

Pot Stocks: Three Ways to Trade a Modern-Day Gold Rush

The marijuana story is taking the world by storm.

Canada will legalize it in October 2018. U.S. states are pushing for further acceptance. Polls show that Americans highly favor its legalization at 61%.

Corporate America has woken up to the opportunity.

In fact, Coca-Cola may be looking to get into the pot-infused drink business. Beer companies like Constellation Brands just invested \$4 billion in Canopy Growth.

Related stocks have exploded over the last year.

- Canopy Growth (CGC) ran from \$12 to \$57
- Tilray Inc. (TLRY) ran from \$30 to \$300
- OrganiGram Holdings (OGRMF) ran from \$2.25 to \$6
- Aphria Inc. (APHQF) ran from \$7 to \$17
- Marijuana ETF, MJ just ran from \$26 to more than \$44

All of these are still great opportunities by the way. Even TLRY, which just did this:



And unbelievably, there are stocks that are still dirt cheap with significant upside potential.

We're seeing signs of a modern-day Gold Rush in marijuana stocks.

Analysts say that by 2030, pot sales could eclipse U.S. soda sales.

In fact, according to Business Insider, "Legal marijuana could soon become a bigger industry than soda, and it has already started putting pressure on alcohol sales, according to the investment bank Cowen. If marijuana is made legal nationwide in the US by 2030, the legal weed industry could generate \$75 billion in sales by that year."

State sales are just beginning to approve its use.

For example, Nevada's recreational marijuana market was exploding, as retailers sold close to \$200 million of cannabis between July and December 2017. That's significantly faster than Washington State, which sold \$67 million worth, and Colorado, which sold \$114 million.

California could see \$5 billion in revenue from recent legalization. Recreational sales could soon double the size of the marijuana market.

On top of that, 61% of Americans now believe marijuana use should be legal.

Up to 88% of Americans favor its medicinal use, too.

Even corporate America began jumping on board.

Constellation Brands invested \$4 billion in Canopy Growth. That's as more consumers begin to reduce their overall alcohol intake in favor of marijuana.

"We believe alcohol could be under pressure for the next decade, based on our data analysis covering 80 years of alcohol and 35 years of cannabis incidence in the US," analysts at Cowen noted, as quoted by CNBC. "Since 1980, we have seen 3 distinct substitution cycles between alcohol and cannabis; we are entering another cycle."

According to Pot Network:

Molson Coors is chatting with pot stocks about creating cannabis-infused beers. The recreational market is anticipated to erupt in North America come October, and the beer and alcohol industry is looking to take the biggest hit. Molson Coors is not the first brewing company to take a closer look at cannabis. After their Canadian sales dropped more than 2% last year, the brewer is looking to partner with a cannabis producer.

Even Coca-Cola showed interest:

"Along with many others in the beverage industry, we are closely watching the growth of non-psychoactive CBD as an ingredient in functional wellness beverages around the world," Coca-Cola said, as quoted by CNBC. "No decisions have been made at this time," adding that it would not comment on further speculation.

Even more excitement began to grow with Canada legalizing marijuana.

We couldn't ignore the potential. And we still can't.

The legalization of recreational marijuana just in Canada is expected to generate \$5 billion in sales. The industry could balloon to \$8.7 billion shortly after, as marijuana retail sales just in Canada are likely to surpass beer, wine and spirit sales combined. However, some analysts believe even those predictions are too low. In fact, according to Oracle Poll Research, Canada could see more than 11 million marijuana users by 2021 instead of 5.2 million, which could produce between \$8 billion and \$12 billion in annual sales.

"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."

Of the many stocks that remain inexpensive with exemplary potential is MedMen.

Gold Rush Stock No. 1 – MedMen Enterprises (MMNFF)

The \$4.25 stock is just beginning to build momentum and could double, if not triple with CGC and TLRY. The company operates 19 licensed facilities in California, New York and Nevada, and recently obtained a license to do business in Florida.



