



## Is SNDL Stock a Buy in January 2023?

### Description

**SNDL** (NYSE:SNDL) is a Canada-based [cannabis stock](#) that is currently trading 94% below all-time highs. SNDL stock has burnt massive investor wealth ever since it was listed as a public company in August 2019. Valued at a [market cap](#) of \$500 million, SNDL has been among the worst-performing companies in the last 12 months.

The global cannabis market is estimated to expand at a rapid pace in the upcoming decade, especially if the recreational use of marijuana is legalized at the federal level in several regions.

While SNDL is trailing the broader markets by a wide margin, let's see if it can stage a comeback in 2023.

### Is SNDL stock a buy right now?

In the last 12 months, SNDL has reported sales of \$494.5 million, an increase of 700% in the last three years. Despite its enviable revenue growth, SNDL reported an operating loss of \$52.3 million in the past four quarters. Its gross margin is currently less than 20%, and the company has to increase top line at a robust pace to improve profit margins further.

SNDL is Canada's largest private-sector cannabis and liquor retailer. It has 169 retail liquor locations, most of which are in Alberta. It also operates 183 cannabis retail outlets under banners such as "Value Buds" and "Spiritleaf."

While SNDL's liquor sales were flat year over year in the third quarter (Q3), gross revenue from its cannabis retail segment rose to \$66.2 million compared to just \$6 million in the year-ago period. Sales growth in Q3 was primarily driven by the acquisition of Nova Cannabis and Value Buds, which brought in \$58.9 million in revenue in this period.

Additionally, the company operates an investment portfolio where it deploys strategic capital to other cannabis operators. SNDL has deployed \$677.5 million in cannabis-related investments to date. In Q3, its investment portfolio generated interest and fee revenue totaling \$4.3 million, compared to \$3.3

million in the year-ago period.

## What's next for SNDL stock and investors?

While SNDL is expected to report an EBITDA loss of \$49 million in 2022, it's estimated to end 2023 with an EBITDA (earnings before interest, taxes, depreciation, and amortization) profit of \$57 million. Analysts tracking the company also expect its sales to rise to \$510 million in 2022 and \$707.2 million in 2023.

SNDL stock is valued at less than one times forward sales due to its vulnerable liquidity position. It ended Q3 with \$325 million in cash, indicating the company will have to raise capital and support its cash-burn rate.

SNDL will either dilute shareholder wealth or increase balance sheet debt, which will make investors nervous. Further, the Canadian cannabis market is wrestling with a range of structural issues, including a thriving black market, rising inventory levels, goodwill write-downs, and negative profit margins.

SNDL remains focused on creating shareholder value through vertical integration, expansion of retail distribution networks, streamlining operations, and enhancing the offerings of high-quality brands. But to regain investor confidence, SNDL will have to race toward profitability and generate consistent cash flows.

Analysts tracking SNDL stock remain bullish and have a 12-month price target of \$4.13, indicating an upside potential of 80%.

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