



Is Aphria's (TSX:APHA) Stock Ready to Soar?

Description

Aphria Inc (TSX:APHA)(NYSE:APHA) has seen its share of drama over the past year. However, the pot company's latest financial results were a breath of fresh air. Aphria finally put all its troubles behind and seems to be firing on all cylinders.

Could this be the start of a rally for the Ontario-based pot grower? Let's look at what Aphria did during its fourth quarter.

Revenues continue to soar

Aphria's third-quarter financial results were somewhat disappointing, partly because of a lack of organic growth. The bulk of the firm's top line increase was as a result of several international acquisitions.

Aphria's core domestic operations were not impressive, but this may not be as big a problem as it seems.

It isn't a secret that the Canadian pot market is highly competitive and risks suffering from a supply glut. Perhaps Aphria can keep its earnings afloat by relying on its international operations.

During the fourth quarter, Aphria posted a net revenue of \$128.6 million, which represents a sequential quarterly increase of 75% and a whopping 969% year-over-year jump.

Its average retail selling price for medical cannabis decreased by 4% sequentially, while its average retail selling price for recreational cannabis increased by 11%.

Once again, however, the lion's share of the company's net revenue was as a result of international acquisitions. Distribution revenue (which includes revenue from Aphria's German-based subsidiary **CC Pharma**) accounted for almost \$100 million (about 78%) of net revenue. Sales of cannabis produced were \$33 million.

Aphria delivers a profit

Aphria had to incur a one-time impairment charge related to the much discussed and much- criticized LATAM acquisitions. This charge cost the company \$50 million in non-cash expenses, dragging the firm's earnings down in the third quarter. The fourth quarter shows a very different picture.

To everyone's surprise, [Aphria managed to deliver a net profit](#) of \$15.760 million, or about \$0.05 per share, which is a major improvement, both sequentially and compared to the corresponding period of the previous fiscal year. Most analysts expected Aphria to post a net loss in the neighbourhood of \$0.05 per share.

For fiscal year 2020, Aphria expects to post revenues between \$650 million and \$700 million, which would represent an increase of about 174%-195% from fiscal year 2019.

The company also expects its earnings before taxes, expenses, depreciation and amortization (EBITDA) to be between \$88 million and \$95 million.

Finally out of the shadows

It looks like Aphria finally put all its demons aside and manage to deliver stellar financial results. Naturally, the firm was rewarded: its share price jumped by as much as 40% after its earnings report was released.

It might be worth considering purchasing shares of Aphria before they skyrocket.

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