



2 Stocks That Could Surge to Double Their Value Soon

Description

Two cannabis stocks are trading at [deep discounts](#), but it shouldn't be for long. Based on analysts' forecasts, the values of **HEXO** ([TSX:HEXO](#))([NASDAQ:HEXO](#)) and **Fire & Flower** ([TSX:FAF](#)) could surge or double anytime soon. Lately, the movement in the cannabis sector has been similar to the pre-legalization of pot in Canada a few years ago.

Besides the consolidation happening, the outlook is bright for both companies, as the federal legalization of marijuana in the United States could come sooner than later. There's no exact timetable, but there are reports that cannabis insurers in the U.S. are preparing for something big in 2022.

Insurance companies are waiting

According to a *Reuters* article, American insurance companies could be looking at a 10-fold increase in sales once the federal legalization of pot becomes real. National Cannabis Risk Management Association (NCRMA) chairman Rocco Petrilli said, "There is an overwhelming need for the right kinds of insurance." The trade group is composed of 3,000 cannabis businesses.

If the industry were insured like normal businesses, insurance sales to cannabis businesses could grow to US\$3 billion in five years, Petrilli added. Gavin Kogan, CEO of licensed cultivator Grupo Flor, said, "Whoever leads on providing reasonably priced insurance for this industry with the necessary coverage is going to be very, very successful."

Aiming for top three

HEXO is not only a licensed cannabis producer but a consumer-packaged goods cannabis company. The weed stock isn't doing great thus far in 2021. At \$2.77 per share, investors are losing by 41%. Nonetheless, if you own HEXO today, hold the stock. Market analysts forecast a return potential of 121% to \$6.12 in the next 12 months.

After three quarters in fiscal 2021 (nine months ended April 30, 2021), HEXO's net revenue climbed

58% to \$85 million versus the same period in fiscal 2020. Notably, net income was only \$45.7 million from \$377.9 million. Moreover, Truss CBD, a joint venture with **Molson Coors**, collared a 46% market share in the beverage category in Canada.

Many things transpired recently, including the completed acquisitions of 48North and Redecan. The twin purchases form part of HEXO's corporate growth strategy. Its goal is to become a top-three global cannabis products company.

Expanding U.S. retail footprint

Fire & Flower has a retail footprint in the U.S. through a licensing arrangement with American Acres. According to its CEO, Trevor Fencott, the strategic partnership early this year is a significant milestone. The expansion of its brand and technology in [high-growth markets](#) in the U.S. is ongoing.

The \$315.9 million independent retailer is one of the many Canadian producers keenly awaiting the federal legalization of cannabis in the United States. It has the option to acquire American Acres when it happens. **Alimentation Couche-Tard**, the king of convenience stores, is also Fire & Flower's high-profile investor and partner.

Fire & Flower and Couche-Tard share the view that cannabis sales could be convenience-driven soon. On the TSX, the weed stock trades at less than \$1 (\$0.92). However, market analysts have a 12-month average price target of \$1.71 for FAF. Based on the forecasts, the return potential is 86%.

Exciting growth stocks

HEXO and Fire & Flower are exciting [growth stocks](#) in the cannabis sector. The share prices are incredibly low today, but the upside potential for would-be investors could be massive as federal legalization of cannabis in the U.S. draws near.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. TSX:FAF (Fire & Flower)
3. TSX:HEXO (HEXO Corp.)

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