



1 Up-and-Coming Cannabis Stock to Consider

Description

Most cannabis stocks started the year on a high note, but most have encountered some difficult times over the last few months. Various things have contributed to this lackluster collective performance.

First, global equity markets slowed down during the second quarter of the year. Second, several scandals have negatively affected the cannabis industry specifically. One of these was [the drama surrounding CannTrust Holdings Inc](#) (TSX:TRST)(NYSE:CTST).

In case you aren't aware, CannTrust was caught growing marijuana in illegal rooms. This revelation led to the firm's stock shedding much of its value, and it likely played a role in dragging down the entire marijuana sector.

Despite these headwinds, some pot stocks are performing relatively well, and one of these is **Neptune Wellness Solutions Inc** ([TSX:NEPT](#)) (NASDAQ:NEPT).

Core operations

Unlike many of its peers in the marijuana sector, Neptune has been around for more than two decades. However, the firm just recently entered the pot industry. Neptune submitted an application to become a licensed processor of cannabis and hemp oil back in 2017.

The company specializes in the extraction of cannabinoids from cannabis and hemp plants to use in healthcare products. This sector presents an important advantage over the dried cannabis segment: it offers companies higher margins.

Of course, other firms are looking to profit from this high-margin opportunity, so the competition is fierce. But Neptune does have several things going its way.

Back in June, the Quebec-based firm signed an agreement with one of the giants of the marijuana sector, namely **Tilray Inc** ([NASDAQ:TLRY](#)).

Under the terms of the agreement, Neptune will provide extraction and purification services to Tilray, processing a minimum of 125,000 kilograms of cannabis and hemp biomass over three years.

Just about a week after announcing its agreement with Tilray, Neptune announced a similar one with **The Green Organic Dutchman Ltd** (TSX:TGOD).

Under this deal, Neptune will provide extraction, formulation and packaging services to TGOD, processing over 230,000 kilograms of cannabis and hemp biomass also over a period of three years. These agreements should help boost the firm's top line in the future.

Why the future may be bright for Neptune

One reason why investors might look positively towards Neptune is the fact that the CBD market is heating up. This segment of the broader sector is projected to outpace most others.

CBD not only provides health benefits, but as it lacks the psychoactive ingredient known as tetrahydrocannabinol (or rather, possesses negligible traces of it), it is likely to attract a large segment of the population.

Further, medical patients are generally more likely to spend money on cannabis products than recreational users. Neptune is looking to become one of the leaders in the CBD extraction sector, and as the market grows, the firm might secure more supply agreements, or at least, will generally have more business coming its way.

The bottom line

Neptune's financial results haven't been particularly impressive, but the company occupies a promising segment of the marijuana industry. Neptune has also been one of the best performing marijuana firms on the stock market year to date.

While the firm doesn't yet scream "buy," at least in my opinion, it would be wise to keep an eye on Neptune Wellness.

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