



## Will Aphria (TSX:APHA) Stock Hit Double Digits This Winter?

### Description

**Aphria** (TSX:APHA)(NYSE:APHA) stock is currently trading around \$7, far from its 52-week high of \$14.37, which was reached on February 4, 2019. The last time Aphria's share price was in the double digits was on August 6, when the stock traded at a high of \$10.05. Like other cannabis stocks, Aphria stock fell in 2019, plunging 11% over the year.

However, it fell less than other big pot companies. In comparison, **Canopy Growth** plunged by 24%.

Let's see if Aphria's stock has what it takes to hit double digits this winter.

### Aphria's second-quarter earnings disappoint

On January 14, Aphria's share price fell 9% at the start of trading after the company missed second-quarter revenue estimates and cut its forecast for the whole year. The stock has gained back about 8% of its value since then.

Aphria reported net revenue of \$120.6 million — an increase of 457% over the same period last year but a sequential decline from the \$126.1 million reported in the previous quarter. Analysts expected Aphria to report revenue of \$130.4 million.

Sales from the company's German pharmaceutical distribution business fell, while the quantity of cannabis sold on the Canadian recreational market slightly improved.

The pot giant also reported cannabis revenues of \$33.7 million during the quarter, selling 5,567 kilograms, up from \$30.8 million but below the 5,969 kilograms sold during the previous quarter.

Aphria reported a net loss of \$7.9 million in the second quarter of fiscal 2020 compared to a gain of \$54.8 million for the same period last year. Analysts expected the company to report a net loss of \$9.7 million.

Aphria could be the first pot company to pay dividends to shareholders. Indeed, CFO Carl Melton said that Aphria would like to return money to shareholders.

The Canadian pot producer has posted three consecutive quarters of positive adjusted EBITDA, a rarity in the industry, and aims to continue this trend “to both internally finance future growth initiatives and, in the future, being in the position to provide an annual return to our shareholders through dividends,” said Merton.

While Aphria stands out for its [profitability](#), the numbers are small, with adjusted second-quarter EBITDA standing at \$1.9 million. But this is an improvement compared to the loss of \$9.5 million it reported a year earlier. At the end of the quarter, the company had close to \$500 million in cash.

Aphria has adjusted its forecast for fiscal year 2020. Projected revenues are expected to be in the range of \$575 million to \$625 million, down from the \$650 million to \$700 million the company previously forecasted.

The company said the decline in expected revenue for the year is due to slower-than-expected store openings in Ontario, a temporary ban on vaping products in Alberta, and slower growth of its pharmaceutical distribution activities in Germany.

The company forecasts adjusted EBITDA of approximately \$35 million to \$42 million, down from previous forecasts of \$8 million to \$95 million.

The company plans to add 34 new vaping products to its portfolio and hopes to launch a new portfolio of edible cannabis-infused products in the next two quarters.

Analysts, on average, expect Aphria’s fiscal 2022 EPS to be \$0.40.

## Aphria stock should perform better in 2020

Aphria’s shares have been beaten up lately because the company’s fiscal 2020 second-quarter [report](#) didn’t meet analyst expectations.

But if you look more closely at the results, trends are actually pretty good. Aphria’s quarter-over-quarter cannabis revenue and cannabis volume growth have accelerated compared to Q1 rates. These numbers imply that the demand for cannabis from Aphria is increasing.

In addition, the company’s strong Canadian medical marijuana activity combined with a strong brand image for its recreational product as well as the potential of a constantly expanding U.S. business place Aphria in a privileged position to benefit from cannabis in 2020.

So, the stock should rally in 2020. I believe that it will hit double digits sometimes this year, but the chances that it will happen this winter are small.

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