



2 Pot Stocks That Can Double in 2021

Description

Marijuana stocks were flying high yesterday, and shares of leading pot players such as **Aurora Cannabis** and **Canopy Growth** gained momentum. While there was no sector- or stock-specific news, it seems [investors were bullish on](#) the legislations passed in 2020 that should become a law in 2021 in the U.S.

It means recreational use of cannabis will now be legal in 16 states south of the border while medical marijuana will be legal in 36 states once regulatory structures have been set up. Last month, the U.S. House of Representatives also voted 228-164 to decriminalize cannabis use at the federal level.

It seems like there are multiple drivers for pot stocks to crush the broader market this year. Let's take a look at two such stocks that have the potential to double your wealth in 2021.

Cresco Labs

The first stock on the list is multistate operator **Cresco Labs** ([CNSX:CL](#)). This company is rapidly growing its retail presence with 29 dispensary licences and 20 operational stores in the United States. Around 50% of these stores are located in Illinois, a state which legalized recreational use in 2020.

According to market research estimates, Illinois is one of the largest markets for pot producers, and annual marijuana sales might touch US\$1 billion by 2024 in the state. Another reason to remain optimistic about Cresco is the robust growth in its wholesale division.

Cresco acquired Origin House in January 2020, which allowed the company to enter California — the most lucrative pot market in the world. The acquisition allows Cresco to place cannabis products into 575 dispensaries in the Golden State.

Analysts tracking Cresco forecast the company to increase sales by 271.6% to US\$477.6 million in 2020 and by 69% to US\$807.3 million in 2021. There is a good chance Cresco will be one of the first pot companies to hit US\$1 billion in annual sales by 2022.

Cresco is also expected to improve its bottom line from a loss of US\$0.37 per share in 2019 to earnings of US\$0.21 per share in 2021. This means the stock is valued at a forward price-to-2021-sales multiple of just 2.6 and a price-to-earnings multiple of 49.5, which is reasonable given the company's stellar growth rates.

OrganiGram Holdings

Canadian pot investors have had an awful 20 months, losing significant capital in companies including **OrganiGram** ([TSX:OGI](#))([NASDAQ:OGI](#)). Shares of OrganiGram are trading 83% [below its record high](#) and have lost 58% in the last year.

Canadian pot producers have been hurt by multiple structural issues as well as the onset of the COVID-19 pandemic last year. However, there might be light at the end of the tunnel as major provinces, including Ontario, have started allocating licences at a faster pace. This should improve consumer demand and lower inventory levels for OrganiGram and peers in 2021.

Another important aspect for OrganiGram is that the company has just a single major cultivation site at Moncton in New Brunswick. OGI has avoided opening multiple grow facilities, making it more nimble with regards to cost-savings initiatives and product mix.

OGI stock is valued at a market cap of \$431 million, indicating a price-to-fiscal-2021-sales multiple of 3.98. The company is close to profitability and is estimated to improve its loss per share from \$0.79 in fiscal 2020 to \$0.02 in 2022.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. CNSX:CL (Cresco Labs Inc.)
2. NASDAQ:OGI (OrganiGram)
3. TSX:OGI (OrganiGram)

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