



Should You Buy Village Farms International Inc (TSX:VFF) Ahead of Fourth-Quarter Earnings?

Description

On February 27, I [explored](#) whether **Village Farms International Inc** (TSX:VFF)([NASDAQ:VFF](#)) could be the next **Cronos Group Inc**, a competitor with a 1,000% higher market cap. I concluded with a bullish stance, noting that Village Farms “has a great chance of surpassing a \$1 billion market cap this year.”

Since that post, shares are up nearly 40%, approaching a market cap of \$850 million. Clearly, the market is on board with my assessment.

Yet despite all of the tailwinds, it's prudent to take caution after a huge run. Since 2019 began, Village Farms has returned more than 350%.

On March 14 at 11:00 a.m. eastern time, the company will release its fourth-quarter results, along with a year-end review. Will the new publicity continue to launch its stock price higher or is reality about to set in for Village Farms? It all depends on how quickly the company is pivoting.

The market cares about one thing

Just a few years ago, Village Farms was mostly known for growing produce. Nothing fancy—just peppers, tomatoes, and cucumbers. Unfortunately, farming is a difficult business in which to turn a profit. From 2010 to 2016, its stock returned roughly 0%.

Then something incredible happened: management opted for a complete operational pivot. With existing assets that included some of the continent's largest greenhouses, Village Farms decided to become a cannabis grower.

The company promised the pivot would be swift. While competitors rush to get new capacity online, Village Farms already has massive growing operations in place with the personnel necessary to operate them. Before the pivot began, the company had a 4.8 million square feet operation in British Columbia, a 5.7 million square feet facility in Texas, and an additional eight million square feet of

partnered greenhouses in Ontario and Mexico.

The market has clearly bought into the transition, included its supposed benefits. For example, with its greenhouses, Village Farms can produce a more consistent product year-round, putting it into position to take ample market share quickly at premium price points.

This quarter, investors only care about one thing: how quickly is the pivot occurring?

Can Village Farms deliver a winner?

What will Village Farms need to show investors to continue the stock run?

Previously, Village Farms aimed to exceed one million square feet of cannabis production by the first quarter of 2019. Will management back these earlier projections? Is there an upside to their initial forecast?

By the middle of 2019, the company wanted to hit a cannabis production run-rate of 75,000 kilograms. Can investors continue to bet on that benchmark?

All of these questions deal with the biggest concern investors should have about Village Farms today. That concern is whether the company can actually succeed in its business transformation.

On paper, everything seems great. The combination of its existing assets and proven growing experience should be a winner. In fact, management has stated in the past that it hopes to have long-term production costs under \$1 per gram, which would represent an impressive feat.

Still, the company likely has 12 to 24 months before we'll really know if it can become a cannabis producer worthy of its aggressive valuation. As of today, there's nothing to suggest that Village Farms won't succeed in this goal.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:VFF (Village Farms International, Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks

2. Investing

Date

2025/07/05

Date Created

2019/03/12

Author

rvanzo

default watermark

default watermark