



Stop Speculating: This \$1.2 Billion Pot Stock Is a Diamond in the Rough

Description

Pot stocks are full of speculation. This industry went full hype-cycle in 2018, with valuations soaring 1,000% or more. The downturns of 2019 and 2020 scared off many of these overly enthusiastic investors.

But don't give up! There's one cannabis producer that has what it takes to generate immense long-term gains.

This is how to profit with cannabis

You can make a lot of money by investing in pot stocks; just don't think anyone can do it. As last year's bear market proved, high-upside investments often have high downside, too.

The good news is that we know more than ever which cannabis stocks will rise over the long term. There's been enough experimentation in the market to give smart investors hard data on what will work and what won't.

The biggest thing you need to know is this: avoid commoditization!

In early 2019, before the two-year cannabis bear market took hold, I'd [warned](#) investors that commoditization was the biggest risk for pot investors.

"While there are some regulatory barriers to growing cannabis, some fail to appreciate that commercial vegetable growers must also jump through large amounts of red tape. If there truly are great profits to be had, expect more and more producers to jump into the market," I stressed.

If pot supply growth exceeded demand growth, prices would only move lower.

“Today, it’s not very profitable to grow staples like tomatoes, beans, rice, or cabbage. In another decade, there’s a chance that growing cannabis isn’t wildly profitable either. That reality could crush nearly every cannabis stock,” I’d concluded.

The last two years went exactly as predicted, with cannabis stocks struggling under the weight of lower prices via commoditization. Now that the market has bottomed, however, there’s another chance to catch a surging bull market.

This pot stock is ready to rise

HEXO ([TSX:HEXO](#))(NYSE:HEXO) executives also predicted that commoditization would kill a lot of the competition. That’s why they focused on differentiated products from the start.

Think of HEXO as the **Coca-Cola** of pot. It deals with a bunch of individual commodities, but it packages and brands those ingredients in a way that produces brand loyalty and sustainably high margins.

“Cannabis is a brand business,” [explained](#) the company’s CEO. “We’re not about commodity farming. We’re focused on developing products that offer very specific experiences and are dose-controlled, shelf-stable and delivered to the adult-use market through non-prescription channels.”

For example, the company has a partnership with **Molson Coors** to sell co-branded, THC-infused beverages in both Canada and the United States. Sales are expected to ramp throughout 2021. The company wants to replicate this partnership in dozens of other categories, including sleep aids and cosmetics.

HEXO understood long ago what the competition is now just figuring out. If you want to make sustainable profits, you need to have a brand consumers trust. That’s why the company skipped straight to partnerships, leveraging brands that customers already know and love.

Right now, HEXO is years ahead of the pot competition. I expect shares to lead the industry higher as investor appetite re-emerges.

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