



Top Cannabis Stocks for 2020

Description

Cannabis stocks are ready for a rebound. After a difficult 2019, valuations have compressed to attractive levels. Demand forecasts, meanwhile, continue to exceed expectations.

Cowen Inc, one of the more experienced voices on cannabis, noted in 2016 that global pot sales would rise from \$6 billion to \$50 billion by 2026. “Cannabis prohibition has been in place for over 80 years, but the tides are clearly turning,” its analysts said.

The tides ended up turning faster than expected. In 2018, its updated guidance called for \$75 billion in sales by 2030. In early 2019, it bumped the forecast to \$80 billion. By the end of 2019, the forecast was increased *yet again* to \$85 billion.

Meanwhile, new form factors like edibles and beverages are now legal throughout Canada. While the market has thus far ignored this opportunity, these products could eventually double or triple global cannabis sales over the next decade.

Cheap valuations and [rapid growth prospects](#) have made several stocks too promising to ignore. The following picks look like your best bets.

A hidden gem

Smokeable cannabis is a multi-billion dollar market. This year, demand growth should be experienced across every country in the world with legalized consumption.

While current estimates call for an eventual market size of \$100 billion, it won't be a surprise to see sales ultimately approach \$1 trillion. After all, 5,400 billion cigarettes are already sold every year, resulting in global sales of around \$1 trillion. It's reasonable to expect marijuana to post similar numbers.

But smokeable marijuana may end up being a minority fraction of the market. Consider the alcohol industry. Last year, alcohol sales surpassed \$1.3 trillion, nearly a third larger than the cigarette market.

Few investors are anticipating the opportunity, but cannabis-infused beverages could be the biggest pot market of all.

While there are a few candidates, **Hexo Corp** ([TSX:HEXO](#))(NYSE:HEXO) appears to have an early lead, despite commanding a valuation of just \$460 million.

Hexo's biggest advantage is its partnership with **Molson Coors Canada Inc.** ([NYSE:TAP](#))([TSX:TPX.B](#)), one of the most well-respected brands in Canada, with broad recognition throughout the rest of the continent and the world.

This month, Hexo and Molson plan on launching their first cannabis drinks in Canada. The next 12 months should bring additional products and choices.

Canadians already know and love Molson products. Compared to products from lesser-known pot companies, the Hexo-Molson tie-up should compete strongly.

As new form cannabis form factors pick up sales traction, expect the market to pile into stocks like Hexo.

A proven winner

At \$3.4 billion, **Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)) remains one of the larger competitors in the cannabis industry, even if its share price has fallen by 70% over the last 10 months. One of the factors behind its size is its partnership with **Altria Group Inc** ([NYSE:MO](#)).

As with Hexo, partnerships mean everything. As more pot supply comes online, market prices will continue to fall, as they would for any other commodity.

Shrinking margins can only be fought by pricing power. To do this, pot stocks need to create brands that customers know and love, which is what makes the Hexo-Molson tie-up so promising.

Similar to Molson, Altria is an enviable partner. Its market cap exceeds \$100 billion, giving it plenty of capital and influence to work with. Altria has also proven an ability to create world-renowned brands. Its Marlboro cigarettes are some of the most coveted in the world.

As cannabis stocks sank in 2019, Cronos continued to invest in grow infrastructure and R&D. If the industry turns a corner this year, this should be the first place investors flock to.

When it comes to balancing the risk of cannabis investing with the potential reward, the Cronos-Altria partnership leads the pack.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:CRON (Cronos Group)
4. TSX:HEXO (HEXO Corp.)

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