

Cannabis 2.0: Is Cannabis Set to Comeback in 2021?

Description

On the surface, nothing really has changed all that much within the cannabis market. There are still production issues, black market sales still outweigh legal sales, Canadian stores are still incredibly slow at getting cannabis to market to meet the high demand. However, there was one “update” we’ll call it that seems to have changed the game.

That change? The United States federal election.

U.S. pot sales for the win

With a Joe Biden administration coming in, the goal of decriminalizing marijuana officially went on the table. Meanwhile, several states decriminalized or even legalized marijuana. While it likely will remain a state choice when it comes to legalization, there is clearly a path towards cannabis use throughout the United States. Perhaps by the end of Biden’s first term.

This update has given rise to another round of cannabis talks. There is now renewed interest, but only in specific companies. Those companies are the ones that already have a foot in the United States’ door. While recreational marijuana remains illegal in many parts of the states, the use of cannabidiol (CBD) and hemp are widespread.

This means companies can create marijuana, but use it for purposes that don’t get you high. Though when a change comes, those companies will be ready when tetrahydrocannabinol (THC) can be used with production already in place.

The era of mergers?

After the cannabis bubble burst in 2018, there was a huge fall that many cannabis companies didn’t come back from. Look at **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB). The company [fell](#) so far it had to merge shares as its value fell below \$1 on the **New York Stock Exchange**. It still doesn’t have a partner, and continues to dilute shareholder value. So it’s no wonder the stock is still trading water.

But then there are other companies like **Aphria Inc.** (TSX:APHA)(NASDAQ:APHA) that have made incredible comebacks. Aphria was on the verge of collapsing some might say after being accused by short sellers of not disclosing competing interest on acquisitions. Yet after a review, Aphria came back from the dead as one of the first major pot producers to see a profit.

Then, the big news hit. On December 16, the company announced it would be merging with **Tilray Inc.** ([NASDAQ:TLRY](#)) to create a global powerhouse of cannabis production. In fact, it will likely be the largest marijuana [producer](#) in the world after everything is said and done, sending Aphria shares jumping 7.5%, and Tilray 24% within a day!

The new company will operate under the Tilray name, and in the last 12 months are any indication of how it will do, it looks good. During that time, combined revenue would have reached \$874 million, and the combination would have taken 17% of the Canadian cannabis market, outweighing any other producer.

Bottom line

This merger is likely to be one of many in the near future between cannabis producers. Companies need to figure out the best way to get pot to market, and not just in Canada. The U.S. market will surpass anywhere else on the globe. So companies that believe they can compete need to find a way to become first in line when cannabis becomes legal.

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