

3 Reasons Why Aphria Inc. (TSX:APH) Is My Top Pick in the Marijuana Sector Right Now

Description

Aphria Inc. (TSX:APH) has, for the most part, lagged the rest of the marijuana market so far this year, and while that may not exactly sound like a good thing, the relative value in the shares today — along with a couple of key moves made recently — make this my preferred play in the marijuana space right now.

Here's why.

The Nuuvera acquisition

At the time [Aphria's \\$425 million acquisition of Nuuvera](#) was announced, it came as a bit of a head scratcher to many observers, as it didn't really do much to bolster production — especially when you view that in light of [recent moves](#) by competitors **Aurora Cannabis Inc.** (TSX:ACB) and **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) — moves made almost specifically with the intent to increase their production capacities; it's not hard to imagine why.

But what the Nuuvera deal did do is significantly expand Aphria's international reach, leveraging the company's existing partnerships in key markets like Germany, Italy, Spain, the United Kingdom, and Israel in addition to the relationships Aphria already had in place in United States and Australia.

In announcing the deal, Aphria CEO Vic Neufield said that he hopes the company could have agreements in place with as many as 20 companies by the end up 2018, up from the 11 it has in place today.

Investing in extraction

The other key move to come out of the Nuuvera deal was the ability to take advantage of the company's cannabis extraction, distillation, cannabinoid purification and formulation expertise.

That combined with Aphria's already low-cost, high-quality cultivation could set the company up with a winning cultivation-extraction platform.

Shortly after the Nuuvera deal was announced, Aphria followed up the momentum with the announcement of \$55 million investment in a state-of-the-art extraction facility in its home base of Leamington, Ontario.

Aphria plans to focus on creating what it calls "world-class cannabis concentrates" that can then be converted into a myriad of applications from powders, creams, patches, edibles, and even infused beverages.

The applications for these types of products could be potentially massive and a huge driver of

profitability for companies like Aphria.

Last week's \$225 million bought deal could be a game changer

On June 6, the company announced that it had agreed to enter a bought deal with Clarus Securities to purchase 19 million shares for proceeds of \$225 million.

It then announced that the proceeds would be used to expand production from 30,000 kilograms annually to 255,000 kilograms — a massive increase in production capacity of 750%!

Bottom line

In light of the Nuuvera deal and the push to start aggressively tapping in to other international markets, it certainly appears as though management at Aphria is serious about being a major player on the world stage.

On top of that, recent underperformance in the shares only adds to the attractiveness of the trade on a relative basis.

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Author

jphillips

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