



2 Cannabis Stocks That Could Easily Double in the Next 5 Years

Description

For investors who aim to generate market-beating returns, companies that are part of the cannabis sector remain an attractive bet. While domestic marijuana producers such as HEXO, Aurora Cannabis, and **Cronos** are grappling with high cash burn as well as mounting losses, their counterparts south of the border are racing towards profitability.

We'll look at two U.S.-based cannabis stocks that should be part of your growth portfolio right now, as they are well poised to double your investment in the next five years.

Green Thumb Industries

Valued at a market cap of \$6.65 billion, **Green Thumb Industries** ([CNSX:GTII](#)) has managed to increase its sales from US\$62.5 million in 2018 to US\$556 million in 2020. This allowed it to report an operating profit of US\$106 million last year compared to a loss of US\$23.8 million in 2018. This solid growth in revenue and improvement in profit margins has allowed GTII stock to return 245% to investors in the last five years.

Green Thumb is a multi-state operator and recently opened its 65th retail location in the United States. It has a wide portfolio of cannabis products that are manufactured and shipped from 16 facilities. The recent wave of cannabis legalization in the U.S. has allowed Green Thumb to enter new markets and gain traction in these regions via acquisitions as well. The states of New York and New Jersey legalized recreational marijuana use in 2021, but sales will begin next year.

In the second quarter of 2021, Green Thumb [sales rose by](#) 85.4% year over year to US\$222 million. It was the company's fourth consecutive quarter of net income that stood at US\$22.1 million, indicating a margin of 10%. The June quarter was also the sixth consecutive quarter where Green Thumb reported a positive operating cash flow.

A positive cash flow is extremely important, as it reduces the need to raise growth capital that dilutes shareholder wealth while allowing companies to grow inorganically. Green Thumb closed three acquisitions in 2021 and is nearing a revenue run rate of US\$1 billion each year.

Analysts tracking the stock expect sales to touch US\$900 million in 2021 and US\$1.2 billion in 2022.

Cresco Labs

Another cannabis stock that can outpace the broader markets and deliver inflation-crushing returns is **Cresco Labs** ([CNSX:CL](#)). A marijuana giant with a presence in 10 states, Cresco Labs [has 47 retail licences](#) and owns 20 production facilities.

The company's revenue more than doubled in the second quarter of 2021 to US\$210 million. Its adjusted EBITDA stood at US\$45.5 million while GAAP earnings were US\$2.7 million. Cresco claimed it's on track to generate US\$1 billion in total sales this year, allowing gross margins to exceed 50% in the second half of 2021.

Cresco has historically entered markets where licences are limited, which reduces competition. This allows the company to build brand recognition and increase customer loyalty over time.

Analysts tracking the stock expect sales to increase by 126.5% to US\$1.08 billion in 2021 and by 39.5% to US\$1.5 billion in 2022. Its adjusted bottom line is forecast to improve from a loss of US\$0.24 per share in 2020 to earnings of US\$0.38 in 2022.

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2. Investing

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