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PRESENTATION

Operator

Good morning. My name is Jamie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Aphria Inc. Q4 Quarterly Investor's Call.

(Operator Instructions)

Mr. Carl Merton, you may begin your conference.

Carl A. Merton - Aphria Inc. - CFO

Good morning, everyone. Thank you for joining us to discuss our Q4 financial results. With me on the call is Vic Neufeld, Chief Executive Officer of Aphria.

I trust that you've all had the opportunity to read our press release this morning. Today's call is intended to give you more color about the results and to answer any questions you may have in our allotted 45 minutes.

Before we get started, I'm required to read the following cautionary statement. In talking about our financial and operating performance and in responding to your questions, we may make forward-looking statements, including statements concerning Aphria's objectives, its strategy to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, intentions and similar statements concerning anticipated future results, circumstances and performances or expectations that are not historical facts. These statements are based on our current estimates and assumptions and are subject to risks and uncertainties that could cause our actual results to differ materially from the conclusions in these forward-looking statements. The forward-looking statements in this discussion speak only as of today's date, and we undertake no obligation to update or revise any of these statements.

Now I would like to turn the call over to Vic Neufeld, Chief Executive Officer of Aphria.

Victor Neufeld - Aphria Inc. - Chair of the Board of Directors, CEO & President

Thank you, Carl, and good morning, everyone. As you've read in today's press release, Q4 was a healthy quarter; the results of exceptional performance by the Aphria leadership team.



Regardless of how one creatively reports various cost of goods sold, the end result which reflects the total corporate results is EBITDA, and more specifically, adjusted EBITDA. When setting aside these significant investments made in our many international markets, the quarter highlighted our 11th consecutive quarter of positive EBITDA. An accomplishment we do not believe has ever been achieved by any other licensed producer.

And as I have often conveyed, it is important that LPs begin to focus on their bottom lines. How many more quarters of unacceptable low gross margins and skyrocketing SG&A costs can be sustained before prudent investment logic will prevail? Aphria has and will continue to be focused on delivering solid revenue growth, while managing the cost necessary to support the Aphria growth story. Responsible stewardship of shareholder investments will win the day.

Carl will surely talk about the quarter just ended, but I want to address the Aphria story of tomorrow. Starting with capacity, our Part IV expansion at Aphria One and retrofit at Aphria Diamond is on track and on budget; both projected to be construction complete by September to mid-October. The unknown is the time lag for known onsite Health Canada inspection. It is still our expectations and calibrated in our commitments and planning to all provincial regulators that by the end of January 2019, Aphria will be generating increased harvest to further support the recreational markets. By June of 2019, Aphria will be harvesting in excess of 20,000 kilos per month.

In terms of planning for October 17 but also planning for further product introductions in the following 12 months, we are building the Aphria center of extraction excellence; very forward-thinking technologies that will allow for a completely integrated and in-house capabilities to move quickly from our production innovation incubator to commercially ready production. The introduction of dried flower, pre-rolls, oils, et cetera, on October 17 is just the beginning. Further introductions are sure to follow.

The underground consumer today is demanding vape pens, infused foods and other products; and, yes, even infused beverages. To move the underground consumer aboveground and purchase the cannabis products from legal provincial outlets, these types of product rollouts will be necessary. And Aphria, through in-house and third-party agreements, is very excited about what our rec brands will have to offer.

Our going to market strategy is not complete until one has a sustainable and cost-effective plan to execute at street level. Our distribution agreement with Southern Glazer brings exactly what is needed to ensure an effective and consumer-focused approach. Advanced customer/consumer analytics in understanding both the retailer's needs as well as the consumer's demands will be critical in gaining their trust and confidence.

Turning the page, on an international basis, we now have solidified our positioning on the world stage; over 10 countries; and we'll soon have the Aphria brand serving their medical cannabis needs. Having secured licenses in these countries, now the heavy lifting starts; building out in-country cultivation where applicable in countries like Argentina, Colombia, Jamaica, Australia, or dealing with regulatory matters in other jurisdictions. And as we all are now aware, planning for the new Germany tendering process and ensuring that Aphria is one of the successful applicants.

In summary, Aphria has and will continue to deliver on all 3 pillars of its success plan: medical Canada; medical globally; and the recreational market in Canada. Back to you, Carl.

