



Buy Alert: Molson Coors (TSX:TPX.B) Might Buy This Pot Stock

Description

Molson Coors Canada Inc. ([TSX:TPX.B](#))([NYSE:TAP](#)) is a Canadian icon. Last year, it generated more than \$10 billion in sales.

But there's a problem: [growth](#) has stagnated. Last quarter, revenue declined by 8.7% year over year.

"After a corporate restructuring in the fourth quarter of 2019 and a bevy of new products hitting the market in the New Year, Molson Coors Beverage Company was poised for a strong 2020," an industry journal noted. The coronavirus, rising debt levels, and internal issues have turned this year of promise into a dud.

"Despite the early progress, our first quarter results were disproportionately affected by the coronavirus, a pandemic that has changed the world — not just for our business, and our industry, but for the entire global economy," CEO Gavin Hattersley recently said.

"Like everyone else, the full impact and what our new normal looks like going forward is still uncertain, but coronavirus has had, and will have, a material impact on our business," he concluded.

To be sure, Molson Coors is still profitable. It still owns many of the most popular beer brands on the planet. And its war chest of capital is a force to be reckoned with. Yet one thing is for certain: the business needs to find a new way to grow.

It's too easy to connect the dots here. Expect the company completely acquire an under-the-radar pot stock: **Hexo Corp** ([TSX:HEXO](#))(NYSE:HEXO).

Molson Coors is ready to strike

From the start, Hexo took a different path. When the industry was booming in 2018, most competitors tried to ramp production as quickly as possible. We realize now that this was a poor strategy. Raw cannabis is a commodity, and higher industry supply means lower pricing, which causes profits to evaporate.

To avoid this, Hexo focused on *value-add* products. That included branding its production to instill customer loyalty and pricing power, similar to what **Coca-Cola** did with sugar and water.

It's no wonder, then, that Hexo partnered with Molson Coors to co-launch a cannabis-infused beverage. Hexo brings the marijuana expertise, while Molson provides the brand power.

Value-add products like this, those that are backed by trusted brands, have the best odds of generating profits for shareholders. Molson knows that first-hand, which is why it partnered with Hexo in the first place.

Most pot investors are still focused on flowers and smokable products. Long term, however, it will be consumables like THC beverages that offer the biggest opportunities for growth.

"In order to get to the glory days, these cannabis 2.0 products need to come to market, and they need to be really successfully and widely adopted by those beyond just your avid cannabis enthusiast," a cannabis expert [told Insurance Business](#). "I'm hopeful that in ten years, a soccer mom will debate between a gourmet chocolate or a glass of wine in the evening."

Cannabis is going to be a huge market. By the end of the decade, global sales should surpass \$100 billion. This is a prime opportunity for Molson Coors to re-energize its growth trajectory.

It has a current deal with Hexo to experiment with new products. Expect that deal to be a precursor to an outright buyout.

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