



This Small Canadian Cannabis Player Is Moving Into the U.S.

Description

The cannabis sector is inherently speculative. Indeed, a tremendous amount of focus of late has been placed on buzz around the legalization of recreational marijuana in the U.S.

Accordingly, this sector once again appears to have legs.

That said, of late, not all cannabis players have performed the same. Some have done better than others, for various reasons. As it turns out, **The Valens Company** ([TSX:VLNS](#)) has been one of the [better performers](#).

Here's why I think this is the case and why this trend could continue.

Valens has its eyes on the U.S. CBD market

Dark clouds are still hovering over the prospect of immediate legalization of recreational marijuana. Regardless, Valens remains undeterred and is pushing its agenda of entering the U.S. pot market through an alternative route.

Indeed, Valens is keen on developing a niche in the U.S. CBD space. The absence of stringent regulatory norms on CBD and permission to sell CBD products in the U.S. puts companies like Valens in a favourable spot.

Valens has had its focus on this sector for some time. The company's recent acquisition of Green Roads, a Florida-based CBD producer, for \$40 million in stock and cash (plus an additional \$20 million on various execution milestones) highlights this. The company hopes this deal can propel Valens' CBD portfolio forward in the largest cannabis market in the world.

Now, Valens is going to be competing in an ultra-competitive market. Currently, it's estimated that roughly 1,500 brands exist in the U.S. CBD market already. Accordingly, the ultimate market share Valens will ultimately be able to attain remains to be seen.

But for growth investors bullish on this company's management team, this bet seems like a good one right now. It's a foot in the door of a massive U.S. market. And the expertise the company will get from an operational standpoint could bode well should legalization allow for foreign imports of cannabis sometime in the near future.

Cannabis 2.0 optimism a major catalyst

Valens has a market capitalization of nearly \$440 million. That is definitely not tiny by most standards. However, in the cannabis space, Valens is a relatively small player.

That said, the company's recently reported some relatively decent numbers. Revenue growth of 25% quarter over quarter is absolutely mind-boggling. Total earnings in Q1 of \$20 million also makes the company's valuation seem not that rich at all.

Valens has a substantial war chest it hopes to use as growth capital for both organic growth and additional acquisitions. For those bullish on the growth in this sector, Valens is a company to keep an eye on right now.

The company's moves to diversify its product portfolio with cannabis 2.0 products has many investors excited about this company. Indeed, Valens hopes to be a leading purveyor of edibles, vapes, CBD oil and other such high-margin cannabis derivatives. Valens' potential long-term margins are better than many of its peers, and I therefore like the prospects of this small player relative to the field.

Bottom line

Valens is still a relatively small player in a high-growth market. This is one of the higher-risk, higher-reward plays in the market today. Accordingly, investors ought to be cautious with such plays and only invest what they can afford to lose.

That said, for those looking for some speculative upside, this is an intriguing choice today.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis
2. Cannabis Stocks
3. growth
4. growth stocks
5. investing
6. market
7. Stocks

TICKERS GLOBAL

1. TSX:VLNS (Valens)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis
2. Cannabis Stocks
3. growth
4. growth stocks
5. investing
6. market
7. Stocks

Date

2025/08/11

Date Created

2021/05/19

Author

chrismacdonald

default watermark

default watermark