



Aphria Inc. Becomes a Contender in This Serious Marijuana Growth Market

Description

Aphria Inc. (TSX:APH) was slow to expand into Europe, while its Canadian pot competitors, including **Aurora Cannabis Inc.** ([TSX:ACB](#)) and **Cronos Group Inc.** (TSXV:CRON)([NASDAQ:CRON](#)), have made significant strides into the nascent marijuana growth market front over the last year.

That is not the case anymore, and the company's inroads into the exponentially growing E.U. market could be a good thing for the company's stock.

Through its latest and controversial \$525 million acquisition of Nuuvera Corp. (renamed to Aphria International Inc.), Aphria now has access to more than 13,000 distribution pharmacies in Germany, one of the fastest-growing medical cannabis market.

The company is now able to compete for the growing cannabis market pie in a [strategically important](#) market place, and on a better footing, with a bigger potential "sales force." Aphria International signed distribution agreements with CC Pharma GmbH in January this year, and had entered a 77,000-kgs-per-annum offtake agreement with its parent company for international cannabis supplies.

Most noteworthy, the Nuuvera acquisition also brought into the company the ownership of an E.U. GMP (European Union Good Manufacturing Practices) certified factory located in Malta and a Canadian GMP-certified factory, named the Avanti, which the company is proud to label as "the only Canadian cannabis GMP-certified lab," which could enable the company to process cannabis products under a GMP licence for export internationally.

GMP licensing is a critical and hard-to-obtain requirement for any pharmaceuticals exports into Europe, without which no medical marijuana may be exported to the continent.

Furthermore, Nuuvera was one of the very few shortlisted bidders for local cannabis production licences in Germany — a territory that has allowed medical marijuana patients to enjoy full insurance cover for their prescriptions, allowing the market to grow at a higher rate. If awarded, such a licence could be a huge growth asset.

Should you buy the dip?

Aphria has been one of the rare breeds of marijuana-licensed producers in Canada, after posting its 10th consecutive quarter of positive operating earnings (EBITDA), but the stock has been severely punished during the current sector-wide valuation correction due to some questionable management decisions to avoid public disclosure of small individual holdings in Nuuvera before the announcement of an acquisition deal, which significantly profited the executives personally, probably at the expense of shareholders.

The company's seemingly adamant decision to continue rolling out a U.S. expansion strategy when cannabis is yet to become a federally legal drug had already shaken investors' faith in management.

Although the company has [divested](#) the U.S. passive interests and successfully navigated the Nuuvera non-disclosure challenge, it will take some time for the market to fully forgive and forget.

That said, buying the dip while the stock is currently out of favour may be a rewarding contrarian approach, especially so when the company continues to realize lower production costs per gram of cannabis, which fell below \$1 a gram last quarter.

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