



Should You Buy Curaleaf Holdings (CNSX:CURA) After its 4th-Quarter Performance?

Description

Curaleaf Holdings ([CNSX:CURA](#)) reported its [fourth-quarter earnings](#) after the market closed on Tuesday. Its managed revenue came in at \$233.3 million, falling short of analysts' expectations of US\$242.17. However, its adjusted EBITDA outperformed analysts' expectations of US\$51.15 million by reporting US\$53.78 million.

Curaleaf's stock price, which had moved up by 13% of Tuesday amid high expectations, corrected 4.6% yesterday. However, the company is still trading 29.5% higher for this year. So, should you buy Curaleaf at these levels? Let's first look at the company's fourth-quarter performance and its growth prospects in detail.

Strong year-over-year growth

Curaleaf's managed revenue grew 185.7% on a year-over-year basis and 20.8% sequentially. Along with organic growth, acquisitions and the expansion in its retail and wholesale operations drove the company's top line. Last year, the company increased its dispensaries from 51 to 96, cultivation facilities from 14 to 23 and processing facilities from 15 to 30. It also expanded its footprint from 14 states to 23 states and launched 84 new formulated products.

Meanwhile, Curaleaf's adjusted EBITDA increased from \$13.8 million in the last year's fourth quarter to \$53.8 million amid higher revenue and gross margin expansion due to improved efficiency and operating capacity of its cultivation and processing facilities. It also closed the year with US\$73.5 million of cash in hand. Additionally, the company had raised close to US\$290 million in January through new equity and debt offerings. So, I believe the company's financial positions look healthy.

Curaleaf's outlook strong

In November, five more U.S. states legalized their cannabis programs, increasing the number of states legalizing medical cannabis to 35 and recreational cannabis to 15. Meanwhile, many other states, such

as New York, Pennsylvania, Connecticut, and Maryland, could follow suit. So, the U.S. cannabis market is expanding. Meanwhile, BDSA estimates U.S. legal cannabis market to grow at a CAGR of 15.3% for the next six years to reach US\$41 billion by 2026.

Curaleaf has taken several initiatives to capture the growing cannabis market. It has planned to open 23 dispensaries and increase its cultivation capacity by adding a 275,000-square-foot facility this year. Further, it plans to expand its products to 2,000 retail outlets by the end of the second quarter of 2021. Along with these initiatives, new product offerings could drive the company's financials in the coming quarters.

Meanwhile, Curaleaf's management expects its IFRS revenue for 2021 to be in the range of US\$1.2 billion to US\$1.3 billion, representing year-over-year growth of 84-99%. Further, the management also hopes to report an adjusted EBITDA margin of 30% for this year.

Curaleaf is also looking to expand its footprint to Europe. It has signed an agreement to acquire EMMAC Life Sciences Limited, an independent cannabis company in Europe, for US\$286 million in a cash and equity deal. So, [the company's outlook looks healthy](#).

Analysts' recommendations and bottom line

Analysts are bullish on Curaleaf. Of the 15 analysts covering the stocks, 14 analysts have issued a "buy" rating, while the remaining one analyst has given a "hold" rating. The consensus price target stands at \$25.16, representing a return potential of 27.4%.

Amid speculative trading fears, the cannabis sector witnessed a strong selloff over the last few weeks, with the benchmark index, the **Horizons Marijuana Life Sciences Index ETF**, trading around 38% lower from its recent highs. Amid the weakness in the cannabis sector, Curaleaf is currently trading over 15% lower from its 52-week high. So, investors should utilize this pullback to buy Curaleaf to earn superior returns this year.

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