

Could Aphria Inc.'s Amazing 4th Quarter Spark Another Rally in Canadian Marijuana Stocks?

Description

Aphria Inc. (TSX:APH) is arguably one of the best marijuana stocks in Canada with its balance between explosive growth and profitability. The company recently reported really impressive fourth-quarter numbers which caused the stock to soar 14% in a single trading session. I think the post-earnings rally was warranted and the stock could be on a sustained rally to higher levels as we head into the latter half of 2017.

In many of my previous pieces, I've emphasized the importance of the management team's focus on operational efficiency and how it would allow the company to pull ahead of many of its competitors. I believe this mindset will make Aphria one of the biggest winners over the long term, and it's just a matter of time before Aphria catches up to **Canopy Growth Corp.** ([TSX:WEED](#)) for the title of Canada's top pot stock by market cap.

Although the entire marijuana industry has been struggling lately, it looks like Aphria's numbers could be the spark that the industry needs to get back in the green. Marijuana stocks are in a hangover right now, so patient investors may want to start buying shares of marijuana stocks again before the next high arrives.

Astounding fourth-quarter results

Aphria clocked in \$5.7 million in revenue and \$2.8 million in EBITDA for the quarter, which marked the seventh consecutive quarter of positive earnings. Unlike Canopy, whose CEO Bruce Linton doesn't think that profitability matters right now, Aphria actually cares about profitability and is making the efforts to become an efficient operator while posting triple-digit growth numbers.

Efficiency efforts really starting to pay off

What's really remarkable is the fact that Aphria more than doubled its revenue compared to the same quarter a year earlier, all while driving down the cost per gram of dried marijuana. While the general public is euphoric over Aphria's solid top- and bottom-line numbers for the quarter, I believe the vastly improved efficiency is another huge reason to be bullish on the company. Aphria cut its per-gram production cost by an astounding 36% to \$1.11 per gram in Q4, down from \$1.73 in Q3. The company stated that its per-gram cash cost is now at \$0.79, which truly deserves a round of applause.

Noel Atkinson, research analyst at Clarus Securities, said that the decreased production costs were "basically an industry record ... [and] reflects the economies of scale that can be achieved when you're using greenhouses."

Bottom line

Marijuana stocks are going to continue to be volatile in the months leading up to nationwide

legalization. If you're comfortable with volatility, and you've got the discipline to hold on to a stock with all the noise surrounding the marijuana industry, then Aphria is one of the best bets in the Canadian marijuana scene.

The management team's focus on operational efficiency will pay huge dividends over the long term, figuratively for now, and perhaps literally in a couple years. Aphria's fourth quarter was so impressive, I wouldn't be surprised if it sparked another wave of bullishness across the entire Canadian marijuana scene.

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