Carl A. Merton - Aphria Inc. - CFO

Before getting to our fourth quarter results, I'd like to highlight one change we made to our EBITDA definitions starting this quarter but also for future quarters. During the quarter, we made a fundamental change to our business model, expanding our business focus from Canada to international. Accordingly, our previous definition of adjusted EBITDA would not have recognized the advanced state of the Canadian market as compared to the relatively nascent states of the other global cannabis markets. For this reason, we added 2 adjusted EBITDA definitions to our reporting: adjusted EBITDA from ACMPR operations; and adjusted EBITDA from our Aphria International. Combined the 2 definitions, total our previous adjusted EBITDA definition. In isolation, adjusted EBITDA from ACMPR operations is effectively consistent and comparable in prior quarters with our previous adjusted EBITDA definition. Adjusted EBITDA from ACMPR operations represents the adjusted EBITDA from the same base business we previously reported and includes all results of Aphria One, Aphria Diamond, and Broken Coast. Adjusted EBITDA from Aphria International represents all remaining operations.

During the quarter, we reported our 11th consecutive quarter of positive adjusted EBITDA from ACMPR operations. We are proud of this streak and acknowledge that, over the next 2 to 3 quarters, investment is required in our business to support the near exponential growth expected in the cannabis industry. The investment will support our growing portfolio of adult-use and medical use brands; alternate uses of cannabis, including: the transition of cannabis from a product by itself to an ingredient; increased headcounts; and international opportunities. During this period, our adjusted EBITDA levels will temporarily decrease, including in some periods potentially being negative. But our focus will remain the same: responsible use of the assets entrusted to us by shareholders.

Q4 was highlighted by multiple important key performance indicators, including: our continued revenue growth; maintaining our cash cost below \$1 for the second consecutive quarter; reporting our industry-leading 11th consecutive quarter of a positive adjusted EBITDA from ACMPR operations; closing the acquisition of Nuuvera, bringing with it relationships and business deals with 7 international jurisdictions; signing an exclusive distribution agreement with Great North Distributors, a wholly-owned subsidiary of Southern Glazer's; adding significantly to our senior leadership team; announcing MOUs with 6 provinces and territories; receiving our license from Health Canada for our Part IV expansion; and announcing a major investment in our Extraction Center Of Excellence.

We also experienced growing pains in Q4. Ramping up production from 10,000 keys to an interim capacity of 30,000 keys, with a further expansion to 110,000 keys at Aphria One within months thereafter is not a simple process. In the last 4 months, we doubled our headcount. Onboarding double your headcount into a production operation doesn't happen overnight. It takes considerable time and resources, including extensive training on standard operating procedures, often safety training, job shadowing and more. But it isn't just about the hourly people hired. Systems and processes need to be adapted to meet the new size and features of the facility. Supervisors and managers needed to be hired to provide oversight, guidance and mentorship to our growing workforce. New production equipment needed to be brought online, maintained and cleaned. New performance monitoring and performance improvement processes needed to be put in place, along with the requisite staff to perform these tasks. The entire process is challenging, but it is also short term in nature. The short term challenges brought hiccups, which occasionally resulted in extra operational costs. The lessons learned and to be learned are indispensable to our growing organization.

We experienced a 17% increase in sales during the quarter, growing sales from \$10.3 million to \$12 million. The majority of the increase related to reporting 3 months of sales from Broken Coast instead of one month last quarter, offset by no wholesale orders to other LPs as a result of our shift to build inventory for the pipeline fill of adult-use and international opportunities. During the quarter, cannabis oil sales dropped from 33% to 29% of patient sales by volume, largely as a result of reporting Broken Coast sales for the entire period. The current makeup of Broken Coast patients is disproportionately weighted to dried flower sales. Based on patient preferences and demographics, we do not see this dynamic changing in advance of adult-use. Despite the lower level of cannabis oil sales at Broken Coast, Broken Coast's minor price increase in the quarter to an average of \$10 a gram helped increase our consolidated average selling price to \$9.25 a gram.

Moving to the cost side of our business. As forewarned in our last quarterly earnings call, our all-in cost per gram increased in the quarter, increasing from \$1.56 last quarter to \$1.60 this quarter, a \$0.04 increase, although slightly less than we expected. This cost increase was tied to ramping up labor in advance of the production increase while we waited for Health Canada approval to plant in our Part III expansion. At the same time, our cash cost decreased by \$0.01 from \$0.96 to \$0.95. This marks the second consecutive quarter we reported cash cost of less than \$1. These cost results resulted in Aphria reporting one of the highest adjusted gross margin levels in the industry at 78.7%, including over 80% at Broken Coast.

