



3 Pot Stocks That Can Soar After Q3 Earnings

Description

The earnings season has started, and several companies will be announcing their results in the next few days. Analysts and investors keep a close eye on the company's performance as well as management guidance, which generally drives the stock prices in the near term.

Pot stocks have had a volatile year, but a few have managed to gain momentum on the back of strong fundamentals. We'll look at three such marijuana companies that are well poised to soar if they report encouraging Q3 results.

Green Thumb Industries

The first pot stock on the list is **Green Thumb Industries** ([CNSX:GTII](#)), a company that manufactures, distributes, and sells cannabis products in the United States. GTII is [a multi-state operator](#) and has 49 dispensaries in 12 U.S. states.

Green Thumb stock is up 77% in 2020, valuing the company at a market cap of US\$3.33 billion. This means the stock has a forward price-to-sales ratio of 6.5, which is not too expensive given its sales are forecast to reach US\$745 million in 2021, up from just US\$216 million in 2019.

In the second quarter, Green Thumb sales rose 168% year over year to US\$119.6 million, and it is one of the fast-growing companies in the cannabis space. It has established its presence in Illinois, Nevada, and New Jersey — three states that could generate US\$1 billion in annual pot sales by 2024.

Further, over 65% of Green Thumb sales are generated from high-margin derivatives products, allowing it to consistently report positive EBITDA margins.

Trulieve Cannabis

Another pot stock that has crushed peers in 2020 is **Trulieve Cannabis** ([CNSX:TRUL](#)). Shares of Trulieve have more than doubled this year, valuing it at a market cap of US\$2.7 billion. This cannabis

operator has delivered positive and expanding EBITDA for 10 consecutive quarters, making it one of the most profitable pot stocks.

In the June quarter, Trulieve's sales were US\$120.8 million, which indicated a sequential growth of 26%. It also reported a positive free cash flow of \$39.6 million. It has a massive presence in Florida, one of the largest markets south of the border. Trulieve has 63 stores (out of a total of 65) in the sunshine state with a market share of over 50% in Florida.

Analysts tracking the company expect sales in Q3 to rise 85% to \$131 million, while earnings are forecast at \$0.19 per share. Trulieve has a forward price-to-sales multiple of 5.5, while its revenue is expected to grow by 94% in 2020.

A real estate investment trust

The final company on this list is **Innovative Industrial Properties** ([NYSE:IIPR](#)), a cannabis-focused real estate investment trust. IIPR leases out properties to medical marijuana companies and generates the majority of sales via rental income.

IIPR stock has returned approximately 600% since its IPO and is one of the top-performing companies in this space. In the June quarter, IIPR [sales jumped](#) 183% year over year to \$24.3 million, and it ended the quarter with \$50 million in cash and no debt.

IIPR has a forward yield of 3.5% and continues to focus on acquisitions to drive top-line growth. It has a market cap of US\$2.6 billion and is valued at a price-to-sales multiple of 23.9, which might seem expensive. However, analysts forecast sales to rise by 147% to \$110 million in 2020, while earnings growth is estimated at 60% for the year.

CATEGORY

1. Cannabis Stocks
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TICKERS GLOBAL

1. CNSX:GTII (Green Thumb Industries)
2. NYSE:IIPR (Innovative Industrial Properties)
3. TSX:HLS (HLS Therapeutics Inc.)

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