



3 Reasons Why Aphria's (TSX:APH) Latest Acquisition Is a Really Big Deal

Description

Canada's third-largest marijuana company, **Aphria Inc.** (TSX:APH), ruffled a few feathers earlier this spring [when it announced that it had closed on its \\$425 million deal to acquire Brampton, Ontario based medical marijuana company, Nuuvera.](#)

Although Aphria ended up completing the purchase for \$375 million less than the \$800 million it had originally offered, the deal still had many analysts questioning why Aphria had been pursuing Nuuvera in the first place.

Thanks to a pretty severe sell-off in pot stocks to begin the year, Aphria was able to get better terms on the deal, but the lack of an established track record – both in terms of crop production and revenues – has the investing community scratching their heads.

But Aphria is a bit of a different beast compared to the rest of the pot producers that have seemingly flooded the Canadian stock exchanges since 2015, and there's good reason to believe that the latest move could be Aphria management willing to take the long-view on how the market – particularly international markets, will end up shaking out.

The Nuuvera acquisition makes Aphria the world's leading medical cannabis company

With the acquisition, Aphria will now be able to leverage Nuuvera's expansive international partnerships, including supply and sales agreements that are in place in such lucrative medical cannabis markets as Germany, Italy, Spain, Malta, United Kingdom, Israel and Uruguay, among others.

Following the deal, Aphria now has a presence in 11 key markets, also including the United States and Australia.

In announcing the deal, Aphria's CEO Vic Neufield said, "I would hope to show you that in one year we have 20 countries under license."

With countries around the world trending towards more liberalized views on the drug – many of them being markets that are potentially much larger than what is currently being forecast for Canada – an

aggressive international expansion strategy could be a key to Aphria's success.

Aphria could soon have two GMP certified facilities in place

Along with the deal, Aphria signed two letters of intent to acquire GMP licensed facilities, one in Spain and one in Malta.

GMP stands for good manufacturing practices and is a [key requirement of being able to sell pharmaceutical products into certain markets, including the European Union.](#)

While it's true that not all markets currently require GMP certification, based on the way the industry appears to be headed, it's likely that at some point all facilities will need to be GMP certified. Thus, it's great that Aphria is getting a head start in that regard, with the potential to share best practices with operations in other markets.

The deal should deliver complementary core competencies

Prior to the deal taking place, Aphria already held the leading edge as one of the lowest-cost cultivators in the market.

Thanks to the Nuuvera acquisition, Aphria will be able to leverage Nuuvera's cannabis extraction, distillation, cannabinoid purification and formulation expertise.

In light of Aphria's recent announcement to invest \$55 million in a new state-of-the-art extraction facility near its Leamington, Ontario headquarters, it seems that in addition to going international, the company is also planning to make a big push into the extraction space.

Bottom line

There's no question that it's a very exciting time to be involved the marijuana industry, and the latest moves by Aphria demonstrate that the company is very willing to make a big splash in the market.

With shares down and valued at less than half of where they traded at the start of the year, now might be a good time to take a shot at this up-and-coming Canadian start-up.

Stay Foolish.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/20

Date Created

2018/06/23

Author

jphillips

default watermark

default watermark