



Cannabis Investors: Should This Canadian Pot Stock Be Part of Your Portfolio in 2020?

Description

Shares of **Supreme Cannabis** (TSX:FIRE) are trading at \$0.66 at writing. The stock has lost over 70% in market value since the start of February 2019, which is in line with the broader market decline that's impacted most cannabis companies.

Is the stock attractive after its massive fall in 2019? Let's take a look at Supreme Cannabis' growth metrics and revenue drivers.

Business overview

Supreme Cannabis is a Canada-based company. It aims to develop cannabis products with a focus on the wholesale market and the domestic medical marijuana market. Its [portfolio includes](#) the 7ACRES brand and the wholly-owned subsidiary Blissco Cannabis Corp. The latter is a wellness cannabis brand and a licensed cannabis producer and distributor.

Supreme's other businesses and investments include Supreme Heights, Cambium, Medigrow, and Truverra. Supreme Cannabis has agreements to sell 7 ACRES cannabis products in eight Canadian provinces. It also has a medical distribution network through legacy wholesale contracts.

In the space of one year, the company has managed to increase its cultivation space from three rooms to 23. At full production capacity, its annual production stands at 50,000 kilograms.

Similar to other cannabis players, Supreme Cannabis is banking on the growing addressable market in Canada to drive demand and sales higher. The company expects Canada to double new cannabis users year over year and has forecast the Canadian marijuana market to reach \$6.7 billion by 2023.

Cannabis is a highly regulated industry that has resulted in a slow rollout of retail stores across provinces. However, government-controlled wholesale and distribution coupled with long-term protection against imports will hold Supreme Cannabis and peers in good stead.

Expansion of product portfolio

Supreme Cannabis is now seeking to create a differentiated consumer-driven product portfolio targeting several market segments. Its current offerings cater to 86% of the potential market.

With a strong domestic presence, Supreme Cannabis also aims to gain traction in overseas markets. Truverra's European subsidiary delivers CBD (cannabidiol) hemp products in the United Kingdom and the Netherlands. The company is optimistic about addressing international medical opportunities under the Truverra brand.

The company's press release states, "Truverra is well positioned to take advantage of the emerging cannabis market in Europe and is a leader in the development, marketing and distribution of hemp derived medicinal products with clinically proven efficacy."

What does the future hold?

Supreme Cannabis continues to expand market reach with strategic investments and provide support services to health and wellness businesses in the CBD space. It will reportedly be focusing on investments in wellness brands with CBD offerings in extract vaporizers, edibles, and topicals.

These partnerships will result in solid revenue growth for the firm. Analysts expect Supreme Cannabis sales to rise from \$41.8 million in fiscal 2019 to \$92.9 million in fiscal 2020 and \$181 million in fiscal 2021 (year ending in June).

While several pot stocks are grappling with mounting losses, Supreme Cannabis is estimated to report an EBITDA of \$7.03 million in fiscal 2020. This figure is expected to rise to \$59.3 million in fiscal 2021, indicating a healthy EBITDA margin of 33%.

The company is valued at 2.56 times forward sales (market cap/sales) which is considerably lower than the industry average. This multiple stands at well over 7 for most cannabis giants, indicating significant upside potential for investors.

The near-term oversupply issues will continue to result in tepid demand for most pot companies as we head into 2020. But this can be offset by the upcoming availability of Cannabis 2.0 products that will hit retail stores by the end of December 2019.

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