Going forward, as mentioned in our last Analyst Call, we believe that Q1 will see a slight increase in our cost per gram metrics as we hire additional labor for the 700,000 square foot Part IV expansion project at Aphria One and bring Aphria Diamond up to staffing levels, followed by a decrease once the projects are completed, Health Canada approved, an operational. We are proud to continue to use cost per gram metrics and, where necessary for comprehension, kilogram metrics that are verifiable by financial statement review rather than hiding our results behind new accounting creativity.

While our plans and focus remain on the Canadian adult-use market, we continue to dedicate significant resources to international markets. This includes securing full EU-compliant GMP certification for all steps in the process of cultivation, processing, testing and packaging at multiple sites. In Canada, this focus is centered on our Avanti property in Toronto. Avanti is currently in a 3 phase capital project that will not only maintain the certification but also allow to it become our dried flower and cannabis resin export hub.

In the European Union, this focus is centered on our ASG Pharma property in Malta. ASG Pharma is currently in a 2-stage capital project that will increase its capacity for its current core business of analytic testing, also building the capabilities necessary to extract commercial size batches of cannabis resin; importing industrial size batches of cannabis resin; post-processing industrial size batches of cannabis resin; and package and ship industrial size batches of cannabis products and ingredients.

In Africa, this focus is centered on our property in Verve property in Lesotho. Verve is currently building out its greenhouse cultivation facilities, to be followed closely by an EU-compliant GMP certified lab for the extraction of cannabis resin; post-processing of cannabis resin and the cannabis products and ingredients; and packaging and shipping for local and the EU markets.

During the quarter, and with the focus of Aphria One on the adult-use market, we decided to focus all our Canadian efforts in securing EU-compliant GMP certification on our Avanti facility. Once Avanti has received its certification, our GMP team will resume its efforts at Aphria One. As a result, we are pushing back our timing on receipt of GMP at Aphria One for several quarters. We continue to invest in the bench strength, headcount and marketing initiatives related to the new adult-use international markets, all with the goal to operate profitably over the mid- to long-term.

In the current quarter, cash, selling, general and administrative costs from ACMPR operations increased by almost \$2 million from the prior quarter, with the majority related to ramping for the adult-use markets, including the development of our publicly visible brands and the current development of our next 3 to 4 brands. In the current quarter, our nonoperating expenses represented a significant drag on earnings to the tune of \$2.4 million. This was made up of several items generating earnings during the quarter, including a \$3.6 million gain on embedded derivatives and \$1.8 million of interest income. These gains were more than offset by a net decrease of \$8.6 million in our investment portfolio, comprised of a loss of \$13 million in the investment portfolio itself, offset by a decrease of \$4.4 million and the derivative liability on the put/call option on our Liberty Health shares held in escrow.

For the quarter, we reported a net loss of \$5 million. On a per share basis, we reported basic loss per share of \$0.06 and a fully diluted loss per share of \$0.04. For the year, we reported \$29.4 million of income, including basic and fully diluted earnings per share of \$0.18.

On an EBITDA basis, for the 11th consecutive quarter, we reported positive adjusted EBITDA from ACMPR operations reporting \$2.2 million. This quarter's adjusted EBITDA from ACMPR operations was \$600,000 lower than last quarter. This decrease is comprised of an additional \$1.8 million of adjusted gross profit, offset by \$1.1 million of additional sales and marketing expenses; \$6 million of additional office and general expenses -- sorry, \$600,000 of additional office and general expenses; and \$600,000 of additional salaries and wages.

We closed the quarter with almost \$105 million of cash and marketable securities. Subsequent to year-end, we raised an additional almost \$245 million of net proceeds from our bought deal, raising our deployable assets to almost \$350 million. While a portion of these funds are dedicated to our Part IV and Part V expansion projects at Aphria One, the retrofit at Aphria Diamond, the Extraction Center of Excellence and the necessary working capitals for harvest yields of 255,000 keys year, a significant portion remains available for strategic investments in Canada and internationally.

