



## This Pot Stock Has the Most Upside in 2020!

### Description

Pot stocks are primed for another [rebound](#). After a difficult 2019, several indicators suggest a major bull market could appear in 2020. If you've been waiting to invest in cannabis, now may be your best chance.

The market has learned a few critical lessons over the last few months. These lessons should help guide your investment dollars.

### Two lessons we learned

The first lesson is that the market is bigger than we ever expected.

In 2016, investment banks **Cowen Inc** thought global pot sales would hit \$50 billion by 2026. "Cannabis prohibition has been in place for over 80 years. years, but the tides are clearly turning," the firm opined.

Two years later, Cowen upped its guidance, calling for \$75 billion in sales by 2030. Six months later, it upped its guidance again to \$80 billion in sales by 2030. By the end of 2019, it upped its forecast *yet again* to \$85 billion.

"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," Cowen analysts noted.

The second lesson we've learned is that companies need to find a way to differentiate themselves. Pot sales may be booming, but prices are under pressure as supply ramps industry-wide.

Last summer, **Tilray** stock was pummeled after its average realized price per gram dropped 28% to \$4.61. Other competitors later revealed similar struggles.

At one point, *The Guardian* reported that Oregon was on the verge of collapse due to industry

oversupply. “The state’s glut of marijuana – over 1 million pounds of unsold pot – is in many ways the result of an industry still finding its feet,” the paper said.

## How to invest

Pot demand growth therefore continues to exceed expectations, yet commensurate supply growth has created pricing pressures, negating much of the upside.

How should this inform your investment decisions? Find pot companies that can differentiate their production while still targeting categories that are experiencing rapid growth in demand.

If you want differentiation with demand upside, look no further than **Green Organic Dutchman Holdings Ltd** (TSX:TGOD).

As one of the smallest pot stocks on the market, Green Organic stock has been crushed during the recent cannabis bear market.

Smaller stocks receiving the brunt of the downturn is a typical phenomenon. After a sharp dip, the company is now valued at just \$220 million. At one point, it was a \$1 billion enterprise.

Now armed with a minuscule valuation, few investors or analysts are paying attention to TGOD stock. This ignorance provides savvy investors with a lucrative opportunity to make big gains if the pot market reverses course in 2020.

As its name suggests, Green Organic is focused on organic cannabis production. It’s one of the largest operators in the space. If other consumer products are any suggestion, organic weed will become a major force in marijuana consumption.

Already Green Organic management has found that the majority of cannabis users prefer organic pot and are willing to pay a double-digit premium for it.

The company is expecting to ramp output in the first quarter of 2020, so it’s not surprising that the market remains in “wait and see” mode. Others aren’t willing to take the extra risk, but by doing so, you can get exposure to the highest upside pot stock on the market.

TGOD stock now trades at just 2.66 times 2020 sales. **Cronos Group Inc** trades at 22 times 2020 sales. **Canopy Growth Corp** trades at 12 times 2020 sales. Even **Aurora Cannabis Inc**, a former partner of Green Organic, trades above seven times 2020 sales.

As sales traction hits this year, expect this big valuation discount to narrow quickly. That alone should make Green Organic one of the top-performing pot stocks of 2020.

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