



## A Sub-\$1 Stock That's Actually Worth Betting On

### Description

I've never been a big fan of penny stocks on the **TSX** Venture exchange. They're ridiculously [volatile](#) and can be harmful to the wealth of many upside-hungry investors who just want to make a quick buck with little to no consideration for the [downside risks](#) involved. For many beginner investors, there's a great appeal in low-cost stocks. One can buy more shares for less, and there's an illusion that more shares of a lower-cost company can improve one's odds of scoring a major multi-bagger.

Moreover, some may think that just because a stock has a low price that it doesn't have that much downside. Just like a \$1,000 stock, a \$1 stock can just as easily, if not more easily, lose a substantial percentage of its value at any instance. Any perceived margin of safety with such low-cost penny stocks is just an illusion. To recognize a real margin of safety, the investor must conduct a careful analysis of the company and determine an intrinsic value range.

There's no margin of safety with a \$1 stock whose intrinsic value is in the \$0.25-0.30 range. You'd be overpaying for a seemingly "cheap" stock, just like you would with a \$1,000 stock with an intrinsic value range between \$250-300.

## Cannabis retail: The next frontier in the pot space?

Now that my penny stock warning is out of the way, I'd like to draw your attention to a compelling sub-\$1 penny stock that's a decent value relative to its growth prospects. Moreover, the firm has the backing of an established behemoth that has a vested interest (~9.6% stake) in the business.

The company I'm talking about is **Fire & Flower Holdings** ([TSX:FAF](#)), an up-and-coming cannabis retailer that has the legendary convenience store kingpin **Alimentation Couche-Tard** ([TSX:ATD.B](#)) standing in its corner.

The cannabis bubble has burst, and although there's a tonne of value to be had in the industry, there are few buyers at these depths. While many pot shops are popping up across Canada, Fire & Flower should be a preferred play because of its recent co-location initiative with Couche's Circle K convenience stores in the province of Alberta.

Fire & Flower pot shops and Circle K could form a meaningful symbiosis with one another. When it comes to retail, it's all about location, location, location.

As you may know, the local Circle K tends to garner a considerable amount of foot traffic. An adjacent pot shop will benefit from such foot traffic, as consumers look to pick up cannabis products alongside their c-store mini-haul. Munchies and weed are perfect complements, and should the Flower-Couche partnership start paying dividends, I'd be unsurprised if Couche ends up gobbling up Fire & Flower entirely if it can strike the right price.

## Foolish takeaway

Now, I'm not an advocate of playing takeover roulette. However, given Fire & Flower has unique advantages over its peers in the pot retail space and the fact that shares are dirt cheap on a price-to-sales basis (1.7x sales at the time of writing), I'd say FAF stock is a high-upside bet with less downside risk than most other low cost penny stocks out there.

The company boasts a \$138.2 million market cap and is a compelling microcap bet with *real* fundamentals. I'd look to initiate a position following the company's latest revenue beat, as you look to invest alongside one of the best value-conscious convenience retail kings out there.

### CATEGORY

1. Cannabis Stocks
2. Coronavirus
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:FAF (Fire & Flower)

### PARTNER-FEEDS

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

### Category

1. Cannabis Stocks
2. Coronavirus

### 3. Stocks for Beginners

**Date**

2025/07/21

**Date Created**

2020/09/21

**Author**

joefrenette

default watermark

default watermark