



## 3 Top Marijuana Stocks to Watch in April

### Description

Investors in top Canadian marijuana stocks have much to look forward to during April. Some top cannabis producers are scheduled to report this month, and one industry is rushing against time to avoid defaulting on updated loan covenants.

Let's have a quick look at which top marijuana stocks to closely watch this month.

### A well-placed Aphria

Top marijuana firm **Aphria** (TSX:APHA)(NYSE:APHA) is one of the most capitalized players in the Canadian cannabis space. The company could report its quarterly results for the three months ending on February 29 by the middle of April.

It's too early to expect the company's new European Union Good Manufacturing Practices (EU GMP) certifications in January to have had an impact on revenues yet, but I would be keen to know how APHA's market adaptation efforts are working out after Germany's rationalized insurance coverage policies negatively impacted distribution revenue for two consecutive quarters in 2019.

Aphria stock surged when early analyst reports suggested the company was among the best-placed producers to benefit from elevated pot sales as consumers stocked up for lengthy stays at home when the COVID-19 pandemic fears gripped North America.

I'm skeptical about whether Aphria benefited much from this defensive trend during the quarter. The company doesn't do too many direct sales to customers, and there's a time lag in receiving orders and shipping bulky provincial orders to replenish stocks. Perhaps shipments surged in March after the quarter cut-off date.

We'll know soon enough.

## A time-constrained HEXO

Management at marijuana producer **HEXO** ([TSX:HEXO](#))(NYSE:HEXO) must be having sleepless nights since [releasing a going concern notice last month](#). The cannabis firm is facing significant liquidity challenges.

The company may not be able to meet its financial obligations within the next 12 months without a cash injection. But the capital markets are jittery and investors leaving their woods after a COVID-19 induced market crash.

HEXO received a \$65 million syndicated credit facility from **Canadian Imperial Bank of Commerce** and **Bank of Montreal** in February last year. Only \$35 million was drawn, and the debt covenants on the facility were amended on March 27.

The revised debt covenants require that management must source at least \$15 million in new equity financing by April 10, and the company "...must have received net cash proceeds from the issuance of equity securities of not less than \$40 million on or before the April 30."

We can only speculate as to what happens if the cash strapped company misses these two deadlines this month, but such a default could set off a chain of catastrophic events that could worsen the company's position.

I guess management didn't just include a new "going concern" notice in the latest financial statements for nothing. There's significant liquidity risk right now, and we will know better as the month progresses.

## A high-flying Organigram Holdings

One top marijuana stock that has emerged as a low-cost leader. **Organigram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)) is expected to report its fiscal second quarter 2020 results around mid-month April, and there's so much to look forward to.

Like Aphria's, OGI's financial quarters end in February, May, August, and November. The most recent quarterly results for fiscal Q1 2020 (three months period ending November 2019) saw net revenue more than doubling year-over-year to \$25.2 million.

While quarterly revenues surged 54% sequentially, gross margins before fair value adjustments remained subdued at 37% but the positive \$4.9 million in adjusted EBITDA was an encouraging feat given the dismal performance in the peer group during the same period.

Will OGI manage to beat its \$0.61 cash cost per gram and maintain cost leadership in the Canadian pot industry?

I don't expect continued inventory write-offs this time around. However, I'm concerned about the firm's significant exposure to wholesale market sales.

Wholesale and international sales contributed nearly 38% to quarterly revenue during the first

quarter. Competitors like HEXO and **Cronos Group** have faced significant challenges and sales returns from wholesale sales.

The same fate could befall Organigram at any time. We'll see how this segment performed soon.

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2. NASDAQ:OGI (OrganiGram)
3. TSX:HEXO (HEXO Corp.)
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## Date

2025/07/02

## Date Created

2020/04/06

## Author

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