



Investors: Is it Time to Buy Curaleaf (CNSX:CURA) After the Recent Pullback?

Description

Shares of cannabis company **Curaleaf Holdings** ([CNSX:CURA](#)) have fallen close to 75% since its initial public offering in October 2015. It has fallen 61% since March 2019 and is down 42% since May this year.

So, is it a good option to invest in a stock that has burnt significant investor wealth? One analyst certainly thinks so. According to a Can Tech Letter report, Beacon Securities analyst Russell Stanley states that Curaleaf is undervalued at the current price.

Stanley expects Curaleaf's launch of ground flower in New York state will help increase its market penetration. On September 23, 2019, Curaleaf announced the launch of medical cannabis flower products. Stanley has a target price of \$25 for Curaleaf. This is 190% above Curaleaf's current price of \$8.65.

According to the company's press release, Curaleaf will provide medical cannabis patients with a new method for medicine intake. It is going to offer flower pods used in medical vaporizers.

Curaleaf CEO Joseph Lusardi stated the following:

"Curaleaf is very pleased to be launching the first medical cannabis flower products to be offered in New York state, which is first and foremost a win for our patients. Flower is cannabis in its raw form and therefore the most affordable form of cannabis ... We can increase patient access by providing more affordable products and offering more options for patients in the medical program. We'd like to thank the Department of Health for permitting us to sell vapable flower. We believe it's an important step toward making natural products available in New York."

The Curaleaf Tabletop Vaporizer is now available for purchase. The company claims this vaporizer heats the cannabis to a point below combustion. The contents are then released in a vapor form, which the consumer inhales without the by-products of smoking.

However, vaping products have taken a hit recently after nine deaths have been reported due to vaping. Over 500 people are ill as a result. According to a *USA Today* report, vaping products in the U.S. are down 15%. Some states such as Oregon have seen sales decline by as much as 60%. There is one death related to cannabis vapes.

Strong revenue growth should lift stock higher

We have seen that the vaping chaos has dragged investor sentiment significantly lower. The second wave of cannabis legalization was supposed to drive the stock prices of marijuana companies higher. Canada will reportedly legalize cannabis edibles, concentrates, and vapes next month. Now, Health Canada and other authorities might have second thoughts, especially for vaping products.

Curaleaf though is estimated to grow sales at a strong pace. Analysts expect company revenue to rise 230% year over year to \$254 million in 2019. Sales are then estimated to grow 298% to \$1.01 billion in 2020 and 52.3% in \$1.54 billion in 2021. This growth will also help Curaleaf to expand profit margins. Analysts expect Curaleaf's net margin to improve from -20.2% in 2019 to 8.7% in 2020.

Curaleaf's growth is expected to be driven by the expansion of the global cannabis market. It has spent [millions of dollars in acquisitions](#) that will drive sales growth in the upcoming years.

Even if vaping products are banned, cannabis companies should not take a significant hit. This ban is likely to boost demand for other products. The market opportunity remains huge for Curaleaf and peers, but investors should expect the weakness in cannabis stocks to persist in the short term.

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