



2 Pot Stocks Under \$5 That Can Double Your Money

Description

Investing in cannabis in recent years hasn't been easy. The **Horizons Marijuana Life Sciences Index ETF** is down more than 40% over the past 12 months. It's made the TSX and its 3% decline during that period look amazing.

The cannabis industry in Canada's started to run into some growth challenges in the past year, as competition is intensifying, and cannabis companies are no longer reporting against soft numbers anymore to make their results look good. Generating double-digit sales growth just isn't easy anymore. Giants like **Canopy Growth** and **Aurora Cannabis** know all too well how difficult it is to continue growing while keeping expenses down.

However, despite the industry's struggles, there are two cheap stocks out there that I've always been a big fan of that I believe are underrated buys right now.

Fire & Flower

There are many reasons **Fire & Flower** ([TSX:FAF](#)) is a great buy. The first is that at a price-to-sales multiple of just two, it's a relatively cheap stock to own. Canopy Growth trades at a more than 18 times its revenue, making Fire & Flower look dirt cheap.

The second reason is that Fire & Flower is in the retail business, and so investors don't need to worry about its production and whether it's making the right products if they're sitting too long, and if there's demand for them. Fire & Flower just has to worry about the retail side of things and is free of all that production-related risk.

Another reason Fire & Flower looks great is that it has a strong [partner and investor](#) in **Alimentation Couche-Tard**. Who better to help the company navigate the retail environment than a top retailer and convenience store operator, known for its popular Circle K stores?

And if that's not enough to convince you this pot stock is better than most, then just look at Fire & Flower's recent financials. Sure, at \$28.6 million revenue in its second-quarter results, its top line isn't

huge, but at least it's still growing — at an impressive rate of 158% during the pandemic.

And while cannabis producers strive for positive adjusted EBITDA, Fire & Flower's nearly there. In its Q2 results, adjusted EBITDA was just barely in the red with a loss of only \$0.3 million. That was a big improvement from the \$4.8 million loss it reported a year ago.

Planet 13

Planet 13 Holdings ([CNSX:PLTH](#)) is a truly unlucky stock. If not for the COVID-19 pandemic, its sales would likely be [through the roof right now](#). Its SuperStore location is a hit with tourists, but with travel largely restricted, the company's business is limited. Although Nevada is still a top market for cannabis, the big selling point of having a cannabis operation in Las Vegas is all the tourists that'll visit it.

But when the company released its Q2 results earlier this month, Planet 13 still turned in a good result. Despite sales of US\$10.8 million declining by 35% year over year, it too came close to a positive adjusted EBITDA number, recording a loss of US\$0.7 million. It's an impressive accomplishment, and there's lot of potential here.

If the business can do well under these dire conditions, then just imagine how well Planet 13 will do when the economy is in good shape. Like Fire & Flower, this is a pot stock that could produce some great returns in a few years.

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2. TSX:FAF (Fire & Flower)

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Date

2025/08/24

Date Created

2020/09/21

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