



If You Buy 1 Pot Stock, This Should Be it

Description

Pot stocks are soaring again. It's been years since the last cannabis bull market, and relief is finally here.

Just look at one of my all-time favourites: **HEXO** ([TSX:HEXO](#))(NYSE:HEXO). Since 2021 began, shares have risen 76%.

If you buy into cannabis, this should be your top choice.

How to choose a pot stock

You can make a fortune by investing in cannabis, but don't think you can just pick any stock. Over the next year, I expect some marijuana producers to do quite well, and some to do not so well. The trick is differentiating the two.

In many ways, the best way to invest in pot stocks hasn't changed in several years. Just read what I wrote in early 2019, just before the massive cannabis sell-off began.

"Clearly, cannabis is set to become a major growth story for at least a decade. However, amid the hype, many investors are ignoring some real risks that could ultimately bring down many pot stocks," I'd [warned](#). "If you're investing in the cannabis industry, you'll want to fully understand the biggest risk nearly every marijuana producer will face: commoditization."

Commoditization can ruin an industry. Think about off-brand soda. The customer base for these products are interested in one thing: low prices. Whoever offers the cheapest soda wins. That creates intense competition, driving down pricing and thus profits.

Now, consider **Coca-Cola**. This business can't charge whatever they want, but there's no doubt they can charge a premium versus the competition. That's not because it uses special sugar or magic water, but because it *brands* the combined product in a way that creates customer loyalty.

“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,” I correctly concluded in 2019. Your task shouldn’t be to simply buy pot stocks, but to buy the Coca-Cola of cannabis.

This is the Coca-Cola of cannabis

What does Coca-Cola do best? It transforms commoditized ingredients into a value-add product. The chief method is through powerful branding. To find the Coca-Cola of pot, we must identify businesses that transform raw pot into something differentiated. Right now, no company is doing that better than HEXO.

HEXO never focused on raw production numbers. Instead, it secured partnerships with big brands like **Molson Coors** to co-produce products. In a way, this pot stock skipped to the front of the line. It doesn’t spend years developing its own brand from scratch. Instead, it leverages brands consumers already know and love.

This strategy wasn’t an accident.

“Cannabis is a brand business,” [stressed](#) 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.”

Now valued at \$1.1 billion, this pot stock has a long way to go to reach Coca-Cola’s \$220 billion price tag. But HEXO’s infancy is exactly why shares have huge potential. If you bet on cannabis, HEXO should top your list.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. TSX:HEXO (HEXO Corp.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/07/21

Date Created

2021/03/20

Author

rvanzo

default watermark

default watermark