



Why Aphria (TSX:APHA) Stock Fell 17.5% Yesterday

Description

Shares of cannabis company **Aphria** (TSX:APHA)(NASDAQ:APHA) fell 17.5% on October 15 to close trading at \$6.36. The massive decline in APHA stock was primarily driven by the company's less-than-impressive quarterly results.

In the first quarter of fiscal 2021, Aphria reported sales of \$145.7 million, indicating year-over-year growth of 16% but a sequential decline of 4%. However, it reported a net loss of \$5.1 million compared to a net income of \$16.4 million in the prior-year period. In Q4 of fiscal 2020, Aphria reported a loss of \$97 million, which was due to non-cash charges.

Analysts expected the company to post a net loss of \$0.03 per share compared to Aphria's actual loss of \$0.02 in Q1. However, Aphria missed analyst revenue estimates of \$160 million by a huge margin.

In Q1, Aphria's cannabis sales rose 134% to \$82.3 million, while the cash cost to produce per gram of cannabis fell 1% to \$0.87. Its adjusted EBITDA in the cannabis segment rose 17% to \$10 million, while gross revenue for adult-use cannabis was up 23% sequentially at \$69.6 million — its sixth consecutive quarter of growth in this vertical.

Aphria's Q4 results sent shares of peer marijuana companies lower as well. While **Aurora Cannabis** stock fell 4.5%, shares of **The Green Organic Dutchman** and **Charlotte's Web Holdings** fell by 5% and 6.6%, respectively.

What impacted Aphria's sales in Q1?

In the first quarter ended in August, Aphria's distribution sales were down 14% at \$82.2 million. The company [attributed this decline](#) to fewer elective medical procedures and lower inpatient visits to pharmacies and physicians amid the ongoing pandemic.

Another metric that hurt Aphria's net revenue was a 360% increase in excise taxes that stood at \$19.74 million in Q1 compared to just \$4.29 million in the prior-year quarter.

However, there were also a few things that went right for the marijuana heavyweight. It was the fourth consecutive quarter where Aphria managed to maintain a cash cost program of below \$1. The company is optimistic about gaining market share in a highly competitive space.

Aphria CEO Irwin Simon said, "We are outperforming many of those in the marketplace with solid market share gains in Canada with new brands, product innovation, which will continue to evolve as we anticipate changing consumer and patient preferences and demands."

Aphria [continues to gain market share](#) in Canada across product categories in Ontario, Alberta, Quebec, and British Columbia. In August 2020, it was named the top licensed producer in the brick-and-mortar retail channel across all brands in the provinces of Ontario and Alberta.

The Foolish takeaway

Aphria claims to lead Canada's marijuana market with a share of 14%, which is 20% higher than its closest competitor. While the company is focused on expanding its product lines, it also needs to remain consistently profitable.

Investors were left unimpressed by Aphria's revenue miss and the marijuana industry's long history of booking massive losses. Though the pot giant has enough liquidity to fuel growth and sustain losses, it needs to optimize operational efficiencies and lower cash burn.

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