

Two of the Best Marijuana Stocks to Buy Now

This could open the floodgates of opportunity in marijuana stocks.

Recently, the Canadian Senate overwhelmingly passed Bill C-45, also known as the Cannabis Act, which legalized the use of recreational marijuana. The law goes into effect on October 17, 2018. While it'll take Canadian provinces a few weeks to ramp up for likely demand, the law opens a sizable market.

By 2021 analysts say Canada could have nearly four million recreational marijuana users, creating a monstrous \$4.5 billion industry. The industry could balloon to \$8.7 billion shortly thereafter, as marijuana retail sales just in Canada are likely to surpass beer, wine and spirit sales combined. That's big money.

In short, this approval could set off another boom.

"This is a multibillion-dollar industry going from black to white," says Vahan Ajamian, an analyst with Beacon Securities in Toronto. "It's like the end of alcohol prohibition in the US. It's a once in a generation kind of investment opportunity."

Initially, Canada is expected to face a pot shortage. Business Insider recently noted, "There's [a] potentially crippling shortage of marijuana in Canada."

Despite capacity expansion by the country's growers, most have staggered completion dates for their key projects that range between the summer of 2018 and the end of 2020.

But we believe this is just the start of a bigger boom.

As more U.S. states approve its use, and as the global community accepts it, we believe marijuana stocks could double, if not triple over time. Here are two we like the most.

Canopy Growth Corporation (NYSE:CGC) engages in growing, possession, and sale of medical cannabis in Canada.



The stock has been booming after Constellation Brands increased its investment in the company by \$4 billion. If you have not yet picked up this stock, consider doing so now. We believe it could double with patience. Controversial or not, marijuana stocks are likely to push higher this year. Right now, more than 29 U.S. states plus Washington, D.C. approved marijuana's medicinal use. Eight states have approved its recreational use. Canada is legalizing the use of marijuana, too, which could flood the industry with

millions, if not billions in sales.

CGC is a buy at market prices.

Tilray Inc. (NASDAQ:TLRY) is a vertically integrated and federal licensed cannabis cultivator, processor and distributor that just IPO'd on the NASDAQ. While we consider it to be a riskier bet at this point, there are reasons to get excited about the future.



According to the latest projections from the ArcView Group, a marijuana research company, the Canadian legal cannabis sector is estimated to generate \$1.3 billion for 2018. By 2022, the forecast is an even more robust 5.4 billion. Also, fears of a supply-demand imbalance are likely to fuel higher valuations for related marijuana stocks.

"Tilray has a defensible competitive position as an early leader, with its partnership with Privateer offering ability to leverage established and recognizable U.S. brands," Cowen analysts just noted. The investment bank thinks Tilray can capture about 7.6% of the Canadian cannabis market. Cowen has a \$35 price target on the stock. Northland Capital initiated coverage with an outperform rating and price target of \$35. In addition, Eight Capital and Cowen initiated coverage on stock with buy ratings, along with respective price targets of \$32 and \$34.

Also, TLRY appears to be in good shape. Not only does it have ample production capacity, it expected to have 912,000 sq. ft. of growing space by the close of 2018. It also had supply-agreements in British Columbia, Quebec, Manitoba, and Yukon with a medical marijuana agreement in place with Novartis. And, according to the company's SEC filings, it had also made agreements with pharmaceutical distributors in 12 countries, had four clinical trials in three countries, and was among the first companies to have licenses for cannabis cultivation in two countries: Canada and Portugal.

TLRY is a buy at market prices.