



## Forget Aurora Cannabis (TSX:ACB) and Consider This Pot Stock for Massive Gains

### Description

We have seen how **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) stock has been decimated over the last year. Shares are trading 84% below 52-week highs and investors are patiently waiting for a turnaround.

But Aurora Cannabis is grappling with several issues. Its high debt balance of \$796 million is a major concern. Comparatively, the company has a cash balance of \$192 million and operating cash flows of -\$218 million. This indicates Aurora Cannabis can run out of cash if it does not improve profit margins at a fast pace.

Another issue is the competition from illegal sales that still accounts for 40% of total cannabis sales in Canada. The slower than expected rollout of retail stores in major Canadian provinces has also led to high inventory levels, further pressurizing sales and the bottom line.

Last week, Aurora Cannabis [announced the exit](#) of its founder and CEO. It also announced a 15% cut in the workforce and the company also released preliminary quarterly results that were below consensus estimates, resulting in a 16% drop in stock price on Friday.

And it's not just Aurora Cannabis: several other pot stocks have lost billions of dollars in market value in the last 12-months. However, the pot industry is still in a nascent stage, which means it will grow at a rapid pace over the years.

So how do investors take advantage of this growth? Well, there is one pot company that is relatively safe and even provides a dividend. Yes, you heard that right.

## Innovative Industrial Properties Inc.

**Innovative Industrial Properties Inc.** ([NYSE:IIPR](#)) is not your traditional pot company. It does not have greenhouse facilities to manufacture products. IIPR focuses on the acquisition, ownership and management of industrial properties, which it leases to licensed cannabis producers.

IIPR acquires properties through sale-leaseback transactions and third-party purchases. This business model has served the company well. In the September quarter, IIPR more than tripled rental sales year over year, while adjusted funds from operations more than quadrupled.

The company owns 49 properties in 15 states south of the border. Some of its clients are large cannabis companies such as **Cresco Labs** and **Trulieve Cannabis**.

IIPR has increased sales from USD \$0.32 million in 2016 to USD \$14.8 million in 2018. Analysts expect sales to reach USD \$166 million by the end of 2021.

IIPR shares went public in December 2016 and closed trading at USD \$18.45 on December 2 of that year. The stock has gained 400% in just over three years. While most pot stocks have lost over 60% in market value in the last year, IIPR is trading 34% below its 52-week high.

Another encouraging aspect of the stock is the company's forward dividend yield of 4.3%. Although IIPR has a debt balance of \$134 million, with cash reserves of \$100 million and operating cash flows of \$31.2 million, it can easily service debt obligations.

IIPR has a capital intensive business model, which means that it will have to issue additional capital to sustain its aggressive expansion goals.

However, the company is already profitable, with a forward price-to-earnings multiple of 20.5 — an absolute bargain given that earnings could rise 134.7% in 2019 and 156.2% in 2020.

Analysts covering IIPR have an average 12-month price target of USD \$140.5, which is 52% above the current trading price.

## CATEGORY

1. Cannabis Stocks
2. Investing

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1. NASDAQ:ACB (Aurora Cannabis)
2. NYSE:IIPR (Innovative Industrial Properties)
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**Author**

araghunath

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