An Underappreciated Marijuana Stock Is Up 43% This Year

Description

Ever since legalization, marijuana stocks have been on an epic bull run. Investors and the media can't seem to get enough of the top producers and publicly listed pot stocks, and all that hype and attention has pushed valuations to an uncomfortably high level.

Meanwhile, the producers have been struggling to keep up with demand and trying to figure out their logistics and regulatory burden. Casting the widest net and investing heavily in the biggest production facilities seems to be the most common game plan for the sector.

However, some companies are adopting a narrower focus to create a recognizable brand within a targeted niche. Markham, Ontario-based **Flowr Corp** (TSXV:FLWR) is a great example of this.

The luxury cannabis retailer has created a business model based on high-quality cannabis strains that can be marketed to connoisseurs at premium prices. Unlike major producers, Flowr doesn't need to irradiate their plants to meet Health Canada standards. The process of irradiation generally impacts the quality, natural flavour and fragrance of cannabis.

According to management, their unique processing infrastructure allows them to keep production costs around $2 per gram, well below the average costs of larger producers.

Tom Flow, the company's Co-CEO, says these innovative cultivation processes allow Flows' products to stand out from the competition. "Anyone can grow cannabis, but growing varieties of top quality cannabis with consistency, cycle after cycle, is very difficult. That's what Flowr has achieved," he says on the corporate website.

After proving the model, the team set about raising funds to expand operations. Ever since it raised $27.31 million in an initial public offering on Toronto's Venture Exchange in September last year, Flowr has been on an expansion spree. It now has operations in Portugal and Australia and an agreement with **Scotts Miracle-Gro Company** and Hawthorne Gardening to build a 50,000 square feet research and development (R&D) facility.

FlowrRX, the company's flagship medical cannabis brand, is exclusively distributed by Shoppers Drug Mart and is the pharmacy chain's highest-priced pot product at the moment.

This combination of high prices, better yield, and lower production costs could make Flowr one of the most profitable companies in the sector. That's caught the attention of savvy investors and industry analysts over the past year.

When I first covered the stock in March this year, it was already on the upswing. Over the course of 2019, the company's market value has expanded 43%. Jefferies analyst Owen Bennett believes that there could be a further 20% and 40% upside left in the coming years, which means that investors still have an opportunity to enter an attractive stock at a reasonable price today.

Bottom line

By focusing on quality over quantity, Flowr has deployed a strategy that could prove to be rather lucrative over the long term. It may be too early to say whether the company's brand has chances of major mainstream success, but the exclusive deal with Shoppers and the steady international expansion indicate that this team is playing the long game with finesse.

It's also one of the only marijuana stocks that seems to be flying under the radar. With a potential 20% to 40% upside left, FLWR presents an attractive opportunity for investors seeking relentless growth and exposure to the recreational and medical cannabis sector.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis
2. Cannabis Stocks

TICKERS GLOBAL

1. TSXV:FLWR (Flowr)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis
2. Cannabis Stocks

Date
2025/08/26
Date Created
2019/06/29
Author
vraisinghani