot stocks that could have even more upside, but when it comes to balancing the risk-reward trade-off, Cronos and Canopy should be at the top of your buy list.

CATEGORY

1. Cannabis Stocks
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4. TSX:CRON (Cronos Group)
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