Better still, it noted it landed "prime retail locations" in Florida, with long-term leases in Miami Beach, Fort Lauderdale, West Palm Beach, Key West and Saint Petersburg.

"Florida is the third most populous state in the U.S. with a rapidly growing medical cannabis market and large potential adult use market," MedMen said in a statement. "The state has high tourist activity and is home to the largest elderly community in the nation."

The company even just closed an acquisition of a dispensary and a cultivation license from Treadwell Nursery, a Florida company that has been approved to grow marijuana. The license will allow MedMen to open as many as 35 medical cannabis dispensaries in Florida and also grow the plant there.

Then, the company then entered the Arizona medical cannabis market with an acquisition of Monarch. By the way, Arizona is one the largest medical marijuana markets in the country with over 172,000 current patients.

It also extended its operations in Chicago. Illinois is one of the fastest growing medical marijuana markets in the U.S. In fact, since the year began, qualifying patients jumped 41%.

The best part – it's still expanding. And its stock is still dirt cheap, but not for long.

It also has exposure to Canada.

The company teamed up with Cronos Group to form a joint venture, MedMen Canada with plans to expand throughout the country.

Plenty of Growth under the Hood

Across the Company's operations in California, Nevada and New York, system-wide retail revenue was US\$19.2 million (CA\$25.2 million).

That retail revenue for the quarter is primarily attributable to MedMen's stores in Southern California's

recreational market. Excluding its Abbot Kinney store, which opened in early June 2018, the Company's other 7 retail locations reported a combined US\$17.4 million in revenue (CA\$22.8 million), with an average retail markup over wholesale of 90%.

These seven locations saw 94,000 new customers and nearly 130,000 returning customers, with an average spend per transaction of US\$77.76 (CA\$102.09), operating at an annualized per square foot revenue of US\$6,541 (CA\$8,470).

Gold Rush Stock No. 2 – Aurora Cannabis (ACBFF)

Aurora produces and distributes medical marijuana products in Canada. The company's products consist of dried cannabis and cannabis oil. It also operates as a pharmaceutical wholesaler and narcotics dealer of medical marijuana in Germany and the European Union; and produces and sells proprietary systems for the indoor cultivation of cannabis, organic microgreens, vegetables, and herbs.



According to the company, "Aurora's wholly-owned subsidiary, Aurora Cannabis Enterprises Inc., is a licensed producer of medical cannabis pursuant to Health Canada's Access to Cannabis for Medical Purposes Regulations. The Company operates a 55,200 square foot, state-of-the-art facility in Mountain View County, Alberta, is currently constructing a second 800,000 square foot production facility, known as "Aurora Sky", at the Edmonton International Airport, and has acquired, and is undertaking completion of a third a 40,000 square foot production facility in Pointe-Claire, Quebec, on Montreal's West Island."

"In addition, the Company holds approximately 9.6% of the issued shares (12.9% on a fully-diluted basis) in leading extraction technology company Radiant Technologies Inc., based in Edmonton, and is in the process of completing an investment in Edmonton-based Hempco Food and Fiber for an ownership stake of up to 50.1%. Furthermore, Aurora is the cornerstone investor with a 19.9% stake in Cann Group Limited, the first Australian company licensed to conduct research on and cultivate medical cannabis. Aurora also owns Pedanios, a leading wholesale importer, exporter, and distributor of medical cannabis in the European Union, based in Germany."

Not only will the company have exposure throughout Canada, but it's increasing its global footprint as well.

Gold Rush Stock No. 3 – ETFMG Alternative Harvest ETF (MJ)

The ETFMG Alternative Harvest ETF (MJ) offers investors access to the Canadian and global marijuana sector. The fund tracks an index of stocks across the globe that are engaged in the legal cultivation, production, marketing or distribution of cannabis products for either medical or nonmedical purposes. MJ also holds stocks of companies that trade or produce tobacco or tobacco products, or fertilizers, plant foods, pesticides or growing equipment for cannabis or tobacco. In addition, the fund can hold pharmaceutical companies that produce, market or distribute drug products that use cannabinoids.