



Cannabis Investors: This TSX Pot Stock Is Set to Soar Higher Right Now!

Description

The cannabis sector has been impacted by a slew of structural issues in the last 15 months. Marijuana companies have been hurt by lower-than-expected demand, a thriving black market, and the slow rollout of retail stores in major Canadian provinces. This has in turn led to high inventory levels and mounting losses. The COVID-19 pandemic has further impacted pot stocks, driving them to multi-year lows.

However, there is one cannabis stock that has gained 150% since April 2020, and it remains a long-term bet. Shares of pot retailer **Fire and Flower** ([TSX:FAF](#)) are trading at \$0.98, which is 41% below its record high. It is valued at a market cap of \$156 million and is well poised to crush broader markets in the upcoming decade.

Fire & Flower is a cannabis retailer that aims to capture significant market share in Canada. Its primary business focuses on building an independent retail chain that offers cannabis products and accessories to adult-use provinces that permit the private sale of retail cannabis.

A focus on expansion

Fire and Flower operates licensed cannabis retail stores in Alberta, Manitoba, Ontario, Saskatchewan, and the Yukon, while it intends to expand to British Columbia and other provinces for the sale of retail cannabis. At the end of Q1, Flower and Fire owned 46 retail stores and has 13 pending licences.

Flower and Fire expects its retail store count to reach 118 by the end of 2021. In the current year, it intends to focus on expansion in the Ontario market as well as British Columbia, two of the country's largest provinces in terms of population.

A growing number of retail outlets has helped Fire and Flower increase sales from \$13 million in fiscal 2019 to \$51.1 million in fiscal 2020. Analysts [expect sales to touch](#) \$107.4 million in 2021 and \$227 million in 2022.

Canada's retail giant **Alimentation Couche-Tard** made a strategic investment in Fire and Flower via a

wholly owned subsidiary that will help the latter gain traction in retail markets in the upcoming decade.

An improvement in the bottom line

In the first quarter of fiscal 2021, Fire and Flower reported sales of \$23.1 million — up 142% year over year. Comparatively, its gross profit rose 105% to \$7.5 million, indicating an increase in the cost of goods sold.

Fire and Flower's general and administrative expenses were up 46% at \$8.8 million, while loss from operations soared to \$9.7 million, up from \$5.29 million in the prior-year period. However, operating loss was driven by a \$4.27 million impairment charge, which is a non-recurring expense.

Analysts expect the company's net loss to narrow from 0.17 a share in 2021 to \$0.03 a share in 2022.

The Foolish takeaway

Fire and Flower stock is trading at a forward price-to-sales multiple of 1.5, which is really cheap given its stellar estimated growth rates. Retail operators are also [far less sensitive](#) to the price of cannabis and have considerably lower capital expenditure expenses compared to pot producers.

We can see that Fire and Flower is a top cannabis retail stock due to its expansion strategies, widening profit margins, low valuation, and triple-digit revenue growth.

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1. Cannabis Stocks
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Date

2025/07/02

Date Created

2020/08/05

Author

araghunath

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