



Should You Buy Aphria Inc. (TSX:APH) Stock Right Now?

Description

With the opening of the Canadian recreational cannabis market less than one week away, investors are scanning the sector for [top marijuana stocks](#) to add to their pot portfolios heading into 2019.

Let's take a look at **Aphria** (TSX:APH) to see if it deserves to be on your [cannabis stock](#) buy list today.

Partnerships?

Aphria's stock price received a nice boost in recent days, driven by a rumour that one of the major U.S. tobacco companies might be in discussions with Aphria to take an equity stake. The news shouldn't be a surprise, as companies that operate in industries that could be disrupted by legal adult-use cannabis look for ways to protect their revenue streams.

The beer, wine, and spirits companies, along with the tobacco firms, are specifically keeping a close eye on the developments in the cannabis sector. Cannabis-infused drinks are already in the works and two of the Canadian marijuana producers now have partnerships with beer companies. **HEXO** has a joint-venture deal with **Molson Coors Canada**. **Canopy Growth** is partly owned by **Constellation Brands**. In addition, reports came out several weeks ago that **Aurora Cannabis** was in talks with a global cola company. Regarding Aphria, no deal has been announced, but investors should expect a partnership of some sort to materialize.

Innovation

Aside from the edibles opportunities, the business is positioned well to succeed in the Canadian medical and recreational pot users market. Aphria has supply agreements in place with all of the provinces and one territory ahead of the launch of legal cannabis sales for recreational consumption.

As one of the lowest-cost producers in the sector, Aphria continues to look for ways to drive more efficiency into its operations, especially as it ramps up to three million square feet of production space. Aphria is testing robots and automation to speed up the planting and cultivation process.

Valuation

The stock currently trades for \$20 per share, giving Aphria a market capitalization of about \$4.7 billion. That's more than double the price investors paid in the middle of August before the sector rallied on a big announcement from Canopy Growth that saw Constellation Brands pay \$5 billion to boost its stake in the company to 38%.

Should you Buy Aphria?

The stock has gone from expensive to very expensive in recent weeks, but that's par for the course in the entire sector.

If you think the Canadian and global cannabis markets will grow as expected, it might be worthwhile to hold a small position in Aphria. The company's low-cost production and head start on automation should give it an early advantage, and any news of a deal with a major beverage or tobacco firm could send the shares even higher.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/28

Date Created

2018/10/12

Author

aswalker

default watermark

default watermark