



## 1 Top TSX Cannabis Stock to Play U.S. Legalization

### Description

Biden's win, in concert with a Democratic Senate majority, has cemented expectations that cannabis legalization in the U.S. could be on the horizon. Indeed, the potential for U.S. legalization is a massive catalyst. Investors in cannabis stocks today are really making long-term projections for how this sector will develop.

The U.S. cannabis market is absolutely massive, and legalization would be a game changer for the sector. That said, I think some Canadian-listed cannabis stocks will perform better than others. Here's my top pick in this regard.

### Curaleaf's U.S. presence is impressive

Currently the [largest U.S. cannabis producer](#), **Curaleaf** (TSXV:CURA) is my top pick for investors looking to play this catalyst.

Curaleaf recently acquired Grassroots — a move that is expected to be highly accretive. This has made Curaleaf approximately 35% bigger in terms of U.S. revenue than its next biggest competitor. The company's size, scale, and existing footprint is impressive and provides Curaleaf with an important head-start on its Canadian peers.

Curaleaf's operations span from coast to coast. These include 23 cultivation facilities, more than 30 processing facilities, and a network of more than 1,150 wholesale dispensary accounts. Curaleaf is expanding its wholly owned dispensaries, with nearly 100 in operation right now.

Indeed, I think the company's vertically integrated business model provides the potential for outsized margins compared to its peers. For example, the company's processing facilities turn the raw commodity into value-added products such as vapes and oils. These products have the potential to provide outsized margins. Accordingly, Curaleaf's pathway to profitability is much smoother than its peers right now, in my view.

## Getting into the U.S. market isn't easy

Curaleaf's Canadian counterparts will have quite the task in terms of growing a U.S. presence. First of all, this is a highly competitive market already. These companies have to go head to head with Curaleaf, among others. American cannabis companies have been gobbling up market share in the states that have legalized use for much longer than cannabis has been federally legal in Canada. This is a crowded space now, with established companies wielding brands that consumers know and trust.

Secondly, entrance into the U.S. market isn't free. Growing a large-scale U.S. business organically from the ground up is going to take a lot of capital. Yes, stock prices are soaring, but this means dilutive issuances or massive debt offerings.

Acquiring one's way into the U.S. market is another route Curaleaf's Canadian counterparts could take. Of course, this is going to be ultra-expensive right now, given how rapidly the stock prices of cannabis producers have appreciated recently. In either case, it's going to be expensive.

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