Neptune Wellness: Top 3 Quotes From Earnings

Description

Neptune Wellness Solutions Inc (TSX:NEPT)(NASDAQ:NEPT) reported earnings on Wednesday, June 10. This publicly traded company on the **Toronto Stock Exchange** is a health firm with strong businesses in the newly legal cannabis sector.

During the conference call, Neptune Wellness leadership gave shareholders forward guidance on future revenue growth.

Furthermore, Neptune Chief Financial Officer, Toni Rinow explains potential areas of worry for investors such as margins and negative adjusted EBITDA. Since cannabis legalization, Neptune Wellness has been gradually improving its production and sales capacity to fuel new income growth.

Before you buy shares of this pot stock, take a look at a few key points from the firm's latest earnings report.

Here are three of the top quotes on the company's progress from last week's conference call.

Neptune Wellness expects 300% revenue growth

During the Q4 2020 earnings call, President and CEO Michael Cammarata gave investors forward guidance on Q1 2021 revenue growth.

> "We expect that 2021 Q1 results will show significant revenue growth of approximately 300% to 400% over the same quarter last year. A significant achievement given the ongoing industry challenges and the impacts of the current COVID-19 pandemic, an unprecedented crisis that our team has met with persistence and agility, developing new product lines and evolving to meet the needs of our customers."

This year, investors will be watching closely estimates and actual revenue growth. Strong revenue growth will signal to investors that the company is making progress toward increasing its market share.

Nevertheless, Neptune Wellness will need to accept some short-term losses to grow revenue. After all, selling a product and building brand loyalty costs money.

Marketing campaign lowers adjusted EBITDA

Chief Financial Officer Toni Rinow, commented on the decrease in adjusted EBITDA:

> “The decrease in adjusted EBITDA is mainly attributable to significant investments in the cannabis segment in anticipation of increased sales volume, as well as an increase in corporate expenses to build the organization to support our expanded market and business development, and an increase in non-cash marketing expense associated with our American Media partnership.”

Ideally, Neptune Wellness should be working toward a positive adjusted EBITDA. As the decrease in EBITDA may worry investors, Rinow explains that crucial sales campaigns are weighing down this performance measure.

If the firm meets its sales goals, the company can show investors what they most desire: growing revenue! Sales growth will also help the firm boost other crucial performance measures.

Sales drive improvement in margins

Toni Rinow anticipates drastic improvements to margins and revenue as sales catch up with the firm’s production capacity.

> “As a result, we expect to drive sales growth without any significant incremental capital investments, favourably impacting margins and revenue. This accelerated growth is evident in our first quarter fiscal 2021 guidance.”

Neptune Wellness currently reports large negative operating and profit margins. Further, revenue fell between 2017 and 2019. Investors therefore want to start seeing profitable margins from Neptune Wellness.

The news is not all bad, however. For the year 2020, revenue increased to $29.58 million from $24.44 million in 2019. If the company continues along this trajectory, success could be just around the corner for Neptune Wellness.

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