In conclusion, this quarter, we announced an exclusive distribution agreement with Great North Distributors; distribution channels in Canada with BC, Alberta, Manitoba, Quebec, New Brunswick and Yukon Territory liquor boards; additional capacity associated with our Canadian cultivation projects; additional capacity associated with our international cultivation and distribution projects, including our 3-pronged approach in Germany of supply, demand and distribution through imports, Schoneberg Hospital and CC Pharma. Introduced our Extraction Center of Excellence in Leamington, Ontario. More recently, securing the cash necessary to continue to fund our international expansion; and most recently, our path to South America and the Caribbean for our planned acquisition of LATAM Holdings Inc.

Vic and I are now available to answer your questions.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Noel Atkinson with Clarus Securities.

Noel John Atkinson - *Clarus Securities Inc., Research Division - VP & Research Analyst of Growth and Innovation*

I just have a few questions here. First, I was wondering if you could talk about the potential shift in Ontario to private retail for adult-use and how this impacts Aphria in the short term and medium term.

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

Noel, it's Vic responding. When one looks at where Ontario was 2 months ago versus Premier Ford and where he's heading in terms of Ontario, whether is hybrid or eventually one-day full privatization, in either business model, the Aphria brands will play a critical role regardless of who owns and runs retail. It is part of our obligation as senior leadership of our Aphria to understand the retail landscape, and I'm going to off-road a bit here and talk about our review of the Manitoba situation, the privatization of those licenses, which we've now heard they're going to expand that. When one looks at owning the real estate space called shelf, there are a lot of benefits but it also comes with risks. So when Ontario finally comes out with their total business model on who, how, where, and when a retail recreational privatization in Ontario is going to work, rest assured, Aphria will be part of that conversation, will fully evaluate the opportunities and move forward with our shareholders' value and safeguarding of those assets in mind. So it's a bit premature, Noel, to really talk about where we want to land. We will play in whatever sandbox Premier Ford eventually brings forward in Ontario.

Noel John Atkinson - *Clarus Securities Inc., Research Division - VP & Research Analyst of Growth and Innovation*

Okay. And then secondly, could you comment at all about the relationship that was announced yesterday between Shoppers and Manulife for the medical cannabis side?

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

Yes. And let's make sure everyone understands the Manulife entry is really one of a beta test. They have chosen a clinic small in the Toronto area that has relationship and can bring forward patients that the process of registration of coverage, of reimbursement with Manulife and Shoppers Drug Mart, because they have a very tight relationship. Sun Life is already there, so Manulife's introduction was really expected to come now. And so what they're doing is really assisting Shoppers Drug Mart and their infirmity online program once Shoppers Drug markets their full License Producer status, which as we all know has been ongoing for many months, and hopefully successful in the near term future. So this is their way of trying to understand the process, work out the kinks on a beta test basis before it really gets into a full-fledged, full License Oroducer business model for Shoppers Loblaw.

Noel John Atkinson - *Clarus Securities Inc., Research Division - VP & Research Analyst of Growth and Innovation*

Okay. And then finally, I was wondering, Carl, if you could talk about the amount of CapEx required to finish all these announced projects Canada, Malta, Africa, what -- how much CapEx do you think you have left to go?

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

I'll let Carl talk about the numbers, but just at a high level, let me just deal with 1 that is -- no, 2 of them that are very short term in terms of action plans necessary. Within the next 2 to 3 weeks, a team is going back down to Argentina to speak to the Ministry of Health but also Ministry of

Agriculture, referred to as INTA. They've reached out to us and asked us they want to work toward a 90-day period of entering into a joint venture, where we design, engineer, build, operate, train a greenhouse operation for medical cannabis subject to the -- both ministries' oversight. Very, very big step forward. They have chosen us, obviously, because we've been there, we've presented the Aphria credentials several times, and they really value the word quality that we bring to the table. Colombia will also be an add-on to that same trip. Once you go south of the equator, you might as well knock off a few countries, because it's not just a short flight. We're going back to Bogota to the farm outside of Perdida, and now start pulling triggers on the design of South American greenhouses and Phase I of the (inaudible) project. So there are opportunities that we have to act on soon and quick, keeping in mind that it's not until mid to late September, if not later, the expected closing of the acquisition of Colombia, Argentina, and Jamaica. So a lot of our activities are going to be based on crossing that finish line. But we need to put all of the dominos in place. So Carl, if you have some guesstimates or estimates of CapEx for these opportunities?

