



SHOULD YOU  
**INVEST IN  
CANNABIS  
STOCKS ?**

PROS AND CONS

By Lisa Jacobs

**INVESTMENTGAB**

## Should you invest in cannabis stocks? We look at the pros and cons

CBD use in Britain was legalised in November 2018 - smoking cannabis is still illegal,

Six million people in the UK have tried CBD, according to claims by the Centre for Medicinal Cannabis and its report for 2019.

This year has seen a particular acceleration in CBD product use as lockdown has resulted in many suffering from stress and anxiety, the industry also claims.

CBD is a chemical compound found in cannabis. Unlike the illegal form of marijuana, it doesn't contain tetrahydrocannabinol (THC) – this is responsible for the 'high' from the plant. CBD is marketed as having health and wellness benefits.

The CMC says almost 90 per cent of users purchase CBD online in Britain.

Sales already outstrip those of Vitamin C with €336m (£301million) versus €133m (£119.22million) respectively, according to the statistics from CMC. Sales in that month were 125 per cent higher than in February and website traffic has shot up by 67 per cent since lockdown began in March.

A great deal has been written about the benefits of using CBD with many advocates using it to help relieve stress and anxiety, that could explain why sales have been so strong during lockdown, as the country has been house-bound, with stress levels at breaking point.

'CBD is one of the most exciting products to enter the wellness market in years and we expect to see rapid growth in the next few years.'

### Potential for the CBD market

Surprisingly, only around 153 prescriptions have been issued in England since medicinal use was legalised according to global consultancy Prohibition Partners.

It says patient access has been mired by limited specialists able to prescribe the medicine.

Promotion of medical cannabis has also been hampered by the lack of clinical evidence showing cannabis' effectiveness in treating various conditions, including chronic pain.

It is estimated that 7.3m people use CBD in the UK every year and more companies are listing on exchanges with cannabis as their core offering

But there are promising signs that this will change. Prohibition Partners points out that more clinical trials are being carried out.

By 2024 the UK medicinal cannabis market is predicted to be worth nearly \$1.3billion (£1.03billion), servicing nearly 340,000 patients, according to predictions from the CMC.

The health and beauty industry are also getting in on the act with increasing number of consumers using brands containing CBD.

The food industry is still somewhat restricted in creating edibles that contain CBD and this is thanks to EU foods regulations.

## More UK listed companies

When the industry was initially legalised for medicinal use, a few operators dabbled in the product, but it was by no means their core offering. Things have changed now though.

We don't know which cannabis cultivation companies will survive, which among them will consolidate and which will prosper. Secondly, we don't know how regulation will play in all of this

Cannabis is said to have many health benefits and can help people who suffer from stress and anxiety.



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### Should you invest?

CBD stocks have suffered thanks to panic created by the pandemic.

While products sold online have seen a surge in sales, the same can't be said for those that need a prescription.

### Will recreational use of cannabis ever be allowed in the UK?

This means that listed UK pharmaceuticals have seen a drop in sales as the pandemic has prevented patients from seeing their doctors. Clinical trials are also affected by Covid-19 social distancing measures.

There are no plans to allow recreational use of cannabis in the UK. However, Prohibition Partners believes that this could change in five to ten years' time.

This is supported by the fact that attitudes to cannabis among adults in the UK are softening.

In 2018 a YouGov survey revealed that 51 per cent supported liberalisation on recreational cannabis, either through legalising (24 per cent) or decriminalising (27 per cent).

In 2019 a similar YouGov survey showed that 53 per cent of adults would support legalising cannabis.

Other countries in Europe are also relaxing their laws on the medicinal use of cannabis. Meanwhile, Luxembourg is set to legalise the recreational use of cannabis from 2021.

## Should you invest in cannabis stocks? We look at the pros and cons

A lot of disruption in the market means there are a lot of opportunities. Investors should do their research on companies beyond recent stock performance to unlock those opportunities. Consider if the company has a unique proposition and a clear execution plan. And, crucially, is it supported by a premium management team.

Investing in marijuana stocks is not for the faint hearted and performance is yet unknown, but for sure it may be volatile for a while.

Cannabis is known for its multiple sclerosis treatment, nabiximols, which was the first natural cannabis plant derivative to gain market approval in any country.

Once you've narrowed down your options, investing can be relatively straightforward.



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