

## Aphria Inc. Posts Impressive Quarterly Results: Time to Buy?

### Description

The recent dip in the share price of one of Canada's largest cannabis producers, **Aphria Inc.** (TSX:APH), has turned out to be a very profitable buying opportunity for investors who'd purchased shares of the cannabis producer early last week.

After reporting impressive quarterly earnings, shares of Aphria ended the week up approximately 11%, and investors are now considering how much long-term upside this cannabis producer has relative to its peers.

I'm going to dive into some of the key fundamental drivers that may take Aphria shares higher over the long term.

In terms of greenhouse production of cannabis, Aphria remains Canada's largest producer. Greenhouse production of cannabis has largely been touted as one of the most efficient ways to produce the green commodity, and the efficiencies greenhouse producers such as Aphria have shown in the company's most recent quarterly results are very promising.

In the most recent quarter, Aphria was able to reduce its production cost per gram of the "budding" commodity from \$1.73 per gram to \$1.11 per gram — a decrease of 36% quarter over quarter.

Current wholesale prices of marijuana stand at \$5 per gram, giving Aphria a significant gross margin compared to its competitors, which currently have a much higher cost per gram than Aphria.

While the company did post a fourth-quarter loss due to significant investments made in its production expansion, its 12-month profit numbers have come in at \$4.2 million, making Aphria one of the most profitable producers in Canada currently.

During this ramp-up period in which marijuana producers are preparing for national legalization legislation, long-term investors should focus their analysis on the balance sheets of producers in an effort to determine which firms will be able to create the greatest long-term value for shareholders over the next five to 10 years.

### Bottom line

Compared to its peers, Aphria remains one of the most solid cannabis producers from a production efficiency and margins perspective. I have remained highly focused on the long-term profitability of the cannabis industry and have focused much of my analysis on the margins and profitability of Canada's marijuana producers in today's current environment.

I believe the long-term ability of cannabis producers to provide profitable growth moving forward far outweighs the short-term rhetoric linked to production increases and current market share numbers which other firms have focused almost exclusively on.

Long-term investors looking for profitability in the marijuana sector should consider firms such as Aphria as safer long-term plays, as significant long-term risks related to the marijuana industry remain.

Stay Foolish, my friends.

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