



Small Canadian Marijuana Stock Rallies 20.4% in a Single Day — and Could Rise Even Further

Description

Investors in **Village Farms International Inc.** (TSX:VFF) saw a nice 20.39% rally in the stock price on Monday as the greenhouse operator and new cannabis grower released some welcome news of desired progress and announced new listing plans.

Why did the stock rally that much?

Village Farms updated the market that its Pure Sunfarms joint venture with **Emerald Health Therapeutics** has completed the conversion of a 1.1million square foot green house into cannabis production and has since made an application to Health Canada for production licensing.

The facility is already partially licensed for both production and sales and it commenced sales in September last year, just in time for recreational marijuana sales debut by October 17. At a projected capacity of 75,000 kilograms of dried cannabis per annum, the facility ranks among the largest cannabis production facilities in Canada right now.

That said, it seems that the facility expansion news wasn't the main catalyst for the rally, as Emerald Health shares only gained just over 2% during the day's trading. Emerald Health has a 50% interest in the joint venture.

This brings us to the next big news in the Monday press release.

The company announced its application to list its shares for trading on the NASDAQ, one of the largest global stock exchanges with high liquidity and unrivalled market depth. Dual listing on this big exchange that is located in the largest stock market in the world is expected to result in improved trading liquidity, increased investor awareness and better access to cheaper financing for the firm and these attributes may be expected to result in better price discovery and better valuation of the company's issued shares.

Actually, listing on the NASDAQ [resulted in a strong surge](#) in the share price for **Cronos Group Inc** when it [dual listed earlier](#), and the benefits were somehow realized for other Canadian marijuana

stocks like **Canopy Growth**.

Smaller issuers may enjoy a more magnified reaction to the share price when dual listing on a major U.S. exchange, unlike Canopy Growth and **Aurora Cannabis**, who already enjoyed massive investor exposure and wide international publicity while still on the TSX.

I would therefore ascribe the sharp surge in Village Farms equity valuation mainly to the NASDAQ listing news.

Is there room for further share price growth?

Village Farms is one of the largest and longest operating greenhouse operators in North America, with decades of experience in growing and supplying fresh vegetable produce to the United States and Canada.

The company has over 9,000,000 square feet of greenhouse production space that it could convert to higher margin cannabis crops that generate increased revenue of up to 10-15 times that of its Canadian vegetable production.

The option to allocate more of the existing greenhouse assets to marijuana production could result in significant margin expansion, and the company has the capacity to cheaply produce over 300,000 kilograms of cannabis annually from retrofitted facilities at under \$1 cost per gram. The company could easily rank among the top four producers in Canada in no time.

However, the lack of provincial supply agreements in its marketing portfolio is currently a concern, as it may be forced to rely on low margin wholesale sales to other licensed producers, but there is some promise, as negotiations with the provinces are said to be underway while recreational sales are picking up due to current product shortages on the spot market.

Further, the company is keen on investing in the recently opened U.S. hemp market, where it already has a strong physical presence and massive agricultural productive assets. Although investors may experience some dilution as the company seeks financial capital to embark on a hemp journey, I wouldn't mind some dilution if the new capital generates higher growth multiples.

I like the fact that the firm is a founder led company with the founder and CEO holding a near 20% stake in the firm. This attribute aligns interests between management and investors, and such firms have been known to outperform their non-founder led counterparts over the long term.

Investor takeaway

There is a significant room for growth on this vegetable grower that is rapidly transforming itself into a serious cannabis operation. That said, I would like to see more distribution arrangements and branding efforts for the company to claim a top position among today's cannabis giants.

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brianparadza

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