EARNINGS ALERT: Aphria Stock Tanks on Worse Than Expected Q4 Losses

Description

On Wednesday, **Aphria** (TSX: APHA)(NASDAQ: APHA) — one of the top Canadian cannabis companies — announced its fourth-quarter and fiscal 2020 results. The company reported an adjusted net loss of $0.14 per share in the fourth quarter. It was more than triple as compared to Bay Street analysts' estimates of four cents loss per share.

Aphria's massive Q4 losses affected its full-year results as it reported an adjusted net loss of eight cents per share in fiscal 2020. It was also slightly higher as compared to its adjusted net loss of seven cents per share in fiscal 2019.

The quarterly results triggered a sell-off in its stock this morning. At 12 pm ET, Aphria's stock was down by 16.8% for the day against a 0.7% rise in the **S&P/TSX Composite Index**. Now, let's take a closer look at some other key highlights from Aphria's fourth-quarter earnings before we discuss whether it's the right time to buy its stock.

Note that Aphria has recently transferred its U.S. listing from the **NYSE** to the **NASDAQ**.

What affected the results?

In the fourth quarter, Aphria recorded $64 million non-cash impairment of some of its assets in countries like Jamaica, Lesotho, Colombia, and Argentina due to the ongoing pandemic, the main driver of the company's bottom line in the last quarter. Besides, a sharp drop in its long-term investments' and convertible debentures' fair value resulted in non-operating losses.

Key positive factors

On the positive side, Aphria registered an 18.4% year-over-year (YoY) rise in its May quarter revenues to $152.2 million. It was also slightly higher as compared to its revenue of $144.4 million in theprevious quarter. Its fourth-quarter revenue figure included net cannabis revenue of $53.1 million — up81% on a YoY basis. Similarly, Aphria's fiscal 2020 total revenue jumped up by 129% to $543.3 million.

In Q4, the company reported a 5% YoY decline to $0.88 in its per gram cash cost to produce dried cannabis. Rising sales and lower cannabis production cost helped Aphria improve its adjusted EBITDA by 49% YoY to $8.6 million in the fourth quarter.

As a result, its adjusted EBITDA margin improved to 5.6% in the last quarter as compared to 4% in the previous quarter. In the third quarter, its adjusted EBITDA stood at $5.7 million.

Foolish takeaway

Interestingly, cannabis-based product sales have risen sharply in the last few months during the COVID-19 phase. However, a prolonged pandemic and related restrictions are affecting many cannabis companies' overall business by disrupting their supply chain. This is one of the reasons why most cannabis companies haven't seen a major rally in 2020 so far.

As of July 28, Aphria's stock was up by 18.3% on a year-to-date basis (excluding today's massive losses). By comparison, the TSX Composite benchmark has gone down by 5.5% this year.

While I find Aphria's rising sales and its improving EBITDA margins attractive, they're probably already factored in its stock price. This is the reason why I won't buy its stock at current price levels.

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jparashar