Carl A. Merton - *Aphria Inc. - CFO*

Yes. So Part IV and Part V expansion, we have about \$45 million left to spend at the end of the year. For Aphria Diamond, we're looking at another approximately \$40 million in CapEx, to still come. For the center of excellence, we didn't announce until right near the end of the year, and we hadn't spent any of the \$55 million at year end; so full \$55 million remains. In Africa, the capital project is around \$2 million; and in Malta, it's EUR 3 million.

Noel John Atkinson - *Clarus Securities Inc., Research Division - VP & Research Analyst of Growth and Innovation*

Okay. And the Avanti isn't that significant?

Carl A. Merton - *Aphria Inc. - CFO*

The Avanti is -- sorry I just -- I forgot Avanti. Avanti is \$3 million as well. Sorry, \$3 million not euros.

Operator

Your next question comes from Tamy Chen with BMO Capital Markets.

Tamy Chen - *BMO Capital Markets Equity Research - Equity Research Associate*

Vic and Carl, I just have a couple of questions. First question, are you able to disclose or quantify how much inventory Aphria has at the end of this quarter in terms of kilograms, and if possible, are you able to break down what that is between dried flower and what you intend to convert to oil?

Carl A. Merton - *Aphria Inc. - CFO*

That information is in the financial statements that were posted on SEDAR. I understand from a few people, they may not be up on SEDAR yet.

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

Keep in mind, Tamy, we're dealing with May 31. So the ramp-up of inventories would have accelerated greatly in June, July and August. And because we're in that quarter, we're not going to really disclose those amounts, but there is a growing finished flower, finished oil being produced and stored waiting for October -- well, the delivery waiting for October 17.



Carl A. Merton - *Aphria Inc. - CFO*

So, Tamy, inside the financial statements which shows 3,200 kilos of cannabis, harvested cannabis, 702 kilos of trim and 7,700 liters of cannabis oils, on an equivalent or trim -- kilogram equivalency basis is 1,700 kilos.

Tamy Chen - *BMO Capital Markets Equity Research - Equity Research Associate*

Got it. And my other question is, now that you've had a full quarter of Broken Coast, I would have thought that the cost of production -- your blended cost of production might have crept up a bit. I understand Broken Coast is a fully indoor facility. So first question is, are you able to give further color on Broken Coast cost structure versus the Aphria greenhouse? And also, are you able to provide insights on how Broken Coast grow operation has performed since you've acquired the business?

Carl A. Merton - *Aphria Inc. - CFO*

So on the cost sides, we did not disclose in the financial statements Broken Coast's cost per gram, or Aphria One's. We just presented a blended rate as that was what tied to the financial statements. The blended rate was \$1.60 or is \$1.60 per gram. At Aphria One, the number is less; and at Broken Coast, the number is higher. They're not materially different from each other. And Broken Coast runs a very clean and very efficient operation. And your second question about the quality of product coming from Broken Coast in terms of its small-batch premium product, in our expectations, they continue to deliver exceptional premium products that we're extremely proud of, and are excited to be able to offer that into not just a medical market but in the rec market just at lower quantities than what we have available from Aphria One.

Operator

Your next question comes from Matt Bottomley with Canaccord Genuity.

Matt Bottomley - *Canaccord Genuity Limited, Research Division - Analyst*

Vic and Carl, just a couple of questions on my front. Maybe just a quick addition in Noel's original question on the potential shift here in Ontario. Obviously, there's still a lot of unknowns here, but your expectation of when product might be delivered in Ontario of September-October, is that materially changed in your mind given this potential pivot?

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

It's our belief, our expectation and all of our plans are still calibrated so that we begin the delivery of the pipeline fill sometime between late August and mid-September to late September. Every province will be different, subject to our MOUs but also subject to their build-outs. So we are still on track so that by early October, every provincial regulator in their warehouses has our product. I really don't think that's going to change, but another part of an answer to your larger question is Ontario. Matt, as we all know, Ontario is about 2 weeks behind in advising and allocating their opening needs, whether it's going to be there first 3-, 6-month need or their first 12 months. Every province is different. We are waiting. We have carved out and allocated internally what we think we can reasonably commit to and deliver on in that opening pipeline fill, but also from October through, I'm going to suggest, early to mid-January of 2019, while we can continue to service depending on the POS sell-through. And then after that, as I had in my opening comments, that's when we really start producing more harvest out of Aphria One and Aphria Diamond. And our regulators know exactly what that means and where we come to the table in filling some of their holes in their needs. So we have not recalibrated any of our plans. Ontario will happen across every province. Ontario will move quickly. I'm afraid it's just not going to move quick enough in terms of the [\$40] that under Premier Wynne's announcements were to be in place.



