



This Weed Stock Is the Most Profitable One

Description

The cannabis sector is the most disappointing sector on the **TSX** in 2019. I say this because the total of losses by the cannabis companies is over \$20 billion as of mid-August. Weeds stocks went downhill in April and the [tailspin](#) continues.

The hype that occurred before the legalization of adult-use marijuana in Canada was overwhelming, with investors excited about the marijuana boom until the opening of Pandora's Box. Since that time, the market received nothing but dreadful earnings reports. Is there light at the end of the tunnel?

Ray of hope

On top of the staggering losses, scandals and controversies keep emerging. There seem to be no catalysts that will lift weed stocks from out of the bottomless pit. Now, cannabis companies are using the launching of vape and edibles in the fourth quarter to revive the interest of investors.

However, one stock is offering a ray of hope. **Aphria** (TSX:APHA)(NYSE:APHA), the once-scorned company stands as the most profitable pot stock. The cannabis producer reported a \$15.8 million profit in its fourth quarter ending May 31, 2019.

Never mind if the net income did not come from cannabis operations. The newly acquired CC Pharma, a medical cannabis and pharmaceutical distributor from Germany, was chiefly responsible for the profit. However, that shouldn't take the glory away from Aphria. The results are better than zero profit.

Aphria's Chairman and interim CEO Irwin Simon did not hide his jubilation. During the Q4 conference call, Simon said, "Aphria's team is energized and excited to drive growth and profitability for many, many years to come." That should at least calm down investors.

The excellent news boosted the stock by 40% to \$9.60. As of the close of August, APHA is down to \$8.39.

Pressure cooker

Aphria will be the flavour of the month in September. After the upbeat earnings results, analysts are optimistic about the near-term future of Aphria. The company is finally receiving recognition instead of rejection.

Several headwinds are still affecting the cannabis landscape. Industry peers are still [struggling with profitability](#). In order for Aphria to maintain its appeal, the company should continue reporting profit in the quarters of fiscal 2020.

Management's guidance in fiscal 2020 is total revenue of \$650 to \$700 million with adjusted EBITDA ranging from \$88 to \$95 million. Canada's third-largest cannabis cultivator said that by the time all its facilities obtain licenses, the company will be on track to produce an annual capacity of 255,000 kilograms.

Growth catalysts

CC Pharma gives Aphria a competitive advantage and strength to win big in the international medical cannabis markets. Aphria is one of only three cannabis producers with the rights to cultivate medical cannabis in Germany. The company is also present in nine countries where medical marijuana is legal.

But the biggest market for Aphria at the moment is Canada. The company could gain a significant market share in Canada's adult-use recreational cannabis market. It has supply agreements with all provinces, including the Yukon Territory. A partnership with wine and spirits distributor Southern Glazer is also in place.

If you're thinking of taking a position in the cannabis space, Aphria could be your best bet today. The company has done what industry rivals haven't: deliver profits. The stock will rise in value as Aphria's sales soar.

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