



This Pot Stock Dropped 10% After Earnings

Description

Village Farms International (TSX:VFF)([NASDAQ:VFF](#)) reported fourth-quarter and year-end 2020 financial results on Tuesday morning. The company achieved its eighth consecutive quarter of net income and its ninth consecutive quarter of positive adjusted EBITDA. Despite solid results, the pot stock dropped by almost 10% after the opening bell.

Village Farms is a non-pure-play pot stock

Village Farms is one of the largest and oldest greenhouse producers in North America. The company draws on decades of experience in large-scale, low-cost intensive agriculture as a vertically integrated product supplier to pursue opportunities for high-value, low-cost, plant-based consumer packaged good opportunities in cannabis and CBD in North America and some international markets.

The company's wholly-owned Canadian subsidiary, British Columbia-based Pure Sunfarms, is one of the world's largest cannabis operations, the lowest-cost greenhouse producer, and one of the best-selling brands in Canada. It has generated profitability for seven consecutive quarters.

In the fourth quarter, Pure Sunfarms reported 28% sequential growth and 248% year-over-year growth in retail brand sales to provincial distributors to reach US\$15.5 million.

Sales for the quarter ended December 31, 2020, increased by US\$14.3 million, or 43%, to US\$47.4 million compared to US\$33.1 million for the quarter ended December 31, 2019.

Net income for the three months ended December 31, 2020, was US\$7 million compared to (US\$7.2 million) for the three months ended December 31, 2019.

Adjusted EBITDA for the quarter ended December 31, 2020, increased by US\$7 million to (US\$0.5 million) compared to (US\$7.5 million) for the quarter ended December 31, 2019, mainly due to the improvement in the gross margin of the segment revenue and inclusion of Pure Sunfarms operating results from November 2 to December 31, 2020.

Strong growth is expected

[Michael DeGiglio, CEO of Village Farms, commented](#): “The best-in-class operations, strong market share performance, and consistent profitability of our Canadian cannabis business, supported by a significantly strengthened balance sheet, gives us great confidence in our ability to capitalize on the U.S. cannabis opportunity. We are encouraged by the evolution of the regulatory environment in the U.S. and have developed multiple strategies to enable Village Farms to legally participate in this market, leveraging our deep experience and organizational strength, supported by one of the largest greenhouse footprints in the country.”

Village Farms also plan to significantly advance its international cannabis strategy in 2021, building on early investments last year, seeking selected emerging markets with significant long-term potential through effective investments in capital.

Analysts expect on average revenue growth of 30.5% and profit growth of 200% for fiscal 2021. Raymond James reiterated its 12-month price target of \$26 on Village Farms and gave the company a “strong buy” rating in a research report on Monday. This is about 30% higher than the current stock price.

Raymond James analyst Rabul Sarugaser said Village Farms is currently trading 70-80% below its Canadian peers and expects this gap to close after the company reports its first-quarter 2021 results. The drop in price is a good opportunity to buy this quality pot stock at a low price. Village Farms is one of the [top pot stocks to buy in 2021](#) along with **Canopy Growth**.

Village Farms will be added to the **S&P/TSX Composite Index** (Consumer Staples Sector) before the market opens on March 22, 2021. Inclusion in the S&P/TSX Composite will give the company increased exposure, a wider range of potential investors, and increased liquidity.

CATEGORY

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

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