



3 Things to Watch for When Aphria Inc (TSX:APH) Releases Earnings This Week

Description

Aphria (TSX:APH) is set to release its quarterly earnings later this week, and with the stock showing signs of momentum, investors may be wondering if now is the time to buy the stock.

In its Q4 earnings back in August, Aphria had a [disappointing quarter](#) where the low-cost producer recorded a net loss of \$5 million after finishing in the black for three consecutive reporting periods. For its upcoming earnings release, there are three things investors should watch out for.

Will there be any news with respect to beverage deals?

Although Aphria's results did not inspire much bullish activity last quarter, pot stocks as a whole have been doing well since it was reported that popular beer maker **Diageo plc** was [looking for a partner](#) in the cannabis industry. We've seen a few deals come together between the two industries, and it may only be a matter of time before Aphria announces one as well.

There haven't even been any rumours involving Aphria, and you'd have to believe that the company is exploring the possibility given that some of its rivals have already gone down that path. If the company comes out with news about it seeking a partner or announcing a deal, expect its stock to shoot up in price.

Will operating expenses continue to skyrocket?

Although Aphria saw its sales double in its last quarter, its operating expenses more than offset that as the company continues to accumulate more and more costs, especially as it looks to continue to pursue expansion opportunities. The ability for Aphria to get more control of these costs, the better odds it has of pulling out a profitable quarter.

The company is likely going to continue to see strong sales growth in Q1, but how much of that will flow through to the bottom line is the big question. If it simply gets absorbed by higher expenses, then it's a net negative for the company and its investors.

Can Aphria produce a positive operating income?

In three of the past four quarters, Aphria has been able to post a profit, and each time it has had posted an operating loss. It's been other income that has lifted the company into the black. A low-cost operator, Aphria shouldn't need to rely on anything but its operations to keep its business profitable, but up until now, that's been the case.

I'm not optimistic that the company will be able to stay out of the red this far up the income statement, but a good result here would certainly bode well for the stock.

Should you buy Aphria ahead of earnings?

In the past three months, Aphria's stock has risen 40% amid the beverage craze, although in the past month it has declined 20%, as the effect has started to subside.

Investors have been bearish about Aphria for much of this year, and without a strong performance or a big deal to announce, I wouldn't expect the stock to get a boost on earnings day, especially after the ascent it has been on lately.

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