

Want to Invest in Marijuana Stocks? Aphria Inc. Is the Best Stock You Can Buy Today

Description

Marijuana stocks have taken the investing world by storm as more and more cannabis-related companies are getting themselves listed on stock exchanges to raise capital, even as the Canadian government moves to legalize recreational marijuana. It's difficult not to get swayed by the hype, especially when you see marijuana stocks like **Aphria Inc.** (TSX:APH)(NASDAQOTH:APHQF) and **Aurora Cannabis Inc.** (TSXV:ACB) flying through the roof, much like their senior cousin **Canopy Growth Corp.** ([TSX:WEED](#)).



But if you were to invest in a marijuana stock today, I believe Aphria is your best pick for three solid reasons.

Aphria is already profitable

Unlike Canopy and Aurora Cannabis, Aphria is already profitable. The company reported its fifth quarterly profits in April, growing its Q3 earnings before interest, tax, depreciation, and amortization (EBITDA) by a whopping 137% to a little more than \$1 million as sales jumped twofold. During the trailing 12 months, Aphria earned nearly \$8 million in net income compared to Canopy and Aurora, which lost roughly \$1 million and \$16 million, respectively, during the period.

When you're investing in a disruptive industry, there's nothing better than putting your money into a

company already making money.

Aphria is growing rapidly

One thing I like about Aphria and that gives me confidence in the company's management is its focus on organic growth, unlike peers like Canopy, which are largely pursuing growth via acquisitions.

After completing its Part III expansion phase by September this year, Aphria's Phase IV expansion, projected to complete by July 2018, will more than triple its greenhouse capacity to one million square feet and lower its costs by \$5-50 per square foot. Its production capacity will jump to 75,000 kg from under 20,000 kg currently.

For an industry moving to legalize recreational cannabis and staring at a boom, Aphria's organic-growth moves are a step in the right direction.

Aphria has strong financials

Aphria is expanding rapidly, but it has no debt on its books and even generated positive operating cash flow while holding \$16 million in cash and cash equivalents during the trailing 12 months. Its phase IV expansion program is also already fully funded.

In short, Aphria has pretty strong financials and is already making money, unlike most marijuana players. Aphria also has among the lowest production costs per gram, which is a huge competitive advantage. Aphria is already poised to benefit hugely if Canada legalizes recreational marijuana while it expands its footprint in the U.S. I wouldn't be surprised to see Aphria's bottom line expand rapidly in coming years, which could push its stock price even higher as growing profits support valuations.

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2. TSX:WEED (Canopy Growth)

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Date

2025/07/03

Date Created

2017/05/30

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