



Buying This Weed Stock Could Be Like Buying Aurora (TSX:ACB) in 2016

Description

When **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) debuted, its price was \$1.78. Weed upstart **Supreme Cannabis** (TSX:FIRE) is trading at \$1.43 today, which is very close to Aurora's price in October 2016. I can't help but ask if FIRE will follow Aurora's trajectory.

The largest producer

Aurora Cannabis, the cannabis company with the largest production capacity, has had a meteoric rise since its market debut. In one year, the stock jumped 22% to \$2.18. But in just two years, the price soared to \$9.28 or 421%. It was a heyday for investors who sold their shares.

For those who are still holding on to the stock, ACB's current price is \$8.02. It's still 267.9 over the 2016 price. Analysts are projecting a potential upside of about 105% in the next 12 months. If you go by these projections, it appears that Aurora Cannabis remains as the [top weed stock](#).

That is not surprising because, for one, Aurora could potentially produce 600,000 kilograms of cannabis annually. It has a strong presence overseas with coverage in 24 countries. Aurora's focus is on the medical marijuana market, although it is capable of dominating the recreational market and the coming derivatives market.

High expectations

Market analysts have [high expectations](#) for Supreme Cannabis. Their price forecast for this small-cap weed stock in the next 12 months is \$4.50, or a gain of 214.68%. But will the company really "fire" up?

Assuming Supreme Cannabis's production facilities are fully operational, the maximum annual yield is 50,000 kilograms, which are only 8.33% of Aurora's annual production capacity. Notwithstanding the production capacity, Supreme Cannabis has equal chances of making it big in the cannabis industry.

The five brands of Supreme plus several partnerships could catapult FIRE to a premium cannabis

lifestyle company in the world. The lead brand, 7ACRES, is transitioning from a wholesale business to premium consumer brand. That should be complete by Q3 fiscal 2020.

Supreme's partnership with PAX Labs is a welcome development. 7ACRES is one of only four licensed producers chosen as a partner. The company will create the cannabis oil pods for PAX's Era. The product is a market-leading vaporizer and best-selling pen-and-pod system in the U.S.

For the international market, Supreme's opportunity is in South Africa. Medigrow, a subsidiary, will capitalize after the government's removal of CBD from the list of highly controlled drugs. With multiple sources of growth, Supreme expects net revenue for fiscal 2020 to be between \$150 million and \$180 million with positive adjusted net EBITDA as well.

Revenue drivers

According to Navdeep Dhaliwal, CEO of Supreme Cannabis, capital deployment, and brand-building set the company apart. He is confident that the revenue drivers would set the company towards profitability and disciplined growth.

Supreme Cannabis is not a giant like Aurora Cannabis. But if all wheels are in motion, the stock's rise could be similar to Aurora's incredible climb from three years ago. Supreme Cannabis could also outperform the other small-cap weed stocks. Will you wait for the stock heat up some before buying? I hope not.

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