



## 3 Key Takeaways From Aphria's (TSX:APHA) Q3 Results

### Description

While investors are sweating over the poor performance of cannabis stocks, **Aphria** (TSX:APHA)(NYSE:APHA) has once again managed to post solid quarterly results. Here we look at three key metrics of the cannabis giant that are important for long-term investors.

### Aphria's revenue growth

The company announced its fiscal third-quarter 2020 (ended in February) results on April 14 after market close. Aphria reported revenue of \$144.4 million, up from \$120.6 million in the quarter ended in November 2019.

Net revenue rose 96% year over year and was up 20% sequentially in Q3. Distribution revenue accounted for \$88.3 million of sales, while cannabis revenue stood at \$55.6 million. While distribution revenue was up 2% from Q2, cannabis sales rose by a massive 65%, driven by adult-use net revenue that rose 54%.

Aphria sold 14,014 kg in Q3, up from 7,062 kg in Q2. The average gross selling price of adult-use cannabis increased from \$5.22 per gram in Q2 to \$5.46 per gram in Q3. In the medical cannabis space, Aphria lowered prices to help consumers cope with the impact of COVID-19. This drove the average gross selling price from \$8.16 per gram in Q2 to \$6.41 per gram in Q3.

### Profit margins

In Q3, Aphria's cash cost per gram fell from \$1.11 in Q2 to \$0.93 in Q3. The company reported adjusted cannabis gross profit of \$23.7 million, driven by an increase in sales and lower costs.

The cannabis leader procured \$30 million of dried flower from the wholesale market and sold 50% of it for \$20 million, resulting in gross profits of \$5 million. This figure would have been higher if the product would have been harvested at Aphria Diamond, which would have increased gross profit by an additional \$7.6 million in Q3.

It reported an operating profit of \$8.7 million, up from an operating loss of \$9.6 million, while net profit rose to \$5.7 million, or \$0.02 per share from a net loss of \$7.9 million, or \$0.03 per share. In the third quarter of fiscal 2019, Aphria reported a net loss of \$108.2 million, or \$0.43 per share.

In the first three quarters of 2019, Aphria's net income rose to \$14.2 million, or \$0.06 per share, compared to a net loss of \$33.3 million, or \$0.13 per share, in the prior-year period.

## Aphria withdraws guidance

Given the current macro environment amid the COVID-19 pandemic, Aphria has withdrawn its guidance for the next quarter. Company CFO [Carl Merton stated](#), "The uncertainty around the global pandemic has now made it very difficult for us to accurately forecast our year-end results. This includes the risks associated with EU member states closing their borders to exports and the uncertainty with respect to cannabis purchases in the major provinces we serve."

Aphria had earlier estimated fiscal 2020 revenue between \$575 million and \$625 million with adjusted EBITDA between \$35 million and \$42 million.

Aphria shares rose 3.7% on April 15 and are now trading at \$5.33. The stock has returned -18% since the start of 2020 and has fallen close to 54% in the last year. Aphria continues to remain [one of the safest stocks](#) in the cannabis space given its improving profitability and strong balance sheet.

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