



## Cannabis Investors: Expect a Bull Market in 2020

### Description

Cannabis investors have been on a roller coaster in recent years. In 2018, pot stocks were zooming. But last year, the bottom fell out, with most marijuana ETFs falling by more than 50%.

Unfortunately, 2020 has brought more [pain](#). The coronavirus pandemic and oil downturn have dragged the entire stock market lower. But here's the thing: pot demand continues to *increase*.

If you're a cannabis investor, there has never been a better time to be buying pot stocks. You just need a bit of [courage](#) and patience. And, of course, you need to know which specific stocks to buy.

### Pot stocks are bargains

Relative to their history, pot stocks are trading at bargain valuations. Take **Green Organic Dutchman Holdings** (TSX:TGOD). Last September, shares traded at 56 times sales. Today, they're valued at just seven times sales. This reduction in valuation has been experienced across the industry.

Just be careful. Not all pot stocks are created equal. Consider Green Organic again. This company now has a market cap of just \$100 million. Its cash pile is nearly burnt to a crisp. Sales are growing, but profits remain elusive. With access to capital drying up as a result of the downturn, it's not certain that the company will ultimately survive.

At this point, cannabis investors should only be focused on well-financed pot stocks that can not only survive the downturn, but continue to invest in growth, positioning them to retake market share from their struggling competitors.

### Cannabis investors: Prepare

Despite a down year for pot stocks, overall pot demand increased in 2019 versus 2018. Growth was present in both the U.S. and Canada. Over the next decade, higher demand is expected on an annual basis.

Innovative products are attracting first-time users, while the gradual opening of new markets, particularly in the U.S., should bring billions in new demand. The top cannabis analyst at **Cowen** believes federal legalization in the U.S. will occur before 2030. With an early lead, Canadian producers could capitalize on a gigantic export opportunity.

But which stocks should cannabis investors trust? As mentioned, capital concerns will force some producers out of the market. Those that survive will reap the gains of consolidation.

## What to buy

For long-term cannabis investors, there are few better options than **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC). These stocks have retained multi-billion-dollar valuations thanks to their valuable partnerships and cash piles.

Consider Cronos Group. Last year, it raised billions in fresh cash from tobacco giant **Altria Group**, which took a large equity stake. When subtracting the current cash balance from its enterprise value, it's clear that cannabis investors can buy the marijuana business for pennies on the dollar. Altria should prove a beneficial long-term partner when it comes to marketing and distribution, but its immense access to capital will be the biggest near-term contribution.

Canopy Growth is in a similar situation, having raised billions in cash from consumer brand giant **Constellation Brands**. Constellation specializes in branded alcoholic beverages, owning the rights to popular drinks like Corona, Modelo, and Robert Mondavi wines. This puts Canopy Growth in a prime position to capitalize on THC-infused beverages and other lucrative side-markets.

The biggest advantage that Cronos and Canopy possess is the ability to survive. By the end of this year, these firms should be taking market share from their failing peers. The marijuana bull market of 2020, therefore, will only be experienced by a few stocks, not the industry as a whole. Cannabis investors must place their bets wisely.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Cannabis
2. Editor's Choice

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:CRON (Cronos Group)

3. TSX:CRON (Cronos Group)
4. TSX:WEED (Canopy Growth)

## **PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## **Category**

1. Cannabis Stocks
2. Investing

## **Tags**

1. Cannabis
2. Editor's Choice

## **Date**

2025/06/29

## **Date Created**

2020/04/29

## **Author**

rvanzo

default watermark

default watermark