



Can Supreme Cannabis (TSX:FIRE) Stock Double Your Money?

Description

Shares of **Supreme Cannabis** (TSX:FIRE) are trading at \$0.91. The stock has lost 45% year to date and is down almost 50% in the last 12 months. Supreme Cannabis was publicly listed back on June 1, 2017, and closed trading at \$1.22 that day. The stock reached a record high of \$3.04 [in January 2018 but has lost considerable value since then.](#)

So, is the stock a “buy” at the current price? Does it have the potential to double your money? Being in the high- growth cannabis sector, investing in FIRE may well generate exponential returns. Forget doubling your investment; top cannabis stocks have risen by 1,000% within a couple of years.

Focus on growth and expansion

Similar to peer cannabis companies, FIRE is focused on growth and expansion not only in Canada but overseas as well. Its 7ACRES business has 440,000 square feet of cultivation with sales, processing, and cultivation licences and has an agreement to sell products in eight Canadian provinces.

The blissco business has a 12,000-square-foot facility in Langley and processes cannabis oils. FIRE’s Cambium segment will build a 34,000-square-foot research and development facility and should shortly receive a cultivation licence as well.

Supreme Heights is another business for FIRE. This is headquartered in London, U.K. and is targeting opportunities in CBD health and wellness businesses in Europe. Truverra is also an internationally focused segment for FIRE with a 5,000-square-foot facility in Ontario.

Supreme Cannabis is banking on the high growth of the Canadian marijuana market to drive revenue. It has estimated the legal cannabis market in the country to reach \$6.7 billion by 2023.

Now, Supreme Cannabis is also eyeing medical distribution through legacy wholesale contracts. The company has increased its cultivation space from three rooms to 23 rooms in a year and can produce 50,000 kg annually.

Growth via partnerships

Supreme Cannabis is gearing up for Cannabis 2.0. It has partnered with Pax Labs to launch vape products. The cannabis-infused edibles, vapes, and concentrate products were legal starting yesterday.

FIRE and Pax Labs will launch the PAX Era in Canada with premium 7ACRES oil pods. FIRE will benefit hugely from Pax's strong brand recognition and leading vaporizer technology. However, the recent vaping scandal in the U.S. might result in lower-than-estimated demand in the vaping category.

Strong revenue growth estimated

Analysts expect Supreme Cannabis to post sales of \$138 million in fiscal 2020 (ending in June). This indicates a 230% year-over-year growth compared to sales of \$41.8 million in fiscal 2019. Analysts also expect sales to reach \$227 million in 2021.

Unlike most pot manufacturers, FIRE is expected to post an adjusted profit in 2020. Its bottom line is expected to improve by 180% in 2020 and by 175% in 2021. The stock is trading at a forward price-to-earnings multiple of 8.2 and has solid upside potential.

FIRE is valued at \$301 million, which is just 2.2 times forward sales. Most pot companies are valued at 10 times forward sales. Due to its low valuation multiple and higher profit margins, FIRE seems like a bargain buy at the current price.

Supreme Cannabis management is far more optimistic. It estimates sales between \$150 million and \$180 million in 2020. Analysts covering FIRE remain bullish and have an average target price of \$2.23.

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