



Cannabis Is Soaring! Curaleaf Stock's Rise Is Only Just Getting Started...

Description

The cannabis sector is absolutely red hot right now. Year to date, this sector is up nearly 70%, according to **Horizons Medical Marijuana Life Sciences ETF**, a basket of publicly traded cannabis companies.

In the cannabis sector, I think **Curaleaf** (TSXV:CURA) provides the best risk/reward tradeoff for investors right now. In this article, I'm going to highlight why this stock tops my list of cannabis investments today.

U.S. legalization a bigger deal for some pot companies than others

The growth potential of Curaleaf has been greatly enhanced by speculation that [cannabis could be legalized in the United States](#). This becomes even more apparent when one compares this stock to its publicly traded Canadian peers.

Unlike its peers, Curaleaf has a much greater degree of leverage to the U.S. market. The company has more than 30 dispensaries and over 1,000 retail dispensaries spread coast to coast across the United States. With operations in 23 states and more to come, Curaleaf is positioned as a leader in vertical integration in the U.S. market. I think such vertical integration is undervalued right now. Indeed, margins are going to be the focal point in addition to revenue growth for these companies. Accordingly, I see Curaleaf's potential for margin expansion long term due to its vertically integrated operations as a huge plus.

I think Curaleaf's peers are going to have a much harder time penetrating a market that is already being served by companies like Curaleaf. Such moves will take a tremendous amount of money, time, and may not create shareholder value. Curaleaf is already creating a tremendous amount of shareholder value, and doing so within the backdrop of legalization opening up more markets for the company to target.

Risks do exist with this stock, so trade carefully

Indeed, this is a highly speculative play within the cannabis sector. Most of these stocks are inherently risky. The potential catalyst for legalization south of the border provides extremely high upside for this stock for speculators. That said, there is the risk that we don't see legalization materialize or it does so at a much slower clip than investors expect. There aren't any meaningful earnings in this sector to value cannabis companies on. Therefore, these companies are entirely speculative at this point in time.

I do think this stock is a lot less risky than its counterparts for the reasons noted above. Indeed, heavy U.S. exposure should bode well for this stock if legalization does take hold. Additionally, the fact that Curaleaf's stock price has risen substantially less than the overall sector is bullish. I think there's a lot of upside in this stock relative to its peers. For those willing to gamble some "funny money" on a stock, this would be the one, in my view.

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Date

2025/08/14

Date Created

2021/02/05

Author

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