



Why Curaleaf Holdings (CNSX:CURA) Rose 10% in the Last Week

Description

Shares of leading cannabis company **Curaleaf Holdings** ([CNSX:CURA](#)) have risen 10% in the last week of August 2019. The stock is currently trading at \$9.41. Despite the recent rally, Curaleaf shares are still trading 40% below their 52-week high.

Stock rose despite missing revenue and earnings estimate

Curaleaf is a Canada-based vertically integrated cannabis company in the U.S. Curaleaf announced its second-quarter results on August 27 and reported revenue of \$48.5 million — a rise of 231% year over year.

In the prior-year period, Curaleaf sales stood at \$14.65 million. The company's bottom line increased significantly. It reported EBITDA of \$3.35 million — way higher than the -\$3.83 million figure in the second quarter of 2018.

However, Curaleaf's loss widened to 24.5 million, or \$0.05 per share, up from the loss of \$4.93 million, or \$0.01 per share, in the prior-year period. Analysts estimated Curaleaf sales of \$49.8 million and earnings per share of -\$0.01.

Curaleaf stock moved higher despite missing analyst estimates for the June quarter.

Growth via partnerships and acquisitions

Similar to peer cannabis companies, Curaleaf is looking to grow sales by several partnerships and acquisitions. It announced the acquisition of Select, which is a leading cannabis brand in the United States. The company also acquired the exclusive rights to operate one of the highest-grossing dispensaries in Arizona, which is the Emerald dispensary.

Curaleaf closed the acquisitions of Glendale Greenhouse and Phytotherapeutics Management Services as well this month.

Curaleaf announced the acquisition of Grassroots for \$875 million, making the combined entity the largest cannabis player in the world. Post-acquisition, the combined entity will have a production capacity totaling 2.1 million square feet. Curaleaf will have the largest operational footprint in the U.S. and will operate in [19 states across 68 retail locations](#).

Another big acquisition was that of Cura for \$1.27 billion, announced in May this year. Cura is a major cannabis brand on the West Coast. Cura is a market leader in Oregon, Nevada, California, and Arizona. It has 12 cultivation facilities, 11 processing facilities, and 45 retail locations across the U.S.

Strong revenue and earnings growth

These acquisitions will result in robust revenue and bottom-line growth for Curaleaf. The company reported sales of \$19 million in 2017 and \$77 million in 2018. Analysts expect sales to rise 232.5% to \$256 million in 2019 and 259% to \$919 million in 2020. While currently unprofitable, Curaleaf is expected to improve its net margin from -18.6% in 2019 to 15.3% in 2020.

Curaleaf was already a well-known brand on the East Coast. It has the largest footprint of branded retail stores in the U.S. and is uniquely positioned to capture market opportunities via recent acquisitions.

Huge market opportunity

While Curaleaf is a cannabis leader in terms of sales, it still has enough growth opportunities. It has the potential to grow its manufacturing footprint at a significant rate. Curaleaf's vertical integration helps the company control the entire supply chain. After the major acquisitions undertaken recently, Curaleaf has a presence in 11 of the 12 major markets in the U.S.

Curaleaf management is optimistic about long-term growth. Company CEO Joseph Lusardi stated, "We have made significant progress over the last few months in executing on our strategy to become the leading vertically integrated multi-state cannabis operator in the United States. The recently announced acquisitions of Select and Grassroots, as well as, tuck in acquisitions in Arizona, California, Nevada and Ohio position Curaleaf as the undisputed leader in the cannabis industry."

He added, "With the industry's largest operational footprint, we have the scale to rapidly accelerate growth across the country. I continue to believe Curaleaf is the best positioned operator in the cannabis space with the potential to create substantial shareholder value."

While Curaleaf stock has recently gained momentum, it has significant upside potential given increasing market presence, making it a safe bet for investors.

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