



2 Reasons Why This Top Cannabis Company Might Be a Buy

Description

Has the marijuana bubble burst? Whether you stand on the affirmative or the negative side of this question, the fact remains that pot stocks have performed poorly in recent months.

Sure, equity markets haven't been doing well, but marijuana companies have been hit especially hard. However, some pot companies have escaped this negative trend, at least to some extent.

One such company is **Trulieve Cannabis** (CNX:TRUL). While Trulieve isn't the most popular pot stock out there, the firm actually has some interesting prospects. Below are two reasons why marijuana investors should consider purchasing its shares.

Stellar financial results

Many marijuana companies recently released their financial results, which were less than impressive. Case in point, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) — the largest pot company in the world by market cap — failed to report revenues in line with most analyst estimates and [posted a net loss](#) that was much wider than most had anticipated.

Trulieve, however, posted strong financial results. The firm recorded revenues of US\$57.9 million, which represents a 149% increase year over year and, more importantly, a 30% sequential increase. Adjusted EBITDA increased by 66% sequentially.

Though the firm's gross margin decreased by 2%, it still stands at 65%.

If we were to compare Trulieve's revenues to those of the largest marijuana firms whose operations are primarily in Canada, Trulieve would easily be near the very top.

Further, though the company's US\$57.5 million net income was due to a substantial one-time gain, Trulieve would have been profitable even without it. Trulieve expects its full-year revenues to jump 114% to 133%.

Florida might be the next state to legalize recreational marijuana

Despite being illegal at the federal level, about a dozen U.S. states have legalized recreational uses of marijuana, and many more have legalized medical uses of cannabis. Florida is among the latter, and it is in this state that Trulieve runs much of its operations.

Fortunately, there is currently a strong push to put an amendment to legalize recreational uses of marijuana on the ballot for the next rounds of elections (2020). Of course, this push is no guarantee that the sunshine state will soon legalize marijuana, but it is nevertheless noteworthy.

If Florida legalizes pot, Trulieve would benefit in a major way. The company does operate primarily in the medical segment, but less restrictive laws would allow the firm to pursue more avenues for growth.

During the second quarter, the number of patients Trulieve serves increased by 19%. To meet the rising demand for its products, Trulieve recently raised US\$70 million via a public debt offering. These funds should go into expanding the company's presence in Florida. Note that the firm already possesses 29 dispensaries in the sunshine state, which is more than any of its competitors.

The bottom line

Trulieve is an excellent example of why investors shouldn't focus solely on the Canadian recreational market. The firm's revenues continue soaring, it is already profitable, and its prospects in the sunshine state seem attractive. While a lot can still go wrong, it is definitely worth considering purchasing shares of Trulieve Cannabis.

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