Is Aphria (TSX:APHA) the Best Marijuana Stock for the Second Half of 2019?

Description

Aphria Inc (TSX:APHA)(NYSE:APHA) has been a surprise winner in an otherwise terrible summer for marijuana stocks, rising more than 20% after a Q4 earnings beat.

The company's financial results and its rising share price distinguish it from other marijuana stocks, which have been getting hit thanks to a combination of negative earnings and increased regulatory scrutiny.

In Q4, Aphria posted results that showed not only positive net income, but also positive adjusted EBITDA from operations, which makes Aphria the only large marijuana company to have hit this important profitability milestone.

And with its competitors nowhere near hitting the mark, the company may just be the best marijuana play for the second half of 2019.

Actual real-world profits

Aphria's Q4 quarterly report took everybody by surprise, as it included positive net income and operating profits. The company's revenue came in at $128.6 million, an increase of 969% year-over-year. Recreational cannabis sales clocked in at $18.5 million, up 158% from the prior quarter.

Most important, however, is that net income came in at $15.8 million and adjusted EBITDA from cannabis operations came in at $1.9 million (up from a $12.9 million loss a year before).

These results make Aphria the first large marijuana company to post both positive net income and profitable core operations in the same quarter.

Aphria's adjusted EBITDA from distribution operations was also positive, coming in at $3.9 million, which comes into play when we look at the company's acquisition strategy.

Successful acquisitions

Last year, Aphria had come under scrutiny for its acquisition strategy. A prominent short- seller wrote a report on the company alleging that it was paying enormous sums of money for essentially worthless acquisitions, which formed the basis for a short thesis.

When the above was current news, Aphria's shares were tanking. But as of the company's Q4 earnings report, the naysayers have proven wrong, as two of the company's acquisitions (ABP and CC Pharma) are now generating revenue.

If you recall the adjusted EBITDA from distribution figure I quoted above, that represents the earnings the company generated from those two acquisitions. Together, they're pulling in $99 million in revenue, and even driving positive adjusted EBITDA.

This makes Aphria one of the few weed stocks whose acquisitions are generating real, positive earnings for their parent company, which flies directly in the face of the short seller allegations from 2018.

One of the few weed stocks that isn't tanking right now

As a result of its incredible revenue growth and emerging profits, Aphria is one of the few weed stocks that hasn't been tanking this summer.

Up 20% since its surprise earnings report (as of this writing), it's actually been doing quite well–although the year-to-date gain of 1.84% is underwhelming.

I don't invest in weed stocks on principle, but if I had to pick one to outperform in the second half of 2019, I'd go with Aphria. It simply has the best profit picture among its peers.

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