



ATTENTION: Aphria's (TSX:APHA) CEO Is Stepping Down. Is This Good News for its Stock?

Description

Late Thursday evening, **Aphria** (TSX:APHA)(NYSE:APHA) announced that its CEO Vic Neufield will be stepping down. The move comes amid [questionable acquisition activity](#), which has come under the microscope after a recent short-seller report. In the report, the short-seller called recent acquisitions “worthless.”

This is big news for the company that came only hours before it was scheduled to announce quarterly earnings. If that weren't enough, co-founder Cole Cacciavillani, who was in charge of Aphria's operations, is also leaving the company. Make no mistake: this is a major shakeup and speculation will certainly run wild. Following the short report, the company struck an independent committee to investigate recent acquisitions. Although there has been no information released, one could speculate that it wasn't good news.

Is this the catalyst the company needs?

This may be the catalyst that Aphria needs to put its checkered past behind it. The company is now presented with a unique opportunity to clear the deck and [regain investor trust](#). One way to do so is to install a seasoned and high-quality CEO with a stellar reputation. Good news, investors: rumours are that the board is doing just that.

The company is hoping to attract an experienced executive who may or may not be from the cannabis industry. If true, this is really good news. Many of the leading marijuana companies have little experience running public, multi-national corporations. If the company can attract a leader with a high pedigree, it could right the ship.

In the meantime, the company's share price will continue to be volatile and may see weakness until a new CEO is announced. If Aphria can pull a coup and attract a strong CEO, its share price can soar.

Aphria's second-quarter earnings

On Friday, Aphria also announced fiscal 2019 second-quarter results. Earnings of \$0.22 per share smashed expectations for a \$0.02 loss, while revenue of \$21.67 million missed by \$6.94 million. Despite the miss, revenue grew 154.9% over the second quarter of 2018. It is one of the few profitable companies in the industry.

The company increased kilograms sold by 92% reflecting the first quarter in which partial recreational marijuana sales were recorded. Adjusted gross margins took a big step back on lower average selling price per gram of \$6.54, down 8% from the first quarter. Costs per grams also rose to \$1.76, up 35% year over year.

The company announced it expects to exit 2019 with production capacity of 255,000 kgs. This is up 628% from its current cultivation capacity of 35,000 kgs. It exited the quarter with \$152 million in cash, which is expected to fund expansion without the need for additional capital.

Foolish takeaway

Despite lower-than-expected revenue, rising costs, and lower selling points, it was a decent quarter for the company. The potential for multiple expansion is there, and it will all depend on the company's ability to execute. The biggest news, however, was the executive shakeup. Given the myriad of scandals the company has been embroiled in, this is welcome news. Aphria is still one of the cheapest stocks in the industry. With new management, it has the potential to outperform its peers.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/09/28

Date Created

2019/01/13

Author

mlitalien

default watermark