



Aphria Inc. Falls 1.35% Despite Record Q2 Results: Time to Buy?

Description

Aphria Inc. (TSX:APH), one of the leading producers, suppliers, and retailers of medical cannabis in Canada, released record fiscal 2018 second-quarter earnings results before the market opened on Wednesday, but its stock responded by falling 1.35% in the day's trading session. Let's break down the quarterly results and its performance in the first half of fiscal 2018 to determine if we should use this weakness as a long-term buying opportunity.

The record quarterly performance

Here's a quick breakdown of eight of the most notable statistics from Aphria's three-month period ended November 30, 2017, compared with the same period in 2016:

Metric	Q2 2018	Q2 2017	Change
Revenue	\$8.50 million	\$5.23 million	62.7%
Gross profit before fair value adjustments	\$5.76 million	\$4.05 million	42.3%
Adjusted gross margin	67.7%	77.4%	(970 basis points)
Net income	\$6.46 million	\$945,000	583.1%
Basic earnings per share (EPS)	\$0.05	\$0.01	400%
Adjusted EBITDA from operations	\$1.62 million	\$1.20 million	35.2%
Kilograms (or kilograms equivalent) sold	1,237	639	93.6%
"All-in" cost of goods sold per gram	\$2.13	\$1.85	15.1%

Notable commentary from Aphria's CEO

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

"With a growing product mix and patient base from both new and existing clients, we continue to affirm our position as a strong Canadian market leader as we remain focused on executing our strategy to drive sustainable growth and shareholder value ... Looking ahead, we continue to explore strategic opportunities and partnerships to extend the Aphria brand and our product offerings in both the medical and adult-use marketplace. With our four-part facility expansion on schedule to be completed with first sales by January 2019, we are in an enviable position to aptly supply Canadian and international markets with high-quality cannabis to meet the growing global demand. As a well-capitalized company, we have the expertise, leadership and drive to extend our footprint and the Aphria Know-How system around the world."

What should you do with Aphria's stock now?

It was an outstanding quarter overall for Aphria, highlighted by record revenue and kilograms sold, and it capped off a strong first half of the fiscal year for the company, in which its revenue increased 52.3% to \$14.62 million, its gross profit before fair-value adjustments increased 42.9% to \$10.53 million, its net income increased 1,068.2% to \$21.5 million, and its EPS increased 650% to \$0.15 when compared with the first half of fiscal 2017.

That being said, I think the market should have responded by sending its stock significantly higher, so I think investors should use the decline as a long-term buying opportunity, because Aphria will continue to be one of the top beneficiaries of the explosive growth in the medical cannabis industry, especially after its recent deal with [Shoppers Drug Mart](#).

Aphria will also be one of the top beneficiaries from the approval of recreational cannabis, which is expected to occur before the end of 2018, and its growth potential in this area of the industry is amplified by its recent investment in [Hiku Brand Company Ltd.](#)

With all of the information provided above in mind, I think Foolish investors seeking exposure to the cannabis industry should consider beginning to scale in to long-term positions in Aphria over the next couple of trading sessions.

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