



Aphria Inc. Posts Record Q1 Results: Time to Buy?

Description

Aphria Inc. (TSX:APH), one of Canada's leading producers, suppliers, and retailers of medical cannabis, released its fiscal 2018 first-quarter earnings results on the morning of Friday the 13th, and its stock responded by making a slight move to the downside in the day's trading session.

The stock has risen more than 24% year to date, but it now sits more than 12% below its 52-week high of \$8.77 reached back in April, so let's break down the quarterly results and a notable statement made by the company's CEO to determine if we should consider being long-term buyers today.

A very strong quarter of record revenue and grams sold

Here's a quick breakdown of eight of the most notable financial statistics from Aphria's three-month period ended August 31, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Revenue	\$6.12 million	\$4.38 million	39.9%
Adjusted gross profit	\$4.77 million	\$3.33 million	43.3%
Adjusted gross margin	78.0%	76.1%	190 basis points
Net income	\$15.04	\$0.9 million	1,580%
Basic earnings per share (EPS)	\$0.11	\$0.01	1,000%
EBITDA from operations	\$1.55 million	\$1.05 million	46.8%
Kilograms sold	852.0	738.3	15.4%

All-in cost of goods sold per gram \$1.61 \$1.67 (3.6%)

An important quote from Aphria's CEO

In the press release, Vic Neufield, Aphria's CEO, made the following statement:

"Looking ahead, we are on track to meet critical short- and long-term goals: Our fully funded facility expansion is well underway, and we expect to achieve further economies of scale once the expansion projects are completed in 2018. Additionally, we continue to develop new product innovations and invest in our recreational infrastructure and brand. This will enable us to serve growing demand from medical cannabis patients in the near term and will eventually support Aphria's position as a leader in Canada's recreational market, once federal and provincial regulatory frameworks are in place."

What should you do with Aphria's stock now?

It was a great quarter overall for Aphria, highlighted by record revenue and grams sold, so I think the stock should have responded by soaring. That being said, I think the stock represents a very intriguing long-term investment opportunity today for one primary reason — growth.

The medical cannabis industry is undoubtedly one of the world's fastest-growing industries, and I think it will continue to be for the next decade at least, which will likely lead to explosive growth for the leaders in the industry, which include Aphria, **MedReleaf Corp.**, and **Canopy Growth Corp.**

Aphria achieved revenue growth of 142.3% to a record \$20.44 million in fiscal 2017 and 39.9% growth to a record \$6.12 million in the first quarter of 2018, and analysts currently project 118.9% growth to a record \$44.74 million in the full year of fiscal 2018. I think Aphria could easily grow at a double-digit rate over the next decade at least, and it has been very good at controlling its costs, so I think it will become one of the most profitable companies in the industry.

With all of the information provided above in mind, I think Foolish investors seeking exposure to the medical cannabis industry should strongly consider beginning to scale in to long-term positions in Aphria today.

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