

How to Trade the Cannabis M&A Boom Now

There's sizable long-term growth in store for cannabis.

Analysts at Cowen say the U.S. cannabis market could rocket to \$16 billion by 2025.

Arcview Market Research and BDS Analytics say the worldwide market could explode to \$57 billion by 2027. In the U.S. alone, North American cannabis sales could reach \$47.3 billion just over the next decade as well, they note.

Globally, Piper Jaffray believes the market for legal cannabis could be worth \$15 billion to \$50 billion a year, with global sales growing to \$250 billion to \$500 billion. All thanks to growing acceptance and legalization in countries around the world.

As that growth just begins to unfold, we're likely to see a rash of M&A (Mergers & Acquisitions) activity.

Cresco Labs Inc. for example just bet big on the California cannabis market with a \$825 million acquisition of Origin House. The deal will create a premiere distribution company that will serve the largest cannabis market in the world.

"[The deal] establishes Cresco Labs as the leading multi-state operator with one of the largest distribution platforms in California, which is projected to be a \$7.7 billion cannabis market in 2022 by Arcview Market Research/BDS Analytics," said Cresco Chief Executive and Co-founder Charlie Bachtel, as quoted by MarketWatch. "Following the closing of this acquisition, Cresco brands will be in over 725 dispensaries across the country, giving us the largest and most strategic distribution footprint of any cannabis company in the United States."

Aurora Cannabis closed on the acquisitions of CanniMed Therapeutics and MedReleaf last year.

iAnthus Capital just agreed to acquire CBD producer, CBD For Life, which will give it presence in Urban Outfitters. CBD For Life products will appear in eight Urban Outfitters stores in the coming weeks, the company said.

Aleafia Health recently acquired Emblem Corporation in an all-stock deal valued at \$173.2 million. The company's Canabo Medical Clinic and Emblem's GrowWise Health will combine and now serve nearly 60,000 patients with 40 national medical clinics.

"The Emblem acquisition rapidly accelerates the execution of Aleafia's strategy to become a vertically integrated, diversified cannabis company. It is difficult to overstate the significance of securing the highest quality medicine for our patients and Aleafia," said Aleafia Health CEO Geoffrey Benic. "Emblem's product leadership in the medical and adult-use sectors and highly coveted supply agreements will perfectly complement Aleafia's cannabis production and clinic operations. This is a transformative transaction."

And we strongly believe the M&A trend has only just begun.

Especially as more of the players in the space decide to marry for growth rather than compete alone in what's becoming a very crowded marketplace.

We also have to consider that as cannabis transforms multi-billion-dollar industries, such as health, wellness, and alcohol, there's further opportunity for M&A interest.

Three Top Ways to Trade the M&A Boom

Opportunity No. 1 – Cresco Labs Inc. (OTC:CRLBF)

One way is to buy and hold Cresco Labs Inc., as we mentioned above. With its recent acquisition of Origin House, it just set itself up for incredible growth opportunities.

Cresco Labs Inc. manufactures and sells medical cannabis products in the United States. It offers cannabis dry flower; vaporizer forms of cannabis; cannabis oil in capsule, oral and sublingual solutions; cannabis in topical; and other cannabis products. The company also provides cannabis infused edibles, including chocolate and toffee confections, fruit-forward gummies, and hard sweet and chews.

Opportunity No. 2 – Canopy Growth Corporation (CGC)

Analysts at Piper Jaffray believe the long-term growth opportunities are significant, as the global cannabis market benefits from legal sales and its medicinal use. Analysts assigned a \$40 price to the stock.

"We do believe the long-term growth opportunities are significant – both from transitioning illicit trade to legal sales, medical sales, and from transitioning sales in health & wellness categories to CBD-infused products," analysts said, as quoted by CNBC. "Medical cannabis can replace a variety of products (e.g. pain relief, sleep aid, opioid replacement). CBD-infused products (with non-psychoactive properties) could gain share from food, beverage, and personal care categories."

Opportunity No. 3 – Aurora Cannabis (ACB)

Aurora Cannabis is seeing sizable investors and attention after noting it anticipates revenue for the quarter ended in December 2018 of between \$50 million and \$55 million, compared to \$11.7 million year over year. That implies growth of nearly 330% in a single year.

"Revenue growth for the quarter was driven by the Company's strong position in the adult consumer use market in Canada, continued shipments of medical cannabis to Aurora's expanding base of approximately 71,000 patients in Canada, and relatively stable, supply restricted shipments, to its growing international markets," according to the company.

In addition, with a great deal of acquisitions under its belt, the company may be on course to produce up to 700,000 kilograms of cannabis each year.