Matt Bottomley - *Canaccord Genuity Limited, Research Division - Analyst*

Okay, great. Maybe just shifting to the international platform. Do you guys have any commentary or views on what we're hearing out of the United Kingdom? I know that you have some relationships there for your Aphria International, previously Nuuvera. Any updates on that market as well as your view on how long it might take the German market now to reset and retender that process?

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

Yes. I think, Germany in the next 2 to 4 weeks will have clarity and release what the new tendering rules are. Just for clarity, every applicant who was in the race before and all of their scoring systems getting to the second round, et cetera, is all thrown out the window. It's a whole new race. We feel very, very confident given what Nuuvera then had done in getting to the final selection process. We have the same team in place and now we're just making improvements, because now the Aphria team is assisting the German team that we -- that came with the acquisition. So Germany is about 2 to 4 weeks out in terms of clarity and I can only assume that that is going to be a 3- to 6-month window of opportunity, allowing any License Producer globally to make a submission. We have a very solid vertically integrated plan from importation, cultivation, testing, packaging, clinic and distribution into the pharmacy retail channel. So we are very, very confident with what we have acquired through Nuuvera and how we have further reengineered and just tweaked a few of those plans. Back to the U.K. though, the U.K. is years behind Canada; and within the last 2 months has really leapfrogged and is close to getting to where Canada was when we became legal medical on April 1, 2014. The House of Lords, House of Commons have really, really come together understanding the benefits, not science the way pharma companies would view it, but truly patient evidence. They're really moving the needle fast. We -- excuse me, we have a great relationship and various agreements with a leading medical physician who has spoken to many, many committees within Homeland, as well as within the Department of Health. We are very well positioned in the U.K. to move the needle. In-country cultivation is a conversation for maybe 2 or 3 years down the road, but right now, it's about scripting, it's about the Aphria Rideau Oil, which is CBD only from our Treasure Island and how that opportunity of that particular product with epileptic seizure control in mind and how and where Aphria is going to be successful in the U.K.

Operator

Your next question comes from Martin Landry with GMP Securities.

Martin Landry - *GMP Securities L.P., Research Division - MD Equity Research & Equity Research Analyst*

Just to confirm, was there any international revenues recorded during the quarter?

Carl A. Merton - *Aphria Inc. - CFO*

A very minor (inaudible).

Martin Landry - *GMP Securities L.P., Research Division - MD Equity Research & Equity Research Analyst*

Okay. And how do you see that evolving into Q1 and Q2? And when are we going to see an inflection point in your international revenues?

Carl A. Merton - *Aphria Inc. - CFO*

So a -- the ability to sell at a much more significant revenue base in the EU will be driven by the EU-compliant GMP certification. We see that timing really starting to hit financial statements, probably Q2. In the interim, we're working on multiple other strategies in the EU that will see our sales level increase; but in terms of the exports coming from [Kent], it will be Q2.



Victor Neufeld - Aphria Inc. - Chair of the Board of Directors, CEO & President

I think a little more specific, Martin, the Q2 that Carl is referring to is probably a good time frame in dealing with where we are in Argentina, the importation of Rideau Oil, which is again our high CBD oil, but also where we stand with the in-country cultivation plans for Columbia, how quick we can mobilize there and then get end market. So I would agree with Carl, Q2 would be the beginning of significant, and hopefully Q3 will be the beginning of material events coming from these countries that, as we can all appreciate, takes a long time to navigate through the hallways of ministries of justice, of health, of the agriculture; and we're well down that path.

Martin Landry - GMP Securities L.P., Research Division - MD Equity Research & Equity Research Analyst

Okay. That's fair. And Carl, you talked in your opening remarks about doubling the headcount, and then you also said that you've incurred extra operational costs. Just wondering when did that occur? When did you double your headcount? Was this during Q4 or afterwards?

Carl A. Merton - Aphria Inc. - CFO

A portion of it was inside of Q4 and a portion of it was -- is more current.

