



2 Top Marijuana Penny Stocks to Consider Buying

Description

The marijuana industry is projected to grow exponentially within the next half-decade or so. While there are dozens of companies looking to profit from this growth, most will likely end up being duds. Investing in the right ones, however, could mean substantial gains in the coming years.

Let's look at two cheap pot companies that are largely flying under the radar: **Emerald Health Therapeutics** (TSXV:EMH) and **The Supreme Cannabis Company** (TSX:FIRE).

Emerald Health Therapeutics

Emerald Health is a vertically integrated cannabis company headquartered in British Columbia. The firm operates both within the recreational and medical segments. Emerald Health is perhaps best known for a joint venture it formed with **Village Farms International** known as **Pure Sunfarms**. The two companies agreed to [retrofit](#) the Delta 3 greenhouse, a 1.1-million-square-foot facility in British Columbia that Village Farms had used to grow vegetables.

Once the companies announced that the available cultivation space at the Delta 3 greenhouse was fully planted (and on track to produce about 75,000 kilograms of cannabis per year), they also announced plans to retrofit a second greenhouse adjacent to the Delta 3. This second greenhouse will be known as the Delta 2 facility and should also produce about 75,000 kilograms of cannabis per year by 2020.

The idea behind this joint venture was simple: Emerald would use Village Farms' existing cultivation space, thus saving money, while Village Farms, which holds 49% of the joint venture, would use the opportunity to enter the cannabis market. Pure Sunfarms generated \$4.8 millions in sales during Q4 2018 and is expected to reveal sales of more than \$14 million in its next earnings report.

In addition, Emerald Health has made some headway recently. The firm announced supply agreements with seven Canadian provinces that represent more than 90% of the country's population. Further, the company's latest results showed sales of \$2.6 million, a significant increase year over year and quarter over quarter.

These sales did not include the Pure Sunfarms' joint venture. Once everything comes together for Emerald, its sales should grow at an even faster pace. Emerald Health currently sales for \$2.60 per share at writing.

The supreme cannabis company

While this company's name may sound a bit boastful, it wasn't chosen at random. This Ontario-based company prides itself on producing very high-quality products, an important factor for one simple reason: the dried cannabis market yields relatively low margins and runs the risk of a supply glut. The premium cannabis market is exactly the opposite: high-margins with virtually no risk of a supply glut.

Thus, despite FIRE's low projected production capacity — currently standing at 50,000 kilograms per year — the firm is poised to become one of the top companies to benefit from this high-margin opportunity. The company plans on taking advantage of customer loyalty.

Its products contain high concentrations of THC (the psychoactive component), and as most marijuana products are consumed by a relatively small subset of consumers, FIRE is banking on its differentiated products to keep them coming.

Much like many of its peers, FIRE's net sales have been increasing at a fast pace. During its latest reported quarter, the firm generated almost \$10 million in revenues, a nearly 400% increase year over year. However, much many of like its peers, the company also posted widening losses.

FIRE's \$0.02 loss per share was a 100% decrease year over year. While the pot firm's strategy looks good on paper, it has yet to yield tangible financial results. FIRE is currently trading for \$1.58 a share at writing.

Should you buy?

Both companies present some upside and are currently very cheap. In particular, FIRE's focus on high-margin opportunities is enticing. However, there are rival companies that are currently doing far better and also present even greater upsides. Those looking to profit from the rapid growth in the marijuana market could probably find better stock picks.

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