



2 Pot Stocks Set to Soar if Joe Biden Wins the Presidential Race

Description

Several Canadian cannabis stocks experienced another day in the red due to the uncertainty surrounding the presidential race. Shares of **Aurora Cannabis**, **Cronos Group**, **OrganiGram**, **Canopy Growth**, and **Charlotte's Web Holdings** fell by 9.4%, 8.7%, 7.5%, 7.3%, and 5.9%, respectively.

The results for the elections might be delayed by a few days due to the pandemic, and if Joe Biden is elected as the next U.S. president, you can expect these two pot stocks to move significantly higher by the end of 2020.

Senator Kamala Harris had emphasized decriminalizing marijuana in the U.S., which will be a key driver of marijuana stock prices. Further, states such as Arizona, South Dakota, New Jersey, and Montana are all set to legalize the use of recreational marijuana. This means recreational marijuana will be legal in 15 U.S. states, while medical marijuana will be legal in 35 states.

Let's take a look at two multi-state operators that will hugely benefit from a Biden win as well as recent legalization efforts.

Green Thumb Industries

While pot stocks fell significantly yesterday, shares of **Green Thumb Industries** ([CNSX:GTII](#)) were up close to 5%. In fact, the stock has almost doubled in 2020, easily outpacing peers due to its resilient and profitable business model.

The company is one of the largest multi-state operators with two dispensary chains. It has a stronghold in its home state of Illinois as well as Nevada and is now looking to expand into other markets. GTII has dispensaries in 12 states, and the company managed to grow sales by 167% year over year to US\$119.6 million in the June quarter.

This growth resulted in an exponential rise in EBITDA, which rose to \$35.4 million from just \$2.3 million in the prior-year period.

The company generates a significant portion of its revenue from high-margin derivatives products, which have allowed it to remain consistently profitable in the last few quarters.

A real estate player

Another company that should benefit from widespread legalization is marijuana-focused real estate investment trust **Innovative Industrial Properties** ([NYSE:IIPR](#)). The REIT enters sale-leaseback transactions with medical marijuana companies in the United States. Its [focus on acquisitions](#) has helped it drive revenue growth, which, in turn, has resulted in a 600% appreciation in stock price since its IPO.

In the June quarter, IIPR sales were up 183% year over year at US\$24.3 million. In 2020, analysts forecast IIPR's revenue growth at 147% and earnings growth at 60%. As more states eye marijuana legalization, IIPR will expand its portfolio of retail properties, making it one of the top growth stocks in the cannabis space.

As a REIT, the company is legally obliged to pay at least 90% of taxable earnings to shareholders in the form of dividends. This means its quarterly dividend of \$1.17 indicates a forward yield of 3.5%. Further, the company's weighted average lease term is over 16 years, which means IIPR is well poised to generate a steady stream of cash flows over the long term.

This [ancillary pot stock](#) carries significantly lower risks and is relatively immune to structural issues that have impacted pot producers like Aurora Cannabis and Canopy Growth. Similar to Green Thumb, IIPR stock also gained over 8% on November 4.

CATEGORY

1. Cannabis Stocks
2. Investing

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2. NYSE:IIPR (Innovative Industrial Properties)

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