



Forget Aurora Cannabis (TSX:ACB): Buy This Marijuana Stock Instead

Description

The marijuana sector presents a rare opportunity for investors. With sales and revenues going through the roof, some companies will win big in the future and reward their shareholders in the process. However, many others will be losers, and it isn't easy to know which is which at the moment.

Some investors looking to profit from this opportunity turn their attention to the companies with the most brand recognition, such as **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB).

But while Aurora and other brand names [might be worth considering](#), slightly lesser-known pot firms are often stronger picks. Let's consider one mid-cap marijuana company that looks very promising: **Green Thumb Industries Inc** ([CNSX:GTII](#)).

A rapidly expanding presence south of the border

Despite Canada having more welcoming marijuana laws, the U.S. is the largest cannabis market in the world. Green Thumb has already built a presence in the U.S., including in the single most populated U.S. state, namely California.

The Golden State is one of the dozen (or so) in which both medical and recreational uses of pot are legal. Green Thumb also operates in its home state of Illinois, which happens to be one of the latest states to legalize recreational marijuana.

Overall, Green Thumb operates across 12 US states, has over 30 stores and 13 manufacturing facilities, and holds licenses for 95 retail locations. With plans to open even more new stores by year-end, the company's presence will likely continue growing.

Recent financial results

Green Thumb's financial results look competitive by industry's standard. During its latest reported quarter — Q2 2019 — Green Thumb posted revenues of about \$44.7 million — a more than 220% increase year over year.

The company's gross profit margin also increased to 52%, up from 46% year over year. Sequentially, Green Thumb's revenues increased by about 60% and its gross profit margin grew by 5%.

Note that for the second quarter in a row, the company was able to post record high revenue figures, and its sequential revenue growth was unprecedented. Green Thumb pointed to several factors to explain this performance, including increasing store traffic and a few strategic acquisitions.

Like many of its peers, though, Green Thumb isn't yet consistently profitable. The Illinois-based marijuana firm posted a net EBITDA loss of \$9.4 million, although adjusted EBITDA was a net profit of \$5 million.

Finally, the company posted a net loss of \$22.2 million, compared to a net income of just under \$400,000 during last year's corresponding quarter. This net loss was due, among other things, to an increase in operating expenses; it also came slightly below most analyst estimates.

Despite its ugly bottom line, Green Thumb's quarter was solid. In particular, its growing retail presence and the increasing demand for its products should appeal to investors.

The bottom line

Investing in any pure play cannabis company carries a somewhat significant amount of risk at the moment. However, some companies seem better equipped than others to profit from the growth of the marijuana sector.

With solid (and growing) footprints in the largest market in the world and strong top line growth, Green Thumb looks relatively attractive right now. Of course, a lot can still go wrong, but those interested in investing in pot stocks should strongly consider Green Thumb Industries.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Marijuana Stocks

TICKERS GLOBAL

1. CNSX:GTII (Green Thumb Industries)
2. NASDAQ:ACB (Aurora Cannabis)
3. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Marijuana Stocks

Date

2025/08/25

Date Created

2019/09/14

Author

pbakiny

default watermark

default watermark