



Why This 1 Cannabis Stock Sticks Out Like a Sore Thumb

Description

It was popular for a while to refer to the cannabis space as another dot-com bubble. There were definitely similarities: a new industry full of potential was getting investors exciting, driving up share prices until the bubble burst. Post-legalization, many of the great green hopes touted by early cannabis bulls were up in smoke, to use a tired idiom. But cannabis still has a market and a tangible commodity.

But does it still have upside? After all, cannabis is a plant that can be grown anywhere and by anyone. In a moment we're going to take a quick look at a stock that has been garnering some positive press. Its success in 2020 challenges the idea that legal cannabis is drained of momentum.

A pot stock that bucks the trend

Growth investors looking to pump funds into cannabis have a clear winner in **Green Thumb Industries** ([CNSX:GTII](#)). This name just reported Q2 revenue growth of almost 17%. This is pretty remarkable given an exceptionally flat cannabis market oversaturated by too many players. Paying attention to which cannabis names the markets like can pay off for the bold pot stock investor, and this name impresses.

But investors should ask themselves just how sustainable upside might be in a space already dominated by a well-established black market. Beset by a hamstrung retail environment and undermined by the pandemic, the case for cannabis upside has been growing steadily weaker.

Cannabis investors seeking some resilient upside in a [frothy broader market](#) may want to stack shares in Green Thumb this summer. This name has seen its share price climb 31% in the past month. Looking back a little further, cannabis investors have pushed this name up more than 50% since mid-June. This is the kind of share price performance that cannabis investors ideally should have seen ever since post-legalization.

Sticking out like a Green Thumb

Investors who have been keeping an eye on cannabis performance are no doubt aware of Green Thumb's momentum. But the key is to pinpoint whether this is sustainable. A recovery is likely to see cannabis sales bounce back, while an overhauled retail space could also [turn its fortunes around](#).

Green Thumb really sticks out in an industry that has seen one big name disappoint after another. Look at the performance of some of the brightest hopes in the cannabis space. Up 70.3% in 12 months, Green Thumb stock has been more popular than most. Compare that with HEXO's 82.9% year-on-year decline.

Despite this, future cash flows are projected to be so strong that Green Thumb's current price is about 80% below fair value. Couple that with the potential for annual earnings growth of around 77% in the next couple of years, and you have the beginnings of a buy thesis.

Green Thumb's price is relatively attractive at around 3.7 times book. The bottom line for cannabis stock investors, though, has to be that 16.6% sequential Q2 revenue growth. Matched with a potential total one-year return of 72%, this is a highly responsive stock that is impressing investors and generating some strong positive momentum.

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