



3 Smoking-Hot Cannabis 2.0 Stocks That Could Grow Tenfold Over the Next Decade

Description

The Canadian cannabis market shifted into a new gear with the launch of Cannabis 2.0 products in late 2019. Cannabis 2.0 products include edibles, extracts, and vaporizers. This segment of the cannabis market carries with it much higher profit margins than dried flower products do. Companies and investors are thus cautiously optimistic about a second green rush occurring.

These three companies are well positioned to capitalize on a second green rush. Thus, they should see significant share price gains if Cannabis 2.0 products take off.

Canopy Growth

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is perhaps the best-known cannabis company in Canada. Canopy famously received a \$5 billion [investment](#) from **Constellation Brands** in 2018, propelling Canopy to the forefront of the cannabis-infused beverage space.

The cannabis-infused beverage space is a relatively unproven market compared to other parts of the Cannabis 2.0 market, such as edibles.

However, cannabis-infused beverages have the potential to be a very large market given the size of the alcohol market. With beer and wine sales in Canada topping \$15 billion in 2019, there is clearly potential in the cannabis-infused beverage space.

Canopy is on track to dominate the cannabis-infused beverage category, which could propel the stock to significant gains.

It will be difficult for Canopy to increase the stock price by 10 times, as Canopy is already a large company. However, the growth of the cannabis-infused beverage market combined with federal legalization in the United States could make this a reality.

There are obviously several risks, but successful execution of strategy and favourable policy

developments south of the border could propel Canopy's stock to another large gain over the next decade.

The Valens Company

The Valens Company ([TSX:VLNS](#)) is a small-cap cannabis extraction and product manufacturing company. Valens GroWorks was the previous name of the company before the recent re-brand. The company provides toll extraction services to customers, where Valens simply processes a customer's dried flower product into various types of oils and extracts for the customer.

Valens also provides white-label manufacturing services, where Valens produces and distributes Cannabis 2.0 products under the customer's branding.

These segments of the cannabis sector should see explosive gains as the Cannabis 2.0 market matures in Canada. This is especially true given that these types of companies don't have the added costs of growing cannabis.

Valens is more focussed on the adult-use market at the current time. An investment in Valens is thus a bet on the future of Cannabis 2.0 products in the Canadian adult-use market. Valens shares also appear to be cheap at current prices. The company bought back 43,600 shares during the most recent [quarter](#).

This is not a significant number of shares, relative to the total amount of shares outstanding. However, Valens did not buy back shares during the same period last year, and share buybacks are relatively rare for small-cap companies. Thus, the board likely thinks that shares are currently undervalued.

MediPharm Labs

MediPharm Labs ([TSX:LABS](#)) is similar to Valens in that MediPharm is a small-cap company that processes raw cannabis into finished extract products for customers. The biggest difference between MediPharm and Valens is that MediPharm primarily focuses on the medical market. On the other hand, Valens focuses on the adult-use market.

Additionally, MediPharm has decided to focus on the Australian market, in addition to the Canadian market. MediPharm's strategic focus could pay off handsomely. Australia's medical cannabis market is still in an early phase. This market has ample growth runway remaining.

Furthermore, as the Canadian market demonstrated, some of the highest margin Cannabis 2.0 products are significantly more popular in the medical space than in the adult-use space. Softgels are a perfect example.

MediPharm's shares climbed to over \$7 per share in 2019. Shares look cheap today by comparison. However, shares also appear cheap given that MediPharm generated \$11 million in sales in the most recent quarter, and ended the quarter with over \$20 million of cash on the balance sheet.

Takeaway

Some of the largest cannabis companies in Canada still have significant room to run. However, when trying to identify who the big winners of the Cannabis 2.0 era will be, make sure to think about where the market is going, and not where the market is today.

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5. Canopy Growth Stock
6. Constellation

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:LABS (MediPharm Labs Corp.)
3. TSX:VLNS (Valens)
4. TSX:WEED (Canopy Growth)

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