SNDL Stock Gained 19.5% in November: Is it a Buy Today?

Description

Shares of **SNDL** (NASDAQ:SNDL) rose by almost 20% last month, valuing the Canadian cannabis company at a market cap of US$666.7 million. However, similar to other pot stocks, SNDL has also trailed the broader markets by a significant margin and is down 98% from all-time highs.

A key driver of SNDL's stock price in November was the announcement of third-quarter (Q3) results. In the September quarter, SNDL reported revenue of $230.5 million, which was much higher than estimates of $172 million. But the company also reported a net loss of $98.8 million compared to its year-ago profit of $16.7 million.

SNDL was majorly impacted by non-cash impairments, which amounted to $86.5 million. However, its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) stood at $18.3 million.

While the company's recent quarterly results were cheered by investors, let's see if SNDL stock is a top bet for long-term shareholders.

Is SNDL a good stock to buy?

SNDL recently announced the acquisition of Zenabis, a cannabis producer which filed for creditor protection. While this acquisition might not be viewed in a positive light by shareholders, it will allow SNDL to gain traction in the European Union, as Zenabis owns a GMP-certified (good manufacturing process) marijuana facility in Europe.

SNDL also disclosed plans to acquire cannabis extraction company **Valens** in an all-stock deal valued at $138 million. These acquisitions will make SNDL a top-10 player in the Canadian marijuana market.

SNDL ended Q3 with $325.6 million in cash, providing it with enough liquidity in the near term. It benefitted from the meme stock craze in 2021, allowing the company to raise $1 billion in cash and reduce balance sheet debt.

SNDL used the cash to acquire Alcanna, an alcohol retailer with a strong presence in Alberta. It also owns a majority stake in **Nova Cannabis**, the parent company of the Value Buds retail brand. Both these deals provided SNDL with a platform to expand its retail footprint and generate a positive cash flow in the future.

SNDL also formed a joint venture with SAF Group called SunStream. The joint venture provides debt to cannabis producers south of the border, enabling SNDL to enter the largest cannabis market in the world.

What’s next for SNDL stock and investors?

It’s quite possible that SNDL will continue to take advantage of a challenging macro environment and expand inorganically by purchasing potential targets at a discount. These acquisitions are expected to increase the company’s revenue from $42 million in 2021 to $719 million in 2023.

SNDL’s aggressive acquisition plans may also result in higher operating expenses. But the company reported a positive operating cash flow of $8.6 million in Q3 compared to a negative operating cash flow of $17.9 million in Q2.

While the third quarter surprised Bay Street, SNDL has to maintain its focus on improving cash flow and profit margins. Most Canadian cannabis players are grappling with oversupply and high inventory levels. This, in turn, results in significant writedowns and mounting losses.

SNDL stock is a high-risk bet, given that Canadian cannabis producers are impacted by a range of structural issues. But analysts remain bullish on SNDL stock and expect shares to rise by 45% in the next year.

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araghunath