



2 Small-Cap Cannabis Stocks to Bet on in 2020

Description

If you want to make big gains in 2020, stick with small-cap stocks. Research has consistently shown that, over time, small-caps outperform larger peers. If you want to make *major* gains, find small-cap stocks benefiting from secular growth opportunities like cannabis.

The risk here should be clear. Emerging market opportunities lack clarity while small competitors are initially at a disadvantage. But these factors are exactly what allows you to double, triple, or even quadruple your capital in short order.

Already, the stocks below have proven an ability to rise multi-fold in less than 12 months. Last year's bear market pushed prices back down, making now a [perfect time](#) to reconsider these rapid-growth stocks.

This stock has the most upside

Green Organic Dutchman Holdings Ltd (TSX:TGOD) has more upside than any pot stock I've ever come across. There are commensurate risks, but if you want the potential to make the maximum amount of money from cannabis stocks in 2020, this should be your number one choice.

Green Organic has always been one of the smaller companies in the cannabis space. In 2018, it briefly became a billion-dollar company, but that was when several competitors were achieving valuations above \$20 billion. Now that valuations have come down to earth, Green Organic has again become a small-cap stock.

Today, it has a market cap of just \$220 million. That's peanuts to the vast majority of investors. The marijuana industry already had a limited number of analysts, and with its diminutive size, Green Organic receives very little Wall Street coverage.

All of this places a *huge* discount on shares. In 2020, the discount could disappear entirely as sales traction begins to ramp up. It's easy to ignore the company since it's largely pre-revenue. Once profits emerge, Green Organic could make quite a splash.

Despite producing essentially no pot in 2019, production is expected to surpass 20,000 kilograms in 2020. Long term, its infrastructure should be capable of producing more than 200,000 kilograms per year.

When 2019 results are revealed, the company is expected to have generated around \$12 million in sales. This year, sales could surpass \$75 million. With the stock at an all-time low, now could be the time to buy.

Don't venture alone

With a \$500 million market cap, **HEXO Corp** ([TSX:HEXO](#))(NYSE:HEXO) is a bit larger than Green Organic, but it's still well within small-cap territory. Due to its platform model, the gains for this stock could be similarly huge.

Green Organic is taking the approach that many pot stocks are taking: growing its own cannabis and branding its own products. This isn't a terrible strategy, but as pot prices continue to commoditize, it'll be more important than ever for these companies to differentiate their brands.

Instead of betting on itself to create new brands that build customer loyalty, HEXO is betting on pre-existing brands that consumers already know and love. For example, it has a deal with **Molson Coors Canada Inc.** to co-create cannabis-infused beverages. Their first drinks should hit shelves this month.

HEXO's platform model allows outside companies, who may not want to invest heavily to build their own cannabis arms, to tap into its cannabis infrastructure to launch pot-based products. As the Molson case study proves, it's really a win-win. Molson was able to target the pot market quickly and inexpensively, while HEXO was able to leverage one of the most trusted brands in Canada.

With its model now validated, HEXO wants to secure more partnerships in other categories in 2020. If it can achieve deal traction, this stock should move considerably higher.

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2. Investing

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1. Cannabis

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