



## Which Marijuana Stock Offers the Best Opportunity to Buy Now?

### Description

At the start of 2020, buying marijuana stocks is one of the most challenging trades for growth investors. After a spectacular boom-and-bust cycle of 2019, there is too much uncertainty in the air about the world's [best marijuana stocks](#).

After riding on the pot legalization wave in Canada, many producers are struggling to show that they can make this business profitable after investing billions of dollars in production facilities, mergers and acquisitions, and on their marketing.

After initial hype which helped almost every marijuana stock to rally, investors now have started to only focus on sales growth, and their costs structures. Of the five largest Canadian pot companies, only **Cronos Group** is expected to report adjusted net income by the final quarter of the year, according to *Bloomberg* data.

That being said, investors shouldn't paint all members of the cannabis industry with the same brush. As I have pointed out in my earlier articles, there are still attractive opportunities in this trade for long-term investors, especially after speculative interest has waned.

The rationale behind this argument is that demand for marijuana products is still strong, and what's hurting these stocks are their execution deficiencies. As the time passes and their businesses mature, some of these companies will overcome these hurdles and will start to produce results.

### Strong demand for cannabis drinks

One strong signal of this future growth came this month when the Ontario Cannabis Store introduced 21 new edible and beverage products for sale on January 16. Of those, 76% were sold out within the first hour, and they were completely sold out as of 3:00 p.m., according to **Cowen** analyst Vivien Azer.

"We admittedly do not know the inventory levels," Azer said in a note. "That said, we view the out-of-stocks as a positive for consumer demand in the category."

As retail investors reduce risks in the marijuana space, I still recommend sticking with the best and strongest names that are backed by deep-pocketed investors. These stocks will rebound once they

have overcome their teething problems.

One name that stands out in this group is **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), which has alcohol giant **Constellation Brands** as its main shareholder with about 36% of stake and a majority of its board seats.

[Canopy is under pressure](#) after it missed out on the deadline to introduce its line of cannabis drinks. But with Constellation Brands behind it, Canopy is a very strong contender to grab the major share of cannabis beverage market.

No doubt that the delay has clouded the short-term outlook for the stock, but I continue to see a long-term value in this top marijuana stock. What makes Canopy different from other producers is its market size, capacity to ramp up production, and diversity of product offerings, alongside its international reach.

## Bottom line

Trading at \$28.39, Canopy Growth stock is selling less than half of its 2019 peak when it crossed \$70 a share. Investors who were waiting on the sidelines could take this weakness a buying opportunity.

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