This $5 Cannabis Stock Is Growing Over 250% Quarterly

Description

Cannabis sales are turning everything around for this $5 retail stock on a long downward fall. After losing almost 50% of its value in the past year, this struggling liquor retail chain is expanding into cannabis. Cannabis retail has higher margins than traditional convenience stores, and this should help the company improve its financials.

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Cannabis sales for competitive companies are growing in the triple digits every quarter. As one of the largest retail chains in Canada, triple-digit growth from cannabis may help **Alcanna** (TSX:CLIQ) head back toward its 52-week high of $11.56.

Since the end of 2018, Alcanna has opened nine cannabis retail stores. By the end of 2019, the liquor store chain will have opened 20 more locations throughout Canada and Alaska.

Tax-Free Savings Account (TFSA) investors should gather up shares of this stock while it is cheap.

Dividend status

Alcanna terminated quarterly cash dividends in December 2018 due to its capital-intensive growth strategy into cannabis. The company also plans to use the additional free cash flow to fund 10 new Wine and Beyond stores and the initial launch of the Canadian Liquor Retailers Alliance.

Since 2004, Alcanna has been a reliable dividend-issuing stock. The December 2018 announcement to end dividend payouts is an unprecedented move by the company to increase shareholder value over the medium term. In the press release announcing the dividend termination, Alcanna indicated a two- to a three-year time frame in which it will need to suspend dividend payments.

Thus, by the end of 2021, shareholders can reasonably expect that the company will resume dividend payments. TFSA investors will want this stock in their portfolios before 2021 to benefit from both the upcoming capital gains and the recommencement of dividend issuance.

Earnings estimates

When Alcanna reported earnings last month, the stock jumped 7% on the market open due to strong sales growth and forward expectations of positive free cash flows by next year. Q2 2019 sales grew 20.9% over the same quarter last year.

Last quarter, Alcanna announced earnings per share (EPS) of negative $0.07 for the three months ended September 2019. By next year, the annual estimated EPS range from negative $0.15 to positive $0.65. The truth is most likely somewhere in between.

One thing is sure: EPS are on track to improve from this year and last due to the hard work of James Burns, the cutting-edge CEO of Alcanna. Over the past four quarters, actual EPS were negative $0.45. Even at the low projection of negative $0.15 per share, earnings will have improved annually by 30% in the fiscal year 2020 versus 2019.

Burns not only expects cannabis sales to take off and save the dying brand. Liquor store sales may rise along with cannabis. If the sharp rise in stock price last month is any indication of the excitement surrounding these shares, we are sure to have even more volume in the next year as more stores become operational.

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Foolish takeaway

Alcanna's price is undoubtedly headed upward along with its robust financial reports going into 2020. Before the company reports further economic improvement from Q3 2019, even a small investment in Alcanna will pay off well over the long term.

Smart shareholders will profit from both capital gains and high dividend returns from an investment in this cannabis retail turnaround story.

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