



This Pot Stock Could Go From \$400 Million to \$4 Billion

Description

Hexo Corp ([TSX:HEXO](#))(NYSE:HEXO) isn't a big pot stock. It's worth only \$400 million. Many of its competitors are worth several billion dollars. But if you're looking for big upside, this is the stock for you.

It all comes down to strategy. From the start, Hexo took a unique route. The rest of the industry followed a traditional path. This is why such a large opportunity exists. Hexo bucks the trend.

Over the next several years, Hexo stock could rise *10 times* in value. Before we crunch the numbers, let's take a look at how you can take advantage.

A rare opportunity

The marijuana business is booming. **Cowen** recently increased its U.S. sales forecast to US\$80 billion. That's the third consecutive increase. The firm thinks that the Canadian market will eventually top US\$5 billion.

The most intriguing growth opportunity is with Cannabis 2.0. This phase kicked off when Canada legalized value-add products like edibles, vapes, beverages, and concentrates. "Many analysts are optimistic that Cannabis 2.0 could add more revenue to the sector by 2020," [reports](#) Market Realist.

Despite the COVID-19 crisis, we're still seeing a boom in recreational and medical pot demand in North America. This trend won't be interrupted through at least 2030.

Why, then, aren't pot stocks benefiting? Year to date, Hexo shares have lost 50% of their value. As we'll see, this is a powerful mismatch that should heavily reward patient investors.

This pot stock is ready

Cannabis 1.0 focused on the raw cultivation of pot. While this initial boom was exciting, it ultimately proved unprofitable. The real profits will stem from less commoditized products introduced through the

Cannabis 2.0 phase. Hexo was built for this environment.

In 2019, when the competition was focused on growing production as quickly as possible, Hexo opted to secure long-term partnerships with well-known brands. It was a risky strategy at the time, but it's clear now that those moves will pay dividends for years to come.

One of its partnerships is with **Molson Coors Canada Inc.** The companies agreed last year to co-produce and co-brand a pot-infused beverage for Canadian markets. Last month, the partnership was [expanded](#) to include the U.S. market.

This deal alone could add \$100 million in sales next year, meaning Hexo trades at just four times forward sales. But this co-branding strategy should pay off much bigger than that.

By the end of 2020, Hexo hopes to secure additional partnership with worldwide brands in cosmetics, sleep aids, consumables, and more. As these pot products hit the mainstream, Hexo won't need to gain consumer trust. Instead, it can leverage brands that buyers already know and love.

The future of marijuana isn't smokable. The biggest sales will be derived from value-add products. Hexo is *years* ahead of the competition. It plans to launch additional Cannabis 2.0 products by the end of this year.

With a \$400 million valuation, Hexo is no longer priced as a growth stock. This will take more than a few months to play out, but if you're willing to remain patient, there's no better pot company to bet on.

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Date

2025/07/21

Date Created

2020/08/06

Author

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