

This Could Be the Biggest, Most Profitable Story of 2018

On January 1, 2018, recreational marijuana became legal in California.

"The state has issued dozens of permits for retailers to begin recreational sales this week, expanding a market that is expected to grow to \$7 billion annually by 2020," notes the Los Angeles Times. And investors have taken notice in a big way.

Look at Canopy Growth (TWMJF), for example to see how real the boom has been.



Since October 2017, the stock popped from \$10 to more than \$23 thanks to California, and news that Constellation Brands just took a 10% stake in that stock.

Another big catalyst is Canada, which could legalize it recreationally in July 2018.

No wonder related stocks and ETFs have been racing higher.

The Horizons Medical Marijuana Life Sciences ETF (HMMJ.T) for example rocketed from \$9 to nearly \$15.81 since November 2017.

As controversial as it may be, it's also one of the most explosive.

Investors are pouring into the marijuana market at an incredible pace. Sure, marijuana is one of the most controversial stories on the market. But it's also one of the most rewarding – most profitable ways to make money right now.

In 2016, the U.S. marijuana industry generated revenue of \$6.7 billion.

By 2020, it could rocket to \$19 billion. While remarkable, that still pales in comparison to the \$50 billion estimates provided by Cowen and Company.

Even more U.S. states are looking to approve its medicinal and, or recreational use.

Of those that have already approved it, sales have soared.

In Nevada the projection is a whopping \$6 billion, while Massachusetts is estimated to see around \$1.5 billion in gross sales the first year. Maine is projected to enjoy \$290 million in gross sales annually. In

Florida, legalization could generate up to \$2 billion in annual sales. North Dakota could see \$75 million just starting out.

Even better, more than half of the states in the U.S. have now approved its use or possession with advocates pushing for its legalization in Rhode Island, New Jersey, and Delaware, where one state lawmaker pledged to introduce a recreational-marijuana bill this year.

Canada, as mentioned, is fueling the boom, too.

According to an October 2016 poll, 62% of Canadians support the move with legislation likely by the spring of 2017. If this happens, the estimated \$5.3 billion in annual revenue collected by criminal dealers could be sent to legitimate businesses, and smart investors' pockets.

Better yet for investors, 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 after, as marijuana retail sales just in Canada are likely to surpass beer, wine and spirit sales combined. That's big money.

Here are just a few of the stocks we like:

Lifestyle Delivery Systems Inc. (LDSYF)

When it comes to the medicinal use of the drug, patients have voiced concerns over the lack of product quality, the need to inhale marijuana smoke, as well as precise dosing. However, with the company's cannabis-infused oral strips, the drug makes its way to the blood stream quicker than when inhaled with a controlled dosage of cannabis product. Their formula allows the dosage to be more effective for a much longer duration without dips and spikes in dosage and little or no degradation from the liver.

What's also interesting is that there is no "high" with the medical marijuana strips.

Patients don't have to ingest, smoke or inhale anything. Instead, what's used in such strips is the cannabidiol (CBD) ingredient found in marijuana, which provides the same medicinal benefits but without the "high" effects of smoking the plant.

This company has something unique (and proprietary) in the industry and with the high demand for "non-smoking" alternatives, we think they have a great opportunity to become a leader in the Cannabis industry. In addition, it recently filed a new patent intended to act as the core patent for future family of patents to establish new art in the area of sublingual, buccal membrane delivery of active ingredients into the blood stream.

From here, we'd like to see the stock near \$3 to \$5 a share, especially after the company announced that as of December 21, 2017, the Manufactured Cannabis Safety Branch of the California Department of Public Health has issued CSPA Group, Inc. Temporary Category M Type 7 Manufacturing with Volatile Solvents License, which will be effective January 1, 2018 through April 30, 2018.

Kush Bottles (KSHB)

Kush Bottles Inc. (KSHB) provides packaging solutions for the marijuana industry. In its most recent quarter, revenue was up 129% to \$18.8 million.



Gross margins were at 33%.

"Fiscal year 2017 was a pivotal year for the Company as we began a new and exciting chapter," commented Nick Kovacevich, Chairman and Chief Executive Officer of Kush Bottles. "We implemented a series of growth initiatives intended to expand our product portfolio, strengthen our supply chain, increase our sales force, and position Kush Bottles as the leading provider of ancillary products and solutions to the rapidly growing cannabis market. As a result of these initiatives, our sales growth steadily gained momentum throughout the year, resulting in record revenues of \$18.8 million in fiscal year 2017, representing an increase of 129% compared with fiscal year 2016."

Organigram Holdings (OGRMF)

OGRMF produces and sells medical marijuana in Canada. As Canada moves to legalize marijuana use on the federal level, the company is ramping up production to capitalize on new market opportunities as an existing licensed producer. An active expansion includes a 15,000 sq. ft. extract processing facility that could prove quite useful, as the market begins to explode. The stock has run from \$2.20 to \$3.23 in recent months.

Aphria Inc. (APHQF)

APHQF produces, supplies and sells medical marijuana in Canada. It's one of the only producers turning a profit. In fact, it just posted its fifth quarterly profit in April 2017. The other strong point with this stock is the fact that it's on track to more than triple its greenhouse capacity to a million square feet by the middle of 2018. Better yet, it is debt free and is generating cash flow. The stock has run from \$5.25 to \$13.56 recently.

Canopy Growth (TWMJF)

TWMJF is also a medical marijuana company out of Canada.

As we noted above, the stock more than doubled in November 2017 on excitement surrounding the issue of legalization and news of a major investor. Constellation Brands just took a 10% stake in that stock. It also acquired warrants that will allow it to buy even more shares in the future. It's an interesting move as alcohol use declines, as the use of marijuana increases.

The last thing you want to do is miss what could become a \$50 billion opportunity.