



## 3 Top Canadian Cannabis Stocks to Watch This Month

### Description

Investors in Canadian marijuana stocks are looking forward to the first industry earnings release of 2020 from **Aphria** (TSX:APHA)(NYSE:APHA) and two other local players expected to report this month.

Here's what's to watch on each report and why.

### Aphria

Aphria stock rose over 22% in a day after an earnings beat in October last year, and the company is expected to report quarterly earnings again this month. Could the share price soar again?

The company will release its second-quarter fiscal 2020 results on January 14, before markets open. Results will cover the three-month period to November 30, 2019, which won't be meaningfully comparable to 2018 figures on a year-over-year basis, as the 2018 comparable quarter enjoyed only a month-and-a-half of recreational pot sales, while the company later acquired a European pharmaceuticals distributor that's contributing the bulk of sales revenue today.

This will be the first financial report from a major cannabis industry player in 2020, and investors will appreciate the numbers if the company could pull a third consecutive quarter of profitability growth.

Management gave an ambitious financial outlook for the fiscal year, when annual revenue is expected at \$650-700 million and adjusted EBITDA to fall in the range of between \$88 million and \$90 million.

Given a \$126 million top line and just one million in adjusted EBITDA during the first quarter, some significant growth is required to meet the reiterated guidance.

Analysts expect second-quarter sales to reach \$130 million, with a high estimate of \$137.7 million. The average estimate for the full fiscal year revenue stands at \$591 million.

I hope there won't a withdrawal of the prior guidance similar to what happened at a currently [not-so-great-performing](#)

**HEXO** last year. I will be watching the margins too after first quarter cannabis adjusted gross margins sequentially shrank to 49.8% from 53% in a previous quarter.

## Organigram Holdings

Low cost marijuana producer **Organigram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)) will release its fiscal first quarter 2020 results on January 14, after market close. Like Aphria, the report will cover the quarter ending November 30 last year.

The company reported fourth-quarter revenues of \$16.3 million, which were 34% lower sequentially and a sorry 5% adjusted gross margin due to provisions for sales returns, price adjustments and well as inventory and biological asset write-downs. However, management expected an improved first quarter outlook with higher net revenue and adjusted gross margins and lower selling, general and administrative expenses as a percentage of revenue.

Investors may therefore expect better results this month. Analysts' predictions are for \$16.1 million in net sales, but there's a wide variance in the forecasts, with the most pessimistic sales estimates at \$12.66 million, while optimistic estimates predict \$21.11 million net revenue for the quarter.

Witnessing Organigram return to a solid growth trajectory could be reassuring for growth investors. If the company could maintain its enviously low production cost structure where cash costs per gram and "all-in" cultivation costs were reported at \$0.66 and \$0.94 per gram, respectively, during the most recently reported quarter, then I could be a long-term buyer at these low share price levels.

The other Canadian pot stock expected to report this month is retail giant **Meta Growth Corp** (TSXV:META) (formerly National Access Cannabis Corp), which has to fight fired-up competitors like **Alcanna** and **Fire & Flower Holdings** to maintain its lead among retail distributors.

United States focused cannabis play **Liberty Health Sciences** could give us another set of quarterly results later this month too.

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