Martin Landry - GMP Securities L.P., Research Division - MD Equity Research & Equity Research Analyst

Okay. So it's fair to say that your OpEx are going to increase sizably in Q1, right?

Carl A. Merton - Aphria Inc. - CFO

Well, I guess, I'm not a big fan of the word sizably, but it will increase. It just depends on what level you're asking the question. If it relates to the grams, it's not going to be huge. But if you're talking about pure dollars, yes, that's going to be major expenses.

Victor Neufeld - Aphria Inc. - Chair of the Board of Directors, CEO & President

Yes. I's Vic. Martin, if I can start to add now and it should be well understood that as we lead up to October 17, different companies have different strategies of brand activation and launch, I can suggest to you that the Aphria brands for the adult-use is getting closer and closer to actually now activation. We have taken the posturing that too far ahead of the curve is money not well spent. So as we get into August, which would be the last month of Q1, but also September-October, the other 2 months of Q3 -- Q2, sorry, you will start to understand that we have strategic plans, very, very specific, tactical, and the execution of that is going to require some spending that has never been historically felt on our income statement. So we will be out there, but let's also not forget that we've got significant revenues and margins that are going to be hitting the income statement at the same time. So to give forward guidance, no we dare not, but we know what we're spending and where we're in and how we're spending. And those amounts, Martin, will not break the ACMPR rules. We will play within them, we will have our interpretations, but we will not be in the -- on the radar of Health Canada.

Martin Landry - GMP Securities L.P., Research Division - MD Equity Research & Equity Research Analyst

Okay. And in answer to your prior questions, you alluded to having the possibility of shipping in August. Wondering what's going to be the proportion of your shipments in August versus September to fill the channel ahead of the rec opening?

Victor Neufeld - Aphria Inc. - Chair of the Board of Directors, CEO & President

No province has to date given us the release orders from the blankets or those MOUs that we -- all License Producers have referred to. We are still awaiting ship dates and what mode of transportation they want, where the DCs to be dropped off, et cetera. So this is all still our plans. How the

provincial regulators come out with their actual purchase orders of delivery is yet to be identified, but we feel somewhere between end of August throughout the month of September, and again Ontario is yet to send any quantities out to the marketplace yet. But that's our expectations and that's how we're growing, harvesting, storing and packaging our various rec brands.

Operator

Your next question comes from Graeme Kreindler with VIII Capital.

Graeme Kreindler - *Eight Capital, Research Division - Research Analyst*

I've got some couple questions about what you expect over the next couple quarters. From the cost side of things, I was just curious as to what your outlook is for the actual medical market, what the top line is going to look quite as we get closer and closer to October 17.

Carl A. Merton - *Aphria Inc. - CFO*

Medical is and always will be part of the Aphria definition. We see medical continuing to grow the unknown, Graeme, whether it's 20%, 15%, 30%, we all can logically assume that all of our medical patients today, there are some that are under disguise of recreational and will leave all License Producers and go to provincial, legal, recreational outlets. But we see a continued growth of medical patients for the medical cannabis reasons. We were always there and we will continue. We are -- we've put together and ready to execute some very dynamic growth plans for the medical side of Aphria. I can also suggest you, I've said it many a time, we are all patiently waiting for Shoppers Drug Mart to get their full License Producer status. It's been long on the tooth from a Health Canada perspective, but that will also make a major statement to the medical community to support -- be supported by Sun Life, Manulife, Green Shield, I mean, all of these carriers coming onboard. More and more employers through their health spend accounts are adding medical cannabis to their list of eligible expenses for their employees, it will continue. So I can suggest you -- and we don't give forward guidance, especially by division, but I can tell you medical, Aphria, Canada is going to continue to grow successfully and very profitably.

Operator

There are no further questions at this time. I will turn the call back over to the presenters.

Victor Neufeld - *Aphria Inc. - Chair of the Board of Directors, CEO & President*

Again, thank you, everybody, for participating in today's call. I'll finish off by saying what I said at the beginning, Q4 was a healthy quarter for us. We hit in a lot of cylinders. A lot of investment of costs have been made; more coming forward, as Carl has already summarized, into Q1, into Q2 of our fiscal 2019. And we will absolutely be delivering shareholder value on all 3 pillars, medical Canada, medical globally and recreational come October 17, and thereafter. Again, thank you for your attendance and support.

Operator

This concludes today's conference call. You may now disconnect.



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