



TFSA Investors: This Undervalued Gem Could Turn \$6,000 Into \$25,000

Description

The Tax-Free Savings Account, or TFSA, is a popular registered account among Canadians. You can hold different types of investments in your TFSA that include stocks, bonds, and [exchange-traded funds](#).

Any withdrawal from the TFSA is exempt from Canada Revenue Agency taxes, making it ideal for growth investors. It makes sense to hold a portfolio of quality growth stocks in your TFSA and benefit from exponential gains over time. Further, the ongoing selloff allows you to buy quality stocks at massive discounts.

The maximum cumulative contribution room that's available for a TFSA investor stands at \$81,500. For 2022, the maximum TFSA contribution room is \$6,000. Let's take a look at one such undervalued stock that can turn a \$6,000 investment into \$25,000 by 2030.

Verano Holdings should be part of your TFSA in 2022

Valued at US\$2.3 billion by market cap, **Verano Holdings** ended 2021 with US\$737.85 million in sales. Verano is a vertically integrated, multi-state cannabis operator in the United States. It produces a wide suite of premium brands that include Verano, Avexia, and Encore.

It has a presence in 15 states in the U.S. with active operations in 13 states. The company has 13 cultivation and processing facilities with one million square feet of cultivation capacity.

In Q1 of 2022, Verano [increased revenue](#) by 67% year over year to US\$202 million. Its gross profit stood at US\$100 million, accounting for 49% of sales. In the year-ago period, its gross profit stood at US\$54 million. It's selling, general, and administrative expenses were US\$80 million, which was 40% of sales.

Verano ended Q1 with an adjusted EBITDA of US\$81 million, accounting for 40% of sales. Its cashflow from operations and free cash flow for the March quarter were US\$53 million and US\$6 million, respectively.

Earlier this year, Verano entered an agreement to acquire Goodness Growth Holdings to establish a foundation in high-growth markets such as New York, New Mexico, and Minnesota. It also drew US\$100 million under a senior secured credit agreement with an option of increasing the amount to US\$175 million.

Verano increased its retail footprint by opening two dispensaries in Florida and another one in West Virginia.

What's next for Verano stock and investors?

Verano ended Q1 with US\$340 million in current assets and US\$140 million in cash, providing it with enough flexibility to reinvest in growth opportunities. During Verano's Q1 earnings press release, its Founder and CEO, George Archos stated, "We remain focused on execution, evidenced by our continued retail footprint expansion, where we added seven locations in the first quarter, including our first Zen Leaf dispensary in West Virginia."

Additionally, the company's sale of adult-use cannabis began in New Jersey, which should be a key revenue driver for Verano in 2022. Verano is well positioned to capitalize on similar opportunities in the near term.

In Q2 of 2022, Verano will add Zen Leaf Neptune as an adult-use dispensary and will invest in its business through several cultivation, construction, and expansion projects.

Verano is on track to report sales of US\$1.24 billion in 2022, valuing the company at less than two times forward sales. Its forward price-to-earnings multiple is also attractive at 18, making it a top pick for value investors.

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