

MedReleaf Corp. Announces Profitable Growth

Description

In the age of new marijuana stock issuances taking a hold of Canadian stock exchanges (a report came out recently showing that on the Canadian Venture Exchange, one-third of stocks listed were linked to the Canadian cannabis industry), investors are keen to take note of how some of the newer, larger initial public offerings (IPOs) do, particularly those that trade on the Toronto Stock Exchange (TSX).

One of the most recent additions to the TSX is **MedReleaf Corp.** (TSX:LEAF), a company which was added to the TSX three weeks ago and has seen its share price rise since its IPO. Investors are looking to get early admission into one of the country's leading cannabis producers which, until three weeks ago, was private.

Prior to the company's IPO, MedReleaf was one of the largest Cannabis producers in the country, and the pot producer has made strides to continue to grow production and do it much more profitably than some of the other large cannabis companies such as **Canopy Growth Corp.** ([TSX:WEED](#)), which recently announced negative earnings and lower-than-expected revenues, disappointing investors.

On Wednesday, MedReleaf announced fiscal 2017 adjusted EBITDA of \$14 million on \$40 million in sales, emphasizing the fact that the company was able to double revenue while expanding EBITDA three-fold, something other marijuana producers have failed to do effectively. The cannabis producer announced the results of its production expansion initiatives, including the completion of its Phase 1 Bradford facility expansion, culminating in a capacity increase of more than 500% to 35,000 kilograms of cannabis. In a race to become Canada's top cannabis producer, MedReleaf is not too far behind other leaders in the space; on profitable growth, MedReleaf actually stands out as one of the better producers, at least initially.

As the country's first certified ISO 9001 and ICH-GMP certified producer, MedReleaf investors can expect that the branding initiatives the company has begun will only pick up steam as the producer prepares for a legalization boom expected to take hold of the industry in 2018.

Bottom line

While significant uncertainty remains with respect to the Canadian cannabis industry at this time, MedReleaf is an interesting company to follow as the race to become Canada's largest (and, let's not forget, most profitable) marijuana company heats up.

While I do not have any favourites in this space, as I believe the sector remains significantly overvalued, I will be watching MedReleaf closely post-legalization to see how this company performs relative to its peers.

Stay Foolish, my friends.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

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Author

chrismacdonald

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