



## Should You Buy Aphria Inc (TSX:APHA) Ahead of Earnings?

### Description

**Aphria Inc** (TSX:APHA)(NYSE:APHA) is planning to release its Q3 results within a few weeks, on April 15. The the stock struggled in 2018, losing 58% of its value during the year. However, 2019 has been a much strong year for the company, as it has staged a bit of a recovery and year to date it has risen by more than 60%.

No longer one of the under-performing stocks in the industry, coming into trading on Wednesday, the stock had outperformed **Canopy Growth Corp** since January.

### Why the improvement?

Toward the end of last year, Aphria was being targeted with a [takeover offer](#) by a U.S. cannabis company. And although nothing ultimately came of it, it seemed to help drive the company's share price up. Later on, Aphria would end up announcing that its CEO Vic Neufeld would be [transitioning](#) out in a move that also seemed to positively impact the share price.

However, now that things have appeared to have settled down for Aphria, it's a good time to take a look at whether investors should consider buying the stock ahead of its coming earnings release.

### What to expect in Q3

Back in January, when Aphria released its Q2 results, sales soared more than 150% year over year as the quarter included six weeks of the recreational market being open for business. In Q3, it will be a full three months of recreational sales and we're likely to see even more significant growth from the company.

The big question, as is the case with many marijuana stocks these days, is how close the company will be able to get to break even. While Aphria did record a profit last quarter, it was only because of gains related to investments as the company had an operating loss of more than \$21 million. In all likelihood, I would expect to see significant sales growth for the quarter accompanied by even heavier costs and

much of the same as Q2.

Marijuana stocks have not shown that they are close to being profitable through their operations alone, and I wouldn't expect Aphria to be the one to buck that trend anytime soon.

## Crossover could result in a drop

An interesting trend that I've noticed in Aphria's recent stock movement has been that when the company has seen its 50-day moving average (MA) cross over its 200-day MA, the stock has done the reverse of what you might expect.

Around mid-December, when its 50-day MA fell below the 200-day mark, the share price started to rally. And back in September when we saw the 50-day MA climb above the 200-day MA, the stock would end up falling shortly afterward.

While there are other factors we can attribute to price fluctuations, it's interesting to see, as normally when there's a bullish crossover you'd expect the share price to rise, not fall, and vice versa when it's a bearish cross. It could be indicative of investors showing a bit of hesitation when it comes to Aphria and not wanting to be overly optimistic on the troubled stock.

And I point this out as the stock closes in another potential crossover as its 50-day MA is rising again, and with a bit more momentum could end up crossing over the 200-day MA yet again. If the pattern continues, we could see a drop in Aphria's share price.

## Bottom line

I'd be hesitant to buy Aphria going into earnings because we've seen some hesitation from the markets on cannabis stocks lately, and sales growth alone is likely not going to be enough to keep the stock's rally going. Aphria still has a lot to prove to investors, and we could see a sell-off happen as those that are worried the share price has climbed too far could look to cash in their profits.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Cannabis Stocks

### PARTNER-FEEDS

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

### Category

1. Cannabis Stocks
2. Investing

### Tags

1. Cannabis Stocks

### Date

2025/08/26

### Date Created

2019/04/05

### Author

djagielski

default watermark

default watermark