



Buy Alert: This Pot Stock Is Exploding Higher

Description

Pot stocks had a [tough](#) 2019. The start of 2020 was no easier. Since their all-time highs, many marijuana companies have seen their shares reduced by 70% or more.

Recent weeks have been a different story. One producer in particular has seen its stock move from \$0.60 to \$1.50 in just 20 days. There's reason to believe this momentum will persist, possibly until the stock retests its former high of \$10, which would result in 700% more upside.

I've written about this pot stock before, and how much long-term potential it has.

This stock is "a perfect buy amidst the market rally," I [wrote](#) on May 5, just before shares took off. "But I'm not just talking about owning shares through the recent upturn," I added. "This stock should deliver gains for *years* to come."

Your best bet

Hexo Corp ([TSX:HEXO](#))(NYSE:HEXO) has built something special. When it comes to pot stocks, this company bucks the trend.

In 2018, when the marijuana industry went gangbusters, most competitors were trying to ramp production as quickly as possible. At the start of the year, industry-wide produce was nearly zero. Within 18 months, however, nearly every cannabis company was planning massive expansions.

Cronos Group Inc aimed for at least 100,000 kilograms in annual output. **Aphria Inc** targeted 115,000 kilograms annually. **Green Organic Dutchman Holdings Ltd** wanted to grow 65,000 kilograms of cannabis the next year. **Aurora Cannabis Inc** projected a truly staggering 700,000 kilograms within a few years.

The end result shouldn't have been surprising. Pricing crashed. Hopes of profitability were dashed. These businesses were spending billions to expand, yet expected returns sank on a daily basis. Every pot stock tanked.

From the start, however, Hexo charted a different course, one built specifically to withstand the onslaught of commoditization.

Own this pot stock

Hexo isn't just a pot stock that you want to buy; it's something you want to own, ideally for the next decade or more. Its strategy is that powerful.

The secret to cannabis investing success will be to find companies that can avoid commoditization. These firms will retain pricing power, even though the constituent ingredients can be found anywhere for cheap.

Coca-Cola Co and **PepsiCo, Inc.** are prime examples of how to do this well. The underlying ingredients, sugar and water, are pure commodities. The end result, however, is incredibly differentiated. Consumers even fight over which company's products are superior.

The trick, of course, is branding. Coke and Pepsi are world-renowned brands. Pot stocks that emulate this success will win. Hexo is in the driver's seat.

Years ago, Hexo went all-in on branding. Rather than spinning up its own brands, it partnered with existing brands that consumers already know and love. Its joint venture with **Molson Coors Beverage Co**, for example, will release its first THC-infused beverages this year. Hexo provides the cannabis, Molson provides the brand power.

Hexo wants to replicate this success in other categories like sleep aids and cosmetics. These are multi-billion dollar opportunities that few competitors are targeting, nevertheless partnering with Fortune 500 brands.

Even after the recent surge, this pot stock is valued at just \$600 million. This year, the company should generate \$70 million in sales. By 2021, revenue should surge to \$130 million.

It may be a bumpy ride, but this looks like an excellent entry point.

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