



Is Aphria Inc. (TSX:APH) a Better Buy Than Canopy Growth Corp (TSX:WEED)?

Description

[Aphria](#) (TSX:APH) has been a laggard in the rally that pushed the stock values of some top marijuana producers to the sky during the past 12 months.

During this period, there have been a lot favourable developments in the cannabis market that attracted investors to speculate and bid the prices higher. The biggest trigger is Canada's move to legalize the recreational use of pot on October 17.

Another trigger was growing interest from global beverage companies in this sector. The latest rally started in mid-August when **Constellation Brands**, which sells beer, wine, and whiskey, said it will spend about \$5 billion to boost its stake in Canadian grower **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), betting legalization will gain traction around the world and especially in the U.S.

The move sent Canopy stock soaring, doubling its price in the matter of four weeks. Ontario, Leamington-based Aphria has been an underperformer in this rally. While Canopy has surged 390% in the past 12 months, Aphria's gains are 159% at the time of writing.

Going forward, however, there are signs that this marijuana producer might catch up to its peers. Here are two main reasons that support this bullish case.

Global expansion

Aphria is well positioned to become one of the largest players in the medical market. The company acquired Nuvera for around \$670 million in January this year to strengthen its international presence.

That move was negative in the beginning, as it diluted the existing shareholders; the number of outstanding Aphria shares climbed about 28%. But in the long run, this deal makes Aphria a leading player in the growing German and Israeli markets.

Aphria's strong presence in the medical cannabis market helped the company produce impressive earnings for the quarter ended August 31. It posted a 41% rise in quarterly profit, boosted by strong demand and gains from its investments in medical marijuana companies Liberty Health Sciences and Hiku Brands Co.

Aphria's net income rose to \$21.2 million, or \$0.09 per share, from \$15 million, or \$0.11 per share, a year earlier. The company said its revenue more than doubled to \$13.29 million, helped by higher wholesale orders.

Rumours of Altria interest

Aphria shares surged about 20% early this week on a report that the company is in talks to sell a stake to Marlboro maker **Altria Group**, the *Globe and Mail* reported earlier this week, citing multiple sources. There has been no deal announced as of yet, but given the interest of global alcohol, beverage, and tobacco companies in this growing industry, many analysts believe it's just a matter of time.

Aphria's low-cost operations to produce marijuana make it a standout, as many international players evaluate the industry to form partnerships.

Aphria is reportedly preparing to seek a listing on the New York Stock Exchange, adding new independent directors and expanding its board to nine directors from seven.

Bottom line

There is no doubt that Canopy Growth is the leader and one of the safest bets if you want to invest in a pot company. But after a remarkable rally this summer, Canopy's stock price is reflecting all the positive news. Aphria has a much better upside potential if Altria's interest results in any deal.

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Date

2025/08/26

Date Created

2018/10/14

Author

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