

Valens GroWorks Corporation

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Valens GroWorks initiated with a Buy rating at Haywood Capital Markets

Haywood Capital Markets initiated coverage Thursday for Valens GroWorks Corp (CSE:VGW) with a Buy rating and a target price of C\$5.25 per share.

The research team wrote in a note to clients that it viewed Valens as an "attractive investment" in the cannabis sector as the market evolves towards extracted product.

Based in Kelowna, British Columbia, Valens is a cannabis company that focuses on extraction, distillation and cannabinoid purification as well as quality testing.

Through its three wholly owned subsidiaries, Valens Agritech, Valens Farms and Valens Labs Ltd, the company is involved in customized cannabis extraction, cultivation, and testing. The company is currently capable of processing more than 78,000 kg of cannabis per year.

READ: Mackie maintains Buy recommendation, \$4.50 price target on Valens GroWorks

"We believe Valens GroWorks is well-positioned to be a leader in the extraction services market. The company has significant current production capacity that is expanding towards 150,000 kg annually," Haywood Capital Markets analysts Neal Gilmer and Ethan Spence wrote in a note to clients.

"Not only is the company set-up for extraction processing into crude oil, it also has the ability to further refine these extracted products for various oil derivative products that are expected to be approved for the market later this year."

The analysts said Valens' "primary driver" of revenues will be toll processing in the near-term, followed by expanding to white-label products and its own branded products towards the end of 2019.

"As the market evolves towards consumer-packaged goods (CPGs) we view extraction services as a key aspect of the marketplace," wrote the analysts.

Valens GroWorks stock is currently trading at C\$2.60.

Bright outlook

The analysts said that as they have seen in other geographies, consumer demand for oil derivative products accounts for approximately 50% of the market, with better price stabilization than dried flower sales.

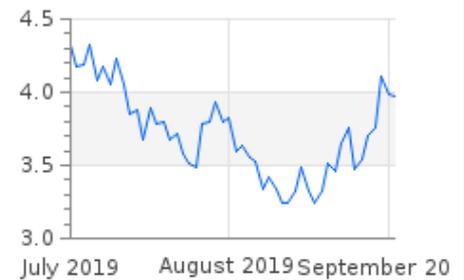
"As a result, we are of the view that extracted cannabis and value-add products will be in demand over the next couple of years," wrote the analysts.

"We are initiating coverage on Valens GroWorks with a Buy recommendation and target price of C\$5.25. In our opinion,

Price: \$3.97

Market Cap: \$483.17 m

1 Year Share Price Graph



Share Information

Code: VGW

Listing: TSX-V

52 week	High	Low
	4.69	2.8

Sector: Cannabis

Website: www.valensgroworks.com

Company Synopsis:

Valens GroWorks Corp. 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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the company is poised to be a leader in the extraction services sector," they added.

Catalysts from service agreements

The analysts noted that Valens has announced a number of key agreements for its services that will drive "meaningful revenue growth" in the near-term.

Valens recently entered into a multi-year services agreement with privately-held Sundial Growers for cannabis extraction services. Under the deal's terms, Sundial will ship bulk quantities of dried cannabis to Valens over an initial three-year term.

Valens also recently inked a multi-year extraction agreement to process Canopy Growth Corp's (NYSE:CGC) (TSX:WEED) whole flower and trim into high-grade cannabis resin.

READ: Valens wins multi-year cannabis extraction deal with Sundial Growers

"In our view, the demand for extracted product will continue to grow and Valens' proprietary extraction services and white-label products are uniquely positioned to satisfy increased demand going forward," wrote the analysts.

Separately, analysts at Mackie Research recently maintained their Buy recommendation on Valens GroWorks with a target price of \$4.50 per share.

The analysts at Mackie Research said the vertically-integrated producer of cannabis products had a "strong cash position" that would allow it to increase extraction capacity at its Kelowna facility.

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