3 Amazing Marijuana Stocks That Have Been Flying Under the Radar Until Now

Description

It's time to forget Canadian cannabis stocks that have grossly underperformed the broader markets for the last two years. Licensed marijuana producers in Canada continue to report heavy losses and tepid top-line growth compared to peers south of the border. Here, we'll look at three cannabis stocks part of the U.S. markets that are flying under the radar but have massive growth potential.

4Front Ventures

The first stock on my list is **4Front Ventures** (CNSX:FFNT), a cannabis producer that aims to use its low-cost cultivation and distribution methods to gain traction in a rapidly expanding market. Founded in 2011, 4Front Ventures has a strong presence in the state of Washington where it is the second-largest player in terms of market share.

In the second quarter of 2021, the company reported sales of US$34.4 million, which were 85% higher than the year-ago period. Its adjusted EBITDA stood at US$7.5 million, indicating a margin of 22%.

4Front Ventures recently completed its state-of-the-art production facility in California that spans 170,000 square feet and is awaiting a licence for the same. It also closed the first phase of a multiphase expansion project of a 558,000-square-feet production facility in Illinois.

With a presence in five states in the U.S., 4Front Ventures can potentially target 76 million people as its customers.

Columbia Care

Valued at a market cap of $1.85 billion, **Columbia Care** (CNSX:CCHW) is a cannabis cultivator with licences in 18 jurisdictions in the U.S. and European Union. It already operates 130 facilities that include 99 dispensaries and 31 cultivation and manufacturing facilities.

In the second quarter of 2021, Columbia Care reported sales of US$109.7 million, which was an increase of 232% year over year. Its adjusted gross profit rose 300% to US$47.7 million while gross margin stood at a record 43%, compared to 36% in the year-ago period.

Columbia Care reported adjusted EBITDA of US$16.4 million in Q2 compared to an EBITDA loss of US$4.7 million in the prior year quarter. Its stellar quarterly results meant the company's management reaffirmed revenue guidance between US$500 million and US$530 million with adjusted EBITDA between US$95 million and US$105 million in 2021.

Gage Growth

The final cannabis stock on my list is **Gage Growth** (CNSX:GAGE), which operates three licensed cultivation and processing centres in Michigan. The cannabis producer grows plants in small batches by using hydroponic cultivation methods.

Michigan is one of the fastest-growing legal cannabis markets in the U.S. where adult-use sales soared 1,070% from January 2020 to April 2021. The state also has over 250,000 medical marijuana patients. In fact, Michigan's cannabis sales in July stood at US$171 million, which indicates an annualized sales figure of US$2.05 billion, making it the third-largest marijuana market in the U.S.

Gage Growth increased sales by 130.2% year over year to US$26.4 million while gross margin rose to 34.2%, up from 26.1% in Q1 of 2021. A higher gross margin also allowed the company to narrow its EBITDA loss to US$1.9 million from US$3.8 million in the first quarter of 2021.

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