

3 Things Investors Should Watch for in Aphria Inc.'s Q3 Results

Description

Aphria Inc. (TSX:APH) has seen its share price take a beating recently, and year to date the stock's price has been cut in half. The company needs a good earnings report on Monday to help stop the bleeding.

Below are three questions that investors should be looking to answer when reviewing Aphria's Q3 financials.

Have "temporary" cost increases from Q2 gone away?

Investors may recall that back in January, when Aphria released its [second-quarter results](#), the low-cost operator saw its "all-in" costs rise more than 30% from Q1, which the company attributed to "temporary" factors after rushing orders out the door. The big question is how close can Aphria get back to the \$1.61 per gram costs that it achieved in Q1, or if it will struggle to keep costs down.

Can Aphria stay out of the red without needing help from its investments?

Another item to look for is operating income, which was boosted by non-operating items in Q2, including investment gains of \$6 million. While Aphria may pride itself on being one of the few marijuana stocks capable of turning a profit, investors should always be wary of a company that needs non-operational gains to keep it out of the red.

If a business is sound, it should be able to make money on its own, especially since investment gains can quickly turn into losses, as many investors are finding out this year.

What will Aphria do to calm investors' fears?

There's no denying that investors are panicking, as Aphria's losses are far in excess of what has been normal for pot stocks this year. While there have been some corrections in the industry, Aphria's performance has been exceptionally bad. Consider that **Canopy Growth Corp.** ([TSX:WEED](#)), which is a name that has been synonymous with the industry, has declined less than 15% since the start of the year.

Investors should keep an eye out for what Aphria CEO Vic Neufeld has to say about recent controversies. The company has been in the news for all the wrong reasons lately, not the least of which has been the question of whether it will keep a position in [U.S. marijuana](#) and run the risk of potentially colliding with the TSX's listing requirements.

Should investors consider buying ahead of Aphria's earnings?

There was a point in time where I believed Aphria was a good buy and led by a strong CEO, but those days are long gone. Now the company presents more risk than it does opportunity. It continually walks the line in terms of regulations and legality, and that should be a big concern for investors.

Even if the company has a good earnings report, I'm skeptical about how much of a recovery we'll see in the stock's price. The negativity in the markets today will likely subdue any positive news that comes from Aphria's earnings. While the stock may be more moderately priced than some of its peers, it's not without risks, and there's no reason that the stock couldn't go lower from where it is today.

Marijuana stocks have largely been fueled by optimism, and Aphria desperately needs some of that before investors can expect its price to start gaining any traction.

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Author

djagielski

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