



Curaleaf (CNSX:CURA): Why This Pot Stock Gained 11% Overnight

Description

Shares of Canada-based cannabis giant **Curaleaf** ([CNSX:CURA](#)) gained over 11% on July 13, 2020. The marijuana heavyweight [announced it holds](#) exclusive rights for the All Rebels Rockers dispensary licence in the state of Arizona. These rights were acquired from Grassroots, a privately held cannabis purveyor. According to Curaleaf, Arizona is one of the largest medical cannabis markets in the United States. The financial details of this deal were not made public.

Curaleaf was all set to acquire Grassroots in a cash and stock deal for US\$875 million. This deal would solidify Curaleaf's position as the world's largest cannabis company in terms of revenue. Grassroots has a portfolio of dispensary licences and operational licences that will accelerate Curaleaf's expansion in the United States. However, the acquisition was downsized in June 2020 and was valued at US\$700 million.

Curaleaf has a presence in 18 states with 57 operational dispensaries as well as 15 cultivation sites and 24 processing centres. After the Grassroots acquisition, Curaleaf will expand its presence to 23 states with a combined count of 135 dispensary licenses, 88 operational dispensary locations, 30 processing facilities, and 22 cultivation sites. This acquisition might, in fact, make Curaleaf one of the first pot stocks to reach a billion dollars in annual sales.

In fiscal 2019, the pot giant reported sales of US\$250.6 million with an adjusted EBITDA of US\$25.9 million. As operations continued to ramp up throughout 2019, its Q4 quarterly revenue stood at a record US\$81.7 million with an adjusted EBITDA of US\$13.8 million. Managed revenue rose 185% year over year while total revenue was up 187% in 2019.

Curaleaf continues to grow via acquisitions

Curaleaf stock is trading at \$9.94, which is 72% below its record highs. However, it has outperformed Canadian pot stocks and peers in 2020. In the first six months of 2020, it just fell 3% and remains one of the top cannabis bets for the long term. It released its fiscal first-quarter results on May 18 and reported sales of US\$96.5 million — a year-over-year growth of 174%.

Curaleaf continues to focus on inorganic growth to drive the top line. In February, it closed the acquisition of Select — a wholesale cannabis brand, giving it a huge presence on the U.S. west coast.

Last week, Curaleaf finalized the acquisition of BlueKudu, which produces high-end edible cannabis products. This acquisition will help the company establish its presence in Colorado — one of the first states in the U.S. that legalized recreational marijuana. Curaleaf expects the U.S. legal cannabis market to increase from US\$12.4 billion in 2019 to US\$33.9 billion in 2025.

The Foolish takeaway

Curaleaf is one of the most [well-capitalized](#) and financially stable pot companies in the United States. It continues to raise capital via traditional methods. In January 2020, the company executed a non-dilutive US\$300 million debt raise, raising net proceeds of US\$185.7 million.

It ended Q1 with a cash balance of \$176.4 million. Curaleaf has managed to achieve four consecutive quarters of positive EBITDA. Despite the ongoing pandemic, its managed sales were up 29% while EBITDA rose 45% on a sequential basis.

Curaleaf's strong financial metrics and robust cash position allow it to fund its current operations and focus on acquisitions to drive future growth.

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