Aphria Inc.’s Blowout Earnings: 5 Key Takeaways You Need to Know

Description

Given the hype around marijuana, marijuana stocks are expected to get all the attention this earnings season. **Aphria Inc.** (TSX:APH) just set the ball rolling, reporting its first-quarter FY 2018 numbers.

Aphria’s earnings report was solid and further substantiates my argument that it is the best marijuana stock to own right now.

Here are five key takeaways from Aphria’s earnings report that you must know.

Record sales and revenue

Aphria’s first-quarter revenue jumped nearly 38% year over year and 7% sequentially to $6.1 million. It sold 852 kilograms of cannabis during the quarter compared to 738.3 kgs in the year-ago period as sales from its recently completed phase II expansion added to its top line.

With these numbers, Aphria has set new records on both its volumes and top line.

Costs are on a downward trend

One area that Aphria has prioritized in recent quarters is cost reduction, and its efforts are paying off. During the first quarter, Aphria’s all-in sustaining cost of dried cannabis declined around 4% sequentially to $1.6 per gram, making it one of the lowest-cost cannabis producers. That’s a huge competitive advantage to have in the highly competitive marijuana industry.

Yet another quarter of positive EBITDA

Aphria continued its streak of turning positive earnings before interest, tax, depreciation, and amortization (EBITDA), earning $1.5 million in the last year. It represented a strong 47% jump year over year and marked Aphria’s eighth straight quarter of positive EBITDA.

A rising EBITDA trend line indicates greater probability of Aphria earning sustainable profits going forward. In fact, Aphria’s rivals, **Canopy Growth** and **Aurora Cannabis** are yet to turn a profit.

Profits are soaring

This, by far, is the most important takeaway from Aphria’s Q1 earnings report. Its net income soared to $15 million during the quarter. That compares to a tiny $0.9 million in profit that Aphria earned in Q1 2017.

Management credited “the net gains on the company’s strategic investment portfolio in the quarter” for the jump in profits. Aphria invested $20.1 million last quarter, $11.5 million of which went to Scientus Pharma, a biopharmaceutical company that deals in cannabinoid-based medical drugs. With this deal, Aphria stretched its wings beyond recreational marijuana and entered the billion-dollar medical marijuana market.

Expansion programs are on track

Aphria is in a major organic expansion phase. During its earnings release, management confirmed that the company’s phase III and IV expansion projects are on schedule, and it expects first sales from phase III by May 2018 and from phase IV by early 2019.

These projects are not just expected to triple Aphria’s greenhouse capacity to one million square feet and nearly quadruple its production capacity to 75,000 kgs, but they are also projected to bring down its costs substantially by $5-50 per square foot.

Foolish takeaway

For anyone interested in marijuana stocks, Aphria is one name you can’t afford to ignore anymore, especially after the strong quarter that the company just delivered.

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