This Pot Stock's Sales Were up 870% Last Quarter!

Description

When it comes to pot stocks, the name of the game is sales growth. With estimates for the industry continuing to get bigger as more countries legalize marijuana, there's a lot of excitement around cannabis companies and competition is becoming fierce. A good example is **Canopy Growth** (TSX:WEED)(NYSE:CGC), which has grown by more than 400% in just two years.

However, the one negative against the stock is that with a market cap of more than $20 billion, the opportunity for investors might be fleeting. A lot of the upside may have already been realized, as the company is already partnered with a big beverage maker, and its sales have already seen a lot of growth. In its most recent quarter, Canopy Growth's sales reached $83 million, which was nearly quadruple the $22 million that the company generated a year ago.

Although profits remain inconsistent, that hasn't deterred investors, as the hype around one of the most iconic pot stocks in the world hasn't let up. And there still might be a lot more bullishness around the corner, as Canopy Growth is looking to expand south of the border now that the farm bill has passed. But as good as Canopy Growth has done lately, there might be a lot more potential elsewhere.

MedMen Enterprises (CNSX:MMEN) trades on the Canadian exchange, but it's very much a U.S. company, and one with significant potential. While it's a lot smaller than Canopy Growth in size, that doesn't mean it's not a threat. The company has already grabbed a significant share of the market. In its most recent quarterly results, MedMen's sales reached around US$30 million, which is nearly 10 times the US$3 million it generated just one year ago.

It's an amazing growth story for a company that's proven to be popular among consumers with its modern, spacious stores that make you think you're in an **Apple** store. With prime retail locations, MedMen has been able to differentiate itself from many of its competitors, and that's very important at a time when there are a lot of cannabis companies popping up.

While MedMen has operations in several U.S. states, it's been California that's been responsible for a lot of its growth. With recreational cannabis sales commencing at the start of 2018, it's been a fairly new market for cannabis companies to get access to. For MedMen, US$23.7 million of its sales came from the Golden State, representing the majority of the company’s sales for the quarter.

The downside, however, is that the company’s expenses have soared, as MedMen incurred a loss of US$19 million during the quarter. A big challenge for many marijuana companies has been keeping costs down amid such rapid growth and expansion. While over time we would expect to see some efficiencies and cost savings to be gained, in the near term it’ll be difficult for companies to stay out of the red.

MedMen is an intriguing investment today that could have a lot more upside than Canopy Growth, but it might come with a bit more risk as well.

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