



1 Top Pot Stock to Buy in December

Description

Most cannabis companies have grossly underperformed the broader markets in 2021, allowing investors to buy the dip. Canadian marijuana producers are wrestling with several structural issues that include widening losses and shareholder dilution, among others. However, pot companies south of the border, such as **Green Thumb Industries** ([CNSX:GTII](#)) are fundamentally much stronger, as they are racing towards profitability and entering billion-dollar markets given the legalization of cannabis in several states in the U.S.

Green Thumb is a cannabis consumer packaged goods company and retailer. The company owns and operates 68 retail locations across 14 U.S. states. It manufactures and distributes a portfolio of branded marijuana products that include Rhythm, Beboe, Dogwalkers, Dr. Solomon's, and Good Green.

The bull case for Green Thumb Industries

Green Thumb Industries has increased its revenue from US\$62.5 million in 2018 to US\$556.57 million in 2020. It allowed the company to improve its operating margin from a loss of US\$23.8 million to a profit of US\$106 million in this period.

Green Thumb [sales rose by](#) 48.7% year over year to US\$233.7 million, allowing the company to report a fifth consecutive quarter of positive GAAP net income that stood at US\$20.2 million or US\$0.08 per share. Its adjusted operating EBITDA rose 52.6% to US\$81.2 million, accounting for 34.7% of sales.

In July, Green Thumb expanded into Virginia after it closed the acquisition of Dharma Pharmaceuticals, which holds one of five vertical licences in the states. Green Thumb opened Rise Salem, which is the second retail location in Virginia. In August, Green Thumb acquired Mobley Pain Management and Wellness as well as Canwell Processing to gain traction in Rhode Island's cannabis market.

It ended the quarter with US\$286 million in cash, and Green Thumb also raised US\$33.2 million in debt to fund its growth initiatives going forward. Further, the company delivered its seventh consecutive quarter of [positive operating cash flow](#), making it a winning bet for growth investors eyeing the

cannabis space.

What's next for investors?

Green Thumb stock has gained close to 800% in the last five years. But it's also down 59% from its 52-week highs, making it a top contrarian play right now. The company is confident about achieving rapid expansion in the upcoming decade, as it continues to widen its revenue streams via acquisitions and organic growth.

Its capital expenditures stood at US\$70 million in Q3 and US\$115 million in the first nine months of 2021. Additionally, the U.S. cannabis market is worth US\$24 billion, and this figure can triple in the next decade if marijuana is legalized at the federal level.

Analysts tracking Green Thumb expect sales to rise by 106% to US\$1.15 billion in 2021 and by 28.3% to US\$1.47 billion in 2022. Comparatively, its adjusted earnings are forecast to rise from US\$0.07 per share in 2020 to US\$0.67 per share in 2022.

Given its [market cap](#) of \$5.67 billion, Green Thumb is valued at a forward price-to-sales multiple of less than four times and a price-to-earnings multiple of 30 times, which is very reasonable. Analysts tracking the stock have a 12-month average price target of \$59, which is 130% above its current trading price.

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Author

araghunath

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