



TFSA Investors: Is it Time to Bet on This Billion-Dollar Pot Stock?

Description

The structural issues plaguing cannabis stocks have driven share prices to multi-year lows. The recent COVID-19 pandemic has exacerbated this decline. But the massive pullback in marijuana stock prices also provides an opportunity for contrarian investors to buy growth stocks at a lower valuation. The rapidly expanding global marijuana market will drive pot stocks higher in the upcoming decade, making them ideal for your TFSA (Tax-Free Savings Account).

The TFSA contribution for 2020 stands at \$6,000, and you can allocate a part of it to buy quality medical marijuana companies. Medical marijuana is legal in several states south of the border and in most European countries. According to a ResearchandMarkets report, the global medical marijuana market is expected to grow at an annual rate of 22.4% through 2024 to reach \$44 billion.

The U.S. continues to be a huge market for medical marijuana companies, where 33 states have legalized these products. We'll look at one Canadian stock that is well poised to take advantage of the growth in medical marijuana.

Trulieve Cannabis ([CNSX:TRUL](#)) is [a vertically integrated marijuana producer](#). It produces medical marijuana and distributes products to company-owned retail dispensaries. The company's operations are primarily located in Florida, where it has 48 retail dispensaries.

Florida is the third most populous state in the country, and Trulieve's seed-to-sale operations has a 53% market share here. Trulieve's first-mover advantage is Florida, which has provided it with several benefits, including brand recognition.

Why is Trulieve a solid bet for cannabis investors?

While most cannabis companies, [including giants such as Aurora Cannabis](#), are struggling with mounting losses, Trulieve consistently generates profits. Further, it has over 443 SKUs (stock keeping unit) and continues to add to its product portfolio.

The company aims to leverage its widespread dispensary network and large delivery fleet and access

a multitude of patients all over Florida. It is focused on replicating this strategy in other regions. The other states in the U.S. where Trulieve has a presence include California, Massachusetts, and Connecticut.

In the first quarter of 2020, Trulieve reported sales of US\$96.1 million, a sequential growth of 21%. Its adjusted EBITDA was US\$49.4 million, indicating a margin of 51%. The company reported an adjusted earnings per share of \$0.12 in Q1. Trulieve ended Q1 with a cash position of \$100.8 million and opened three new stores as well in Florida.

Trulieve stock is currently trading at US\$16.75, which is almost 200% above its 52-week low. The stock went public back in September 2018 and has since returned 9.5%, which is exceptional considering how most cannabis stocks have been decimated in the last 20 months.

Trulieve stock has a market cap of US\$1.36 billion. Analysts expect company sales to rise by 70.2% to US\$430.18 million, indicating a forward price-to-sales multiple of just 3.2. The stock is trading at a forward price-to-earnings multiple of 22, which is really cheap, considering its five-year estimated earnings growth of 59%.

Analysts tracking Trulieve have a 12-month target price of US\$23.4, indicating an upside potential of 90%. Trulieve's low valuation, profitability, and strong growth rates make it one of the top cannabis stocks for the upcoming decade.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HLS (HLS Therapeutics Inc.)

PARTNER-FEEDS

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

Category

1. Cannabis Stocks
2. Investing

Date

2025/08/15

Date Created

2020/06/25

Author

araghunath

default watermark

default watermark