

# The Valens Company

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## Canaccord initiates coverage of The Valens Company as Speculative Buy with \$8 price target

Canaccord Genuity has initiated coverage of The Valens Company (CVE:VLNS) (OCTMKTS:VLNCF) with a Speculative Buy recommendation and a \$8 price target.

"In our view, Valens is a Canadian leader in services relating to cannabis extraction, purification, formulation and manufacturing. As the company leverages this platform to ramp up sales domestically and abroad, we believe 2020 will be a breakout year," analysts Kimberly Hedlin and Alisa Nagorny wrote.

The analysts noted that Valens, as a leading third-party recreational cannabis manufacturing platform, has "five extraction types, Canada's only hydrocarbon line, proprietary delivery technologies, and a broad offering of 2.0 products."

### READ: The Valens Company strikes two new multi-year supply and extraction deals

For example, Valens is contracted to provide extraction services to 11 licensed producers and has signed 11 higher-margin white label agreements -- including one to develop cannabis products for Shoppers Drug Mart, one of Canada's biggest retail pharmacy chains.

The analysts also said they expect demand for Valens's services to remain strong throughout 2020.

"With 240,000 kg in volumes under contract, we believe Valens has solid earnings visibility and limited exposure to declining commodity prices. The company is currently negotiating up to 50 white label contracts, which could have a significant impact on 2020 revenues and margins, while diversifying Valens' customer base," they wrote.

"We believe growing flower inventories, initial 2.0 product quality issues, capital constraints and a general trend toward specialization also bode well for the company."

Valens is currently Canada's most profitable public cannabis company, the analysts said, adding that the company is expected to keep boosting revenue quarter-to-quarter as it shifts from basic extraction toward sales of higher-value distillate and white-label products. They added Valens is fully funded to execute its business model, which they see as sustainable.

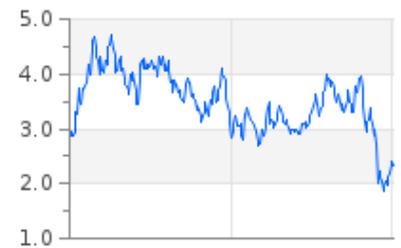
"We expect 2020 to be a transformational year with potential catalysts surrounding white label contracts, new product launches, positive FCF, and international expansion plans," they wrote.

"While not necessarily a 2020 catalyst, Valens could also be an attractive acquisition target for licensed producers and industry newcomers given its asset platform and EBITDA-positive operations."

**Price:** 2.44

**Market Cap:** \$306.23 m

### 1 Year Share Price Graph



April 2019 September 2019 March 2020

### Share Information

**Code:** VLNS

**Listing:** TSX-V

<b>52 week</b>	<b>High</b>	<b>Low</b>
	4.1	1.75

**Sector:** Cannabis

**Website:** thevalenscompany.com

### Company Synopsis:

*The Valens Company is a multi-licensed, vertically-integrated cannabis company focused on being the partner of choice for leading Canadian and international cannabis brands by providing best-in-class, proprietary services including CO2, ethanol, hydrocarbon, solvent-less and terpene extraction, analytical testing, formulation and white-label product development.*

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Valens' shares traded around C\$3.74 in Toronto and US\$2.85 in New York.

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