



Why This Pot Stock Might Just Have the Best Business Model

Description

When it comes to building strong, sustainable businesses, cannabis companies often don't have terribly good track records. **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) is a great example of a situation where sales growth alone is not enough for investors to ignore horrible losses.

The company's growth, which turned it into a [\\$20 billion stock](#) at one point, also led to its downfall.

While Canopy Growth is still a formidable cannabis stock — and one of the leaders in the industry — its rapid expansion and aggressive strategy has resulted in a lot of cash burn and rising expenses. A big challenge for the company was that it wanted to enter the U.S. through any possible means.

Whether through hemp or a future deal with **Acreage Holdings**, there was a great deal of manoeuvring by the company to help demonstrate to investors its growth potential and gain any possible advantage.

It's still too early to tell how well that strategy will work for the company, but for its former leader Bruce Linton, [it didn't pan out so well](#).

Is slow, sustainable growth the key to success in the industry?

One company that has followed a very different approach to Canopy Growth is **Planet 13 Holdings Inc** ([CNSX:PLTH](#)). Rather than expanding into as many locations as possible, the company has focused on developing its Las Vegas SuperStore into a massive tourist attraction in a city that's a perfect fit to do just that.

While the company hasn't been able to avoid losses, they've also paled in comparison to that of Canopy Growth. Over the past four quarters, Planet 13 has incurred a total loss of around US\$10 million.

It's a modest amount, and a big reason for that is the company isn't spreading itself too thin. Although its sales hit just US\$17 million in its most recent quarter, these are still the very early stages for Planet

13.

The company has been working on a model that it can replicate in other states. And we're already starting to see some of that success. In August, the SuperStore averaged more than 2,000 customers per day, with an average ticket of more than \$90.

The company isn't content with that figure, however, as it seeks to build something that will be much more of a spectacle, a can't-miss venue to visit.

Recently, it announced that it would be adding the Cannabition, a cannabis museum that will be part of the SuperStore location as well. It will feature the art, culture and history relating to cannabis and give visitors yet another reason to check out the location.

In the end, it's all about drawing people into a store and then trying to convert those people into customers. Planet 13 has done a great job of that without having to break the bank.

And as it expands into other markets to try to replicate this success, it could prove to be a model that stands out from its peers in the industry both for its popularity and its financial strength.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. CNSX:PLTH (Planet 13 Holdings Inc.)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/06/29

Date Created

2019/09/12

Author

djagielski

default watermark

default watermark