



## 2 Growth Stocks Ready to Profit From Cannabis 2.0

### Description

In October, the cannabis game changed forever, even if many pot investors weren't paying attention. That month, Canada legalized an entire host of new marijuana categories, the most exciting of which included new edibles and beverages.

These form factors could eventually double or triple the size of the Canadian cannabis market. Analysts are calling this emerging opportunity "Cannabis 2.0."

The opportunity is still in its early stages, however. If you're paying attention, you could capitalize at bargain prices. If growth tracks as expected, some stock prices could [go exponential](#).

### Only one thing matters

If you want to capitalize on new consumables categories like beverages and edibles, it helps to look at what's worked in other markets. The biggest thing a company can do to achieve massive success in consumer markets is to create a renowned brand.

There's a reason why **Coca-Cola Co** and **PepsiCo, Inc.** are worth a combined \$500 billion. **McDonald's Corp** is worth more than \$150 billion, while **Kraft Heinz Co** is worth \$40 billion. Above all else, consumers buy what they know and trust.

The same behaviour will be applied to cannabis consumables. Would you rather buy a cannabis product from a brand you already love or from a company you've never heard of? Trust will play a major role in purchasing decisions, especially when it comes to new cannabis users.

### This stock can win

Few cannabis companies are willing to admit that they need help from existing brands. Only one company has accepted this weakness, opting instead to partner with globally recognized brands with high levels of consumer recognition. That company is **Hexo Corp** ([TSX:HEXO](#))(NYSE:HEXO).

Rather than creating its own pot brands from scratch, Hexo is leveraging brands that already have decades of consumer trust and billions of dollars in ad spending.

Here's a perfect example. In October of 2019, THC-infused beverages were made legal in Canada. Within months, Hexo was able to get its first pot-based drinks to market.

These drinks will be marketed under one of Canada's most trusted drink brands. How was it able to achieve this?

In 2018, Hexo created a joint venture with **Molson Coors Canada Inc.** ([TSX:TPX.B](#))(NYSE:TAP), which has decades of experience and brand recognition.

Over the next 12 months, the companies combined their manufacturing capabilities to design and co-create marijuana-based drinks. When legalization occurred, the joint venture was able to beat all others to market.

Ask yourself one question: Will Canadian's be more likely to buy a Molson Coors cannabis drink, or a cannabis drink from an unknown competitor?

The answer should be clear. When it comes to competing in this rapidly emerging category, the Hexo-Molson tie-up is lightyears ahead of the competition.

Globally, alcohol sales reached \$1.4 trillion in 2019. How big could cannabis drink sales get? Virtually no one is paying attention to this opportunity.

Hexo is expected to generate just \$80 million in sales this year. Molson, meanwhile, is expected to earn roughly \$13 billion in revenue. The cannabis opportunity could have game-changing results for both companies.

If cannabis beverage demand growth becomes even a small fraction of alcohol demand, this category could add *billions* in sales for both Hexo and Molson.

That's an opportunity the market isn't pricing in. By getting in *before* sales traction hits, however, you can execute on this year's best pot trade.

## CATEGORY

1. Cannabis Stocks
2. Investing

## POST TAG

1. Cannabis

## TICKERS GLOBAL

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

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