

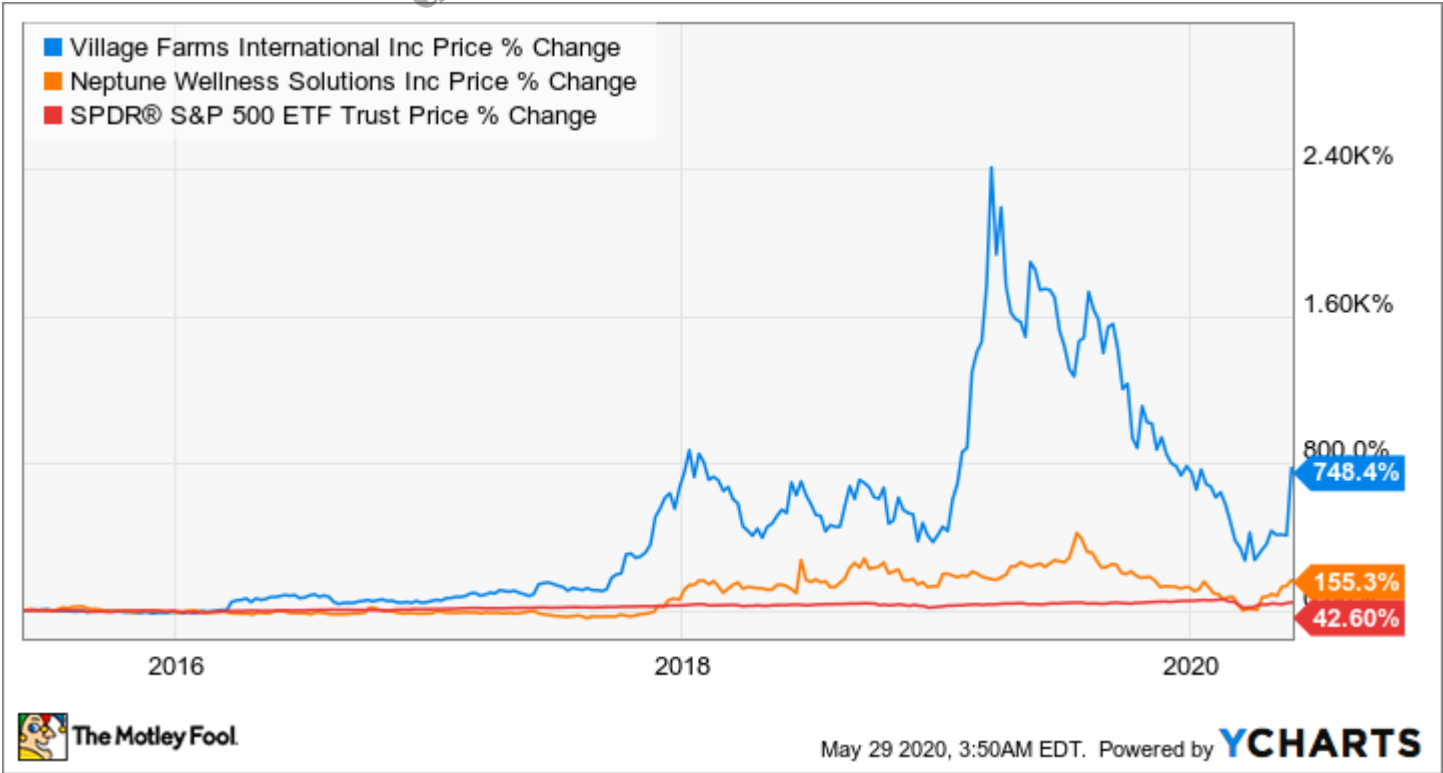


2 Small-Cap Cannabis Stocks That Have Gained Up to 750% in the Last 5 Years

Description

The COVID-19 pandemic has decimated stocks across sectors. The broader indexes have lost momentum and are trading significantly below record highs. Despite a market recovery since the end of March, there's a great deal of volatility impacting **TSX** stocks.

However, some small-cap pot companies have managed to crush market returns in the last five years despite a massive correction in stock price this year. Let's see if they remain a solid bet for the upcoming decade.



VFF data by [YCharts](#)

Village Farms International

Shares of Canada-based cannabis companies **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)) are trading at \$7.9. The stock touched a record high of \$22 last year and has since lost 60% in market value. Despite the recent pullback, shares have gained a staggering 750% in the last five years.

Village Farms International has a market cap of \$443 million and part of the high growth marijuana market. But the pot industry is still at a nascent stage and is also grappling with structural issues.

Village Farms stock has recently gained momentum on the back strong cannabis data. According to Statistics Canada, the [sale of pot products](#) sky-rocketed in March. At a time when most companies are struggling to grow sales, robust marijuana figures bode well for Village Farms and peers.

Village Farms' joint venture with **Emerald Health Therapeutics** which is Pure Sunfarms received a sales license for a greenhouse facility in British Columbia. Pure Sunfarms is likely to start production of Cannabis 2.0 products in the third quarter of 2020.

Village Farms' expertise in [cultivating traditional products](#) will help it gain traction in the cannabis space. It has been operating greenhouses for several years, bringing down the cost of production and increasing profit margins over the years.

Another cannabis stock on the TSX

Shares of Canada-based cannabinoid extraction company **Neptune Wellness** ([TSX:NEPT](#))([NASDAQ:NEPT](#)) are trading at \$4.06. The stock lost 53% in market value since peaking in August 2019. However, it still returned 155% in the last five years. Neptune Wellness has a market cap of \$385.5 million.

Similar to its marijuana peers, Neptune Wellness has also gained momentum in recent times. Earlier this month, it announced a six-month hemp extraction partnership. According to this agreement, Neptune will process approximately 44,000 kilograms of crude and concentrate extracts from hemp. These extracts will be used in the processing and production of high-margin derivative products.

The agreement might result in revenue of US\$16.5 million. To put this figure into perspective, Neptune reported sales of US\$6.5 million in its most recent quarter. Neptune expects fiscal 2021 sales to rise between 300% and 400% to between US\$18 million and US\$21 million.

The Foolish takeaway

Cannabis companies will remain attractive for growth investors given their expanding addressable market. As more states south of the border legalize marijuana, the demand for pot products will rise at a fast pace. The high-growth medical marijuana market in Europe is also a key revenue driver for several stocks.

Further, Cannabis 2.0 products and the rollout of retail stores in major Canadian provinces will help

boost top-line for licensed pot producers, making these stocks a winning bet for long-term investors.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:VFF (Village Farms International, Inc.)
2. OTC:NEPT.F (Neptune Wellness Solutions)
3. TSX:NEPT (Neptune Wellness Solutions)

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