



## Move Over Marijuana Stocks: Make Room for CBD

### Description

The December launch of derivatives such as concentrates, edibles, oils, vapes, and other cannabis-infused products is good news for the cannabis industry. Investors should be happy because it widens their investment choices in the sector. It's time to make room for CBD stocks that are rising to prominence.

I'm not referring to pure-play cannabis stocks, but to companies that the industry can't do without. The top cannabis companies won't be able to sell higher-priced, higher-margin derivatives if they don't have the expertise to extract CBD from cannabis or hemp.

### Extraction technology

**Neptune** ([TSX:NEPT](#))(NASDAQ:NEPT) is the specialist in extraction, purification, and formulation of cannabis products. Its decades-long experience in the nutrition industry will help the company establish a foothold in the fast-growing sector. This CBD stock could be the sector's [top investment choice](#).

Management's decision to venture into the cannabis industry is very timely. The company sold its core krill division two years ago. Neptune then used the proceeds from the sale to retrofit its plant and apply the years of expertise in extraction into the cannabis market.

Today, Neptune owns a state-of-the-art, fully operational 50,000 square foot facility. The facility is also fully compliant with the cannabis regulations in Canada. As mentioned, the company's primary focus is on extraction, purification, and formulation.

Neptune's operations are secure in the next so many years, as the big cannabis producers will need the company's extraction services. With Neptune's expertise, the end products would have the highest quality.

The best part is that Neptune has the scale and capacity to become Canada's largest cannabis extraction company. Its facility is 100% dedicated to cannabis extraction and could extract up to six million kilograms.

Furthermore, in-house analytics and R&D laboratory gives Neptune the capability to conduct the mandatory testing and formulation trials. In case the volume is more than what the domestic market needs, Neptune can export its business or services to international markets where cannabis is legal.

## Sealed extraction services agreements

Last June, Neptune was able to seal two three-year extraction services agreements. The first one is with **Tilray**. The company will provide extraction services to produce various extract formats (crude resin, distillate extracts, and winterized oil).

Under the agreement, Neptune will process 125,000 kilograms over three years. Tilray will send the first shipment of biomass to Neptune's Quebec facility this month.

The second extraction services agreement was forged with **The Green Organic Dutchman**. Neptune commits to extract and purify cannabinoids and terpenes from 230,000 kilograms of cannabis and hemp biomass. The company will then transform the extracts into premium certified organic finished products.

The company could fulfill its commitment under both agreements after obtaining the amended operating license to increase its annual capacity of extracting raw biomass to 200,000 kilograms.

## Better investment option

Neptune's lengthy extraction services agreements with top cannabis producers assure the company with cash flows in the next three years. But does it mean the [CBD stock is the better option](#) because it offers less risk?

The industry is unpredictable, so your guess is as good as mine. Anyway, the earning potential of the cannabis companies from the coming derivatives lies in the hands of extraction providers such as Neptune.

### CATEGORY

1. Cannabis Stocks
2. Investing

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