



## Why Aphria (TSX:APHA) Stock Soared 33.6% Last Week

### Description

**Aphria** (TSX:APHA)(NYSE:APHA) has typically been a laggard when it has come to cannabis stocks. However, last week, the stock came close to reaching \$10 — a price it hasn't hit since June.

### What happened?

Aphria released its quarterly results last week, and it gave investors a pleasant surprise, as not only were sales up significantly, but the company also reported a profit as well.

Revenues of \$128.6 million were up 75% from the prior quarter. A big reason for the improvement was that sales volumes were up for the quarter and Aphria also benefited from strong sales from CC Pharma, its German partner.

Without the benefit of distribution revenues propping up the company's performance this past quarter, the increase would not have looked as impressive as it was. However, net cannabis revenue of \$28.6 million for the quarter was still nearly double the \$15.4 million that was generated back in [Q3](#).

Net income of \$15.8 million was probably a bigger surprise for the company, especially on the heels of **Canopy Growth's** recent performance, which may have been the tipping point for co-CEO Bruce Linton being [let go](#) by the company. Investors have been placing a lot more importance and emphasis on the bottom line, and so it's no surprise that Aphria's results generated a lot of bullishness around the stock.

However, it should be noted that from an operating perspective, the company still reported a loss of \$24 million during the quarter from its operations. Had it not been for non-operating income of \$40 million boosting its results into the black, it would have still been a loss for the quarter.

### What does this mean for Aphria?

With Aphria getting some momentum behind the stock, it could generate a lot more interest from

investors going forward. Up more than 20% now since the start of the year, the stock was in the negative position prior to this latest push in price. This could be the start of a much bigger rally for a stock that generally has not seen a lot of excitement from cannabis investors.

These latest results could give Aphria some new life, at least until the next quarterly results. It'll be important to see if in Q1 the company is able to build on these results and prove that it is a formidable stock to invest in or whether this was just a one-off performance.

## Does this make the stock a buy?

Despite the strong results, I'd still be a bit hesitant to buy Aphria today. While the headlines will say that Aphria turned a profit and that it was a great result for the company, let's not forget that it wasn't due to its day-to-day operations.

I'm always wary of companies that need non-operating income to push them into the black. There's no guarantee we'll see that income in future quarters, and the company is not being profitable from its core business, which is still an area of concern for me.

While the stock may be a good buy today, and it could rally in price, I'd be careful is suggesting that this will all of a sudden make Aphria one of the top pot stocks to invest in.

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