



## Growth Investors: This Pot Stock Can Hit \$1 Billion

### Description

Pot stocks are in a world of pain. Long gone are the days of 2018, when every cannabis company was seeing its valuation explode higher. Last year, an industry-wide bear market forced marijuana stock prices down by 50%. The coronavirus pandemic of 2020 only compounded those troubles.

Look at industry leaders like **Cronos Group**. In early 2019, the company had a valuation of \$10 billion. It closed major partnership deals with giants like **Altria Group**. Since then, shares have fallen by 70%. When you back out the company's cash hoard, its cannabis business is trading for pennies on the dollar.

### Your opportunity is now

The rapid decline in pot stock [valuations](#) has attracted the eyes of value and growth investors alike.

Value investors are undoubtedly attracted to the discounted valuations. As is the case with Cronos, most pot operations have fire-sale prices. They're being valued like they'll never be profitable. But as we've seen with the alcohol and tobacco markets, there will still be plenty of long-term profits to be had.

Growth investors, meanwhile, are also taking a long-term view. Pot demand continues to surge globally, even with the coronavirus dampening consumer spending. Last month, cannabis sales in Illinois hit \$36 million, a \$1 million increase versus the month before. Last week, Michigan reported a record \$8 million in recreational marijuana sales, an increase of 40% month over month.

There has never been a better time to buy pot stocks. Just be careful, as not all opportunities are created [equal](#). If you want to maximize your upside while minimizing your risk, stick with cannabis producers like **Hexo** ([TSX:HEXO](#))(NYSE:HEXO).

### This pot stock is ready

Why is Hexo the perfect fit for growth investors? It all starts with a differentiated business model.

From the start, Hexo's path to market was unique. Competitors raced to bring large grow operations online, selling their output on the open market. While this brought sales traction, we now know that profits were far from guaranteed. Commoditization forced down selling prices, and these businesses became not much more than farming operations.

To avoid commoditization, Hexo focused on building the first cannabis platform. This was a first for pot stocks. Instead of rushing its own cannabis to market, the company prioritized partnerships with pre-existing brands. This year, for example, it aims to launch a co-branded THC beverage with **Molson Coors**.

Ask yourself this: are consumers willing to pay more for a **Coca-Cola** product or a drink from an unknown competitor? Coke's brand power gives it the ability to take market share quickly and maintain sky-high margins. Customers aren't buying the constituent sugar and water as much as they are acquiring the brand identity.

Hexo realized this *far* before other pot stocks. The future winners won't be those with the biggest operations but companies with the most valuable brands. Partnering directly with trusted brands like Molson allows Hexo to jumpstart this process, getting ahead of the competition.

In the year to come, Hexo hopes to close additional partnerships in categories like cosmetics, sleep aids, and edibles. It's a long-term approach, but one that looks very promising as the next phase of cannabis investing arrives.

Now trading at \$230 million, it's easy to see this business surpassing the \$1 billion mark this decade. In fact, the valuation has already surpassed that mark last summer, at the peak of the former bull market.

There are several lucrative pot stocks worth buying today, but if you want to expose your portfolio to the rapid growth of branded marijuana, Hexo is the ideal choice.

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1. Cannabis Stocks
2. Investing

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1. Cannabis
2. Editor's Choice

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