



Best Weed Stocks to Buy Right Now

Description

Weed stocks haven't been popular for a few years. The sector saw an immense correction in 2019 and has yet to recover its former valuation. However, suppressed valuations and legalization prospects in America make this the ideal sector to look for stocks to buy right now.

Here are the top two weed stocks that should be on your radar for 2021.

Weed stock #1

In the emerging cannabis space, **Fire & Flower Holdings** ([TSX:FAF](#)) is probably one of the [best stocks to buy right now](#). The company's greatest advantage is its biggest shareholder: **Alimentation Couche-Tard**. This partnership has allowed the company to distribute its products through Couche-Tard's Circle K outlets across Canada.

Meanwhile, the team is also steadily expanding its footprint with more retail locations. Physical stores and distribution through Circle K during the pandemic have helped boost sales. Annual revenue in 2020 was up 150% to \$128.1 million. If the company can sustain this pace of growth, early investors should be handsomely rewarded.

The fact that the stock has been flat for the past year and trades at just 2.6 times sales indicates that it's one of the most undervalued stocks in the sector right now.

Weed stock #2

Village Farms International ([TSX:VFF](#))([NASDAQ:VFF](#)) has shed more than 50% in market value in recent weeks.

While the broader cannabis sector has been under pressure in recent weeks, it appears investors used the opportunity to lock in profits after the Village Farms rally to record highs earlier in 2021.

Just like Fire and Flower, Village Farms appears undervalued at current levels given the solid underlying fundamentals that affirm its long-term prospects and growth metrics. The company reported

impressive fourth-quarter results, with revenues jumping 43% year over year to \$47.4 million.

Positive free cash flow

Village Farms also bounced back to profitability, reporting a net income of \$7 million, or \$0.12 a share, compared to a net loss of \$7.2 million, or \$0.15 a share, reported in the same period the previous year. The company reported \$170 million in sales for the full year, with profits increasing five times the previous year.

In the highly competitive cannabis sector, Village Farms generates positive cash flow. Its cash flow from operations in 2020 totaled \$6 million, up from negative \$14 million the previous year.

The acquisition of PureFarms marks an important milestone in Village farms evolution and is expected to trigger accelerated growth in the future. As Village Farms moves to scale up its operations, it should benefit from its full ownership of PureFarms.

After the recent pullback, Village Farms looks fairly cheap given that it is trading with a price-to-sales multiple of five and price-to-book multiple of four. The stock is currently trading at a great discount relative to its growth metrics.

Bottom line

Cannabis stocks have struggled to regain market value since the bottom fell out in 2019. Most large companies are arguably still overvalued. But smaller overlooked players like Fire and Flower or Village Farms offer a much better deal for investors.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:VFF (Village Farms International, Inc.)
2. TSX:FAF (Fire & Flower)

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