



## 2 Cannabis Extraction Companies to Buy Ahead of October

### Description

In October the Canadian government is set to proceed with the second wave of legalization in Canada — one that will make edibles and extracts legal and open up a variety of options for companies to sell and consumers to purchase.

As the industry is brand new and so much R&D is going into it, a number of products that will be available over the coming years may not have even been invented yet.

This legalization will surely impact the industry, offering big opportunities for growth and potentially expanding the consumer basis to those who want to try cannabis, but didn't want to have to inhale it.

As much as the legalization will impact [producers](#) in the industry, the main companies that are really set to benefit are the extraction companies.

These companies are solely focused on the extraction of the chemicals from the dry bud, and with their high-quality research and proprietary methods, will be the ones that introduce new products to the marketplace.

The reason they are such great investments is that the entire sector relies on them to refine the products, as most of their clients are large, licensed producers.

The top two extraction companies are **Neptune Wellness Solutions Inc** ([TSX:NEPT](#))(NASDAQ:NEPT) and **MediPharm Labs Corp** ([TSX:LABS](#)).

### Neptune Wellness Solutions

Neptune is a cannabis extraction and nutrition company. It has amassed a ton of knowledge in the sector and attracted many major licensed producers to extract for them. Some of the major clients include **Canopy Growth**, **Tilray** and **Green Organic Dutchman**.

Its deal with Green Organic Dutchman is the largest multi-year extraction agreement in Canada to

date, for 230,000 kilograms in minimum volumes.

The company has been ramping up its facilities ahead of legalization. Once all the expansion plans are complete, it will have more than 3,000,000 kilograms of extraction capacity.

It's been investing in research and development as well as buying up well-established companies.

It acquired Sugarleaf Labs in May, a leading U.S hemp processor – an acquisition that gives Neptune exposure to the massive potential of hemp in America.

Sugarleaf is located in North Carolina and has roughly 1.5 million kilograms in capacity. The acquisition also gives Neptune, Sugarleaf's consumer brand Forest Remedies, which sells CBD items such as massage oil and lip balm.

Neptune is a growing and well-run company in prime position to capitalize on the biggest part of a growing industry. With a market cap of just over \$500 million, the company is valued extremely conservatively.

## MediPharm Labs

MediPharm is an extraction company focused on the distillation and isolation of CBDs. It has operations in both Canada as well as Australia, and has been actively building up its research and development in order to grow its intellectual property ahead of legalization.

The company has been positioning itself by diversifying between the major popular segments such as vaping, gels, oils and concentrates.

It continues to sign and pursue more agreements with licensed producers. The nature of the agreements that are being made as the industry matures allows for long-term contracts that will provide stable cash flows.

This makes it an attractive stock for long-term investors, as the stable cash flows compounding over time will create huge long-term growth.

In the meantime, it has continued to build out its production in order to expand its capacity ahead of legalization.

At a market cap of just ~\$650 million, MediPharm is one of the best values on the TSX.

## Bottom line

The second wave of legalization will open up a number of doors for consumers and companies alike, but most notably for investors. If you missed the rally the first time around, you'll want to get yourself positioned soon so it doesn't happen to you twice.

### CATEGORY

1. Cannabis Stocks

2. Investing

## TICKERS GLOBAL

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2. TSX:LABS (MediPharm Labs Corp.)
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