



Which Pot Stock Is a Better Buy: Fire & Flower (TSX:FAF) or Supreme Cannabis (TSX:FIRE)?

Description

Fire & Flower Holdings ([TSX:FAF](#)) and **Supreme Cannabis** (TSX:FIRE) are two small-cap pot stocks trading around \$1. While both stocks are cheap and have strong potential, I would recommend buying one stock over the other.

Let's look more closely at the two pot stocks to determine which one is the best buy at the moment.

Fire & Flower

Fire & Flower is a cannabis retail business based in Edmonton. The company now owns or has an interest in 30 cannabis retail store licenses across the provinces of Alberta, Saskatchewan, Manitoba, Ontario and the Yukon territories. It plans to open 65 stores by July 2020.

Fire & Flower has a market capitalization of \$150 million. The stock has soared almost 30% in the last three months.

The cannabis retailer announced a major investment from **Alimentation Couche-Tard** (TSX:ATD.B) at the end of July. The Quebec-based convenience store giant is spending close to \$26 million for a 9.9% stake in the cannabis seller, with an option to increase its stake to 50.1%.

Couche-Tard is investing in the cannabis retailer to spur its aggressive growth. The convenience store operator began its foray into the world of cannabis last February by entering into a multi-year partnership with **Canopy Growth**.

This transaction will benefit Fire & Flower. Indeed, it will accelerate the pace of growth and expansion of the pot company by increasing the number of stores it can open and giving it access to more markets.

With 16,000 stores in 25 countries, Couche-Tard's investment gives it access to an international platform.

Fire & Flower will also use these funds to support the development of its proprietary digital retail platform, Hifyre, which is used to better understand its customers and communicate with its supplier partners. Technology plays an important role in the company's next-generation approach to retail.

The pot company has reported \$9.5 million in revenue in the first quarter. Fast growth is ahead, as sales are expected to increase by 165% next year to about \$132 million, and EPS by 600% to \$0.14.

Fire & Flower started trading on the **TSX** on August 7, leveling up from the **TSX Venture Exchange**.

Supreme Cannabis

Supreme Cannabis has a globally [diversified portfolio](#) of companies, products and marijuana brands.

Supreme has a market capitalization of approximately \$450 million. The stock dropped about 15% in the last three months.

The Toronto-based company is well positioned to benefit from the boom in the marijuana industry. In July, Supreme announced an agreement to acquire Truerra, a private cannabis company also based in Toronto. The transaction, valued at approximately \$20 million, closed on August 13.

This agreement could help Supreme prepare for Cannabis 2.0, or the legalization of cannabis edibles, which is scheduled to take place on October 17.

At the same time, this agreement would also strengthen the international presence of Supreme, as Truerra operates its businesses with the goal of becoming a global leader in the development, production, and marketing of cannabis and hemp-derived medicinal products with clinically proven efficacy.

Located in the Netherlands, Truerra (Europe) BV, Truerra's European subsidiary, is already selling a portfolio of cannabidiol (CBD) hemp products for the European market.

Supreme grows at a fast pace. During the three-month period ended March 31, the company generated net sales of \$10 million, a staggering 382% year-over-year increase.

Sales are expected to increase by 250% next year to about \$127 million, and EPS by 133% to \$0.02.

Which pot stock should you buy?

While both pot stocks have potential, I prefer Fire & Flower to Supreme Cannabis. Fire & Flower is [growing faster](#) than Supreme, and the strategic investment of Couche-Tard will accelerate its global expansion as new cannabis markets emerge.

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