



TFSA Investors: 1 Little-Known Pot Stock Can Turn \$6,000 Into \$50,000

Description

The Tax-Free Savings Account (TFSA) is a registered account where Canadians can hold several investments including equities. As any withdrawals from the TFSA are exempt from Canada Revenue Agency taxes, it makes sense to allocate growth stocks to this account.

In 2021, Canadians can contribute a maximum of \$6,000 to their TFSA. With the prospect of [marijuana legalization](#) south of the border driving the recent rally in the cannabis sector, it makes sense to buy and hold pot stocks in your TFSA that have secular tailwinds and multiple revenue drivers.

Here we take a look at one such Canada-based marijuana stock that can increase your wealth at an exponential rate.

Rubicon Organics is a top stock for your TFSA

Currently valued at a market cap of \$151.6 million, **Rubicon Organics** is a small-cap pot stock that is flying under the radar. The company is a licensed producer of super-premium cannabis products. Rubicon claims to have developed a portfolio of brands that cater to consumer needs.

It owns and operates a 125,000 square-foot greenhouse facility in British Columbia. In May 2020, Rubicon received its medical license from Health Canada, allowing for direct-to-patient sales. On May 8 last year, it received a license to sell cannabis products for recreational use.

Rubicon has supply agreements with multiple provinces including British Columbia, Ontario, and Alberta. It also has a distribution agreement with Agro-Greens Naturals to sell its products in Saskatchewan and Manitoba.

In the [third quarter of 2020](#), Rubicon reported net sales of \$3.16 million, indicating a sequential growth of 219%. It reported a gross loss of \$674,688 and an operating loss of \$3.61 million. Its net loss from continuing operations for Q3 stood at \$4.27 million or \$0.09 per share.

In Q3, the company sold its Washington greenhouse for proceeds of \$12 million while it also completed

a non-brokered private placement for gross proceeds of \$13.5 million. This allowed the company to end the September quarter with a cash balance of \$8 million.

The bull case for the pot stock

Rubicon Organics claims to be a market leader in the premium cannabis space in Canada. The company has forecast demand for premium marijuana products to grow at a fast clip in the upcoming decade. The premium products segment accounted for 11% of the total Canadian pot market at the end of Q1 of 2020. This figure rose to 16% by the end of 2020.

Rubicon has forecast premium products to account for 26% of the total cannabis market in Canada by 2024, giving the company a total addressable market of \$2.1 billion. Even if Rubicon can capture and maintain a 10% market share in the premium cannabis segment, it will generate annual sales of \$210 million by 2024.

Analysts covering the stock expect 2020 sales to touch \$11 million and rise by 365% to \$51 million in 2021. Due to its premium products, Rubicon is poised to generate an adjusted net income of \$0.12 per share in 2021. This is commendable given several Canadian marijuana producers are grappling with negative profit margins and high cash burn.

Rubicon stock is trading at a forward price to 2021 sales multiple of just 3 and a price to earnings multiple of 26 which is very reasonable given its stellar growth rates. Cannabis investors with a high-risk appetite can look to add Rubicon to their TFSA as it has the potential to gain 10x in the next few years.

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