



If You Only Buy 1 Pot Stock, This Should Be It

Description

Pot stocks had an amazing 2018. Several upstarts became multi-billion dollar giants. The cannabis industry saw valuations double, triple, and then quadruple in a matter of months.

Those days are long over. In 2019, the industry entered its first bear market. Any hopes of a recovery in 2020 were dashed by the coronavirus pandemic.

Today, valuations are at *rock bottom*. No one is willing to touch pot stocks. This is a time of opportunity for investors looking to strike it rich.

Just choose carefully. Not all cannabis firms are equal. Certain stocks have significantly more upside.

Look for this

Don't trust all pot stocks. Only a small handful have what it takes to create immense shareholder value. It's like the tech boom of the late 1990s. The vast majority of tech stocks went bankrupt during that period, but a few become multi-trillion dollar businesses.

Massive profits can be had if you choose carefully. But which stocks should you choose? There's one filter you should apply to all candidates: will it be commoditized?

When the cannabis boom first began in 2018, investors thought they were witnessing another gold rush. What they got was carrots and potatoes. Not *literal* carrots and potatoes, but the equivalent.

Everyone thought cannabis was gold, but it turns out that it's similar to just about any other cash crop. Long term, supply and demand will ravish pricing as the product becomes a commodity.

The best-performing pot stocks will figure out how to transform their cannabis production into something other than a commodity. They must take a page from the book of **Coca-Cola**.

Cokes sells commodities, mainly sugar and water. But somehow, they figured out how to get

customers to pay *50 times* the price of the underlying ingredients. That's the magic of branding, and one cannabis producer has cracked the [code](#).

Pick this pot stock

Hexo ([TSX:HEXO](#))(NYSE:HEXO) stock is your best bet for big profits in the cannabis space. That's because it figured out how to brand raw marijuana.

Its competitive advantage is that it partners with existing brands to co-develop products. It doesn't need to create its own brands from scratch, but rather leverages brands that consumers already know and love.

"For example, Hexo has a partnership with Molson Coors ([TSX:TPX.B](#))(NYSE:TAP) to co-produce THC-infused beverages," I [wrote](#) earlier this month. "Hexo provides the marijuana expertise, while Molson lends its globally-recognized brand."

This partnership alone could make this pot stock a long-term winner. Hexo's market cap is just \$375 million, but the potential sales from a Molson-partnered product could exceed \$100 million, especially consider both firms just agreed to expand the deal to international markets.

Hexo hopes to replicate this partnership in other categories like cosmetics and sleep aids. If that happens, it skips right to the front of the line for demand. Consumers will likely pick its products first over a product from an unknown cannabis startup.

You can make big gains with pot stocks, but only if you choose carefully. Hexo has assembled the right team and business model to become one of the fastest-growing producers over the next 12 months.

CATEGORY

1. Cannabis Stocks
2. Coronavirus
3. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. NYSE:TAP (Molson Coors Beverage Company)
3. TSX:HEXO (HEXO Corp.)
4. TSX:TPX.B (Molson Coors Canada Inc.)

Category

1. Cannabis Stocks
2. Coronavirus
3. Investing

Tags

1. Cannabis

Date

2025/09/11

Date Created

2020/10/17

Author

rvanzo

default watermark

default watermark