



Marijuana Stock Investors: 3 Cannabis Firms Reporting Earnings This Week

Description

The earnings season is underway. Investors in marijuana stocks have three cannabis earnings reports to digest before the weekend. Three pot firms are scheduled to release their financial results later this week. These include my favourite cannabis stock **Aphria** (TSX:APHA)(NASDAQ:APHA), **The Valens Company** ([TSX:VLNS](#)), and U.S. pot retailer **MedMen Enterprises**.

Will Aphria's stock price rise after earnings?

Aphria will release its fiscal first-quarter 2021 results on Thursday. Earnings will cover the three months to August 31 this year.

The company's stock price [tanked heavily](#) in July after significant charges in fiscal year 2020 results disappointed. A \$98.8 million quarterly loss was just too big a negative surprise for the market to ignore. Investors should naturally hope for the best set of performance results this time around. Thankfully, impairments are usually tested during the fourth quarter. There's little chance that unusual charges will distort profitability results in fiscal first-quarter results on Thursday.

The company reported revenue of \$152 million during the most recent quarter. Analysts expect Aphria to report a 5% sequential revenue growth to \$159.7 million this time around. This could be a breakout quarter if production costs continue to decline, while margins improve as vapes and other high-margin product sales grow.

The upcoming results could bring further validation of management's claims on data science and analytics, giving the firm a competitive edge in the cannabis space.

Aphria's stock price has outperformed its Canadian marijuana peers by wide margins so far this year. Shares have surged 70% over the past six months. The pot stock could surge some more next week if the company's upcoming earnings portray a breakout quarter.

Look out for management's commentary on second-quarter revenue outlook, especially given the recent successful first shipment to Germany. There could be more bullish sentiments there.

The Valens Company to report earnings on Wednesday

The Valens Company (formerly Valens Groworks) will release its third-quarter 2020 results after the market close on Wednesday, October 14.

The company saw its quarterly revenue sequentially decline by 45% for the three months ending May 31, 2020. Although fiscal second-quarter 2020 revenues, at \$17.6 million, were still 100% higher on a year-over-year basis, gross margins had shrunk to 35.8% of revenue, down from 57.9% last year. I like the fact that adjusted EBITDA remained positive.

During the previous quarter, management shifted the company's manufacturing focus from toll manufacturing to extracting inhouse cannabis and hemp biomass. This was in anticipation of increased inventory demand for cannabis edibles from the provinces.

The company expects to push its white label and custom-manufactured products during the second half of this year. Investors will get to see the results of this strategic shift on Wednesday.

Moreover, the company managed to sign several new custom manufacturing contracts with partners after the second quarter's close. I would expect these new revenue sources to feed into sales growth.

Analysts expect Valens to report a 3.5% sequential growth in sales to \$18.3 million in Wednesday's earnings. However, such a reading would still be 43% below the \$31.98 million per quarter reported for the quarter ended in February 2020.

Revenue declines and margin shrinkage aren't encouraging data points for investors. Shares have traded weaker over the past six months. I look forward to a reversal of this trend on Wednesday.

MedMen Enterprises

The other upcoming pot earnings report this week will come from U.S. multi-state cannabis retailer MedMen Enterprises. MedMen will finally release its fiscal fourth-quarter 2020 result for the year ended June 27, 2020, on Thursday, after market close.

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