



Should Marijuana Stock Investors Rejoice After Aphria's (TSX:APHA) Surprise Earnings Beat?

Description

In a recent article, I opined that **Aphria Inc** (TSX:APHA)(NYSE:APHA) may be a better buy than **Aurora Cannabis Inc** due to its faster growth and better profitability track record.

This month, Aphria did indeed outperform Aurora, owing to its strong Q4 earnings report—which virtually nobody expected.

The report, which showed positive net income and adjusted EBITDA, exceeded analyst expectations on just about every metric.

In addition to the aforementioned profits, the company also revealed that it had grown sales at 900% year-over-year, an unbelievable figure even for the high-growth cannabis industry.

Since releasing its Q4 report, Aphria has risen over 33%. The question investors need to ask themselves is whether the company can maintain those gains. To answer that question, we first need to look at that Q4 report in more detail.

Aphria becomes profitable

Aphria wowed market watchers in Q4, which showed even better revenue growth than in the prior quarter (969% year over year, to be precise). However, that stunning growth was not the main highlight of Aphria's income statement.

What was even more incredible was the company's profit metrics, which included [\\$15.8 million in net income](#), \$0.2 million in adjusted EBITDA, and \$1.9 million in adjusted EBITDA from operations.

These metrics reveal Aphria to have been profitable in the fourth quarter, not only in net, but also in operating terms, making it one of the first large cap marijuana companies to become truly profitable.

Recreational sales way up

Another encouraging metric from Aphria's Q4 report was recreational sales, which soared 158% from the prior quarter. In the previous quarter, Aphria's [recreational sales tanked by 35%](#), raising doubts about whether the company was equipped to thrive in the era of legal weed.

Now that the company's adult-use sales are soaring, it's beginning to look like the Q3 miss was a one-time problem, not the start of a long term trend.

Other cannabis stocks to follow?

After Aphria's surprise Q4 earnings beat, it's natural to wonder whether other marijuana producers will replicate the feat. For a very long time, profits have been a sore spot in the high-growth marijuana industry, with many producers' losses growing just as quickly as their sales.

It's hard to say what the future holds, but my best guess is that other marijuana stocks won't become profitable as quickly as Aphria did. While many large cap producers have posted positive net income before, these results mainly came from financial changes (i.e., fair value adjustments) rather than operating results.

In terms of cash from operations, **Canopy Growth** and Aurora were both losing money in their most recent quarters. While both of these companies are rapidly increasing their international footprints, that growth comes at a significant financial cost.

Right now, it looks like Aphria is the only large weed company that can keep it lean enough to be profitable.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

PARTNER-FEEDS

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

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/08/26

Date Created

2019/08/08

Author

andrewbutton

default watermark

default watermark