



Aphria's (TSX:APH) Share Price Is Still Too High for a Buy

Description

Which Canadian cannabis stocks to buy and hold for the long term has been almost the primary concern of investment pundits across the country these last six months or so. Investing tips for beginners have been riddled with outlandish promises of this huge growth industry.

So far, however, legal marijuana has been a big letdown post October 17. That said, the following stock is standing its ground, likely due to its position in pharma-grade marijuana. Let's see if the data says it's a buy.

Aphria (TSX:APHA)(NYSE:APHA)

Scour any list of [TSX cannabis stocks](#) to watch today and you'll see this NYSE-listed ticker somewhere near the top. Canadian stocks in the mid-to-large cap range rarely come as volatile as this \$4 billion pot asset, though with a PEG of 1.8 times growth and debt 3.8% of net worth a canny investor might begin to see why it might be a front runner of legal marijuana.

There is some very encouraging data out there for this stock, despite its current share price, such as a one-year past earnings growth of 94% and a five-year average past earnings growth of 89.6%. This is great to see for a player in so young an industry, and bodes well for Aphria, which could become one of the best pot stocks to buy right now. But is Aphria stock a buy, or should new positions be minimized ahead of another downturn in the fledgling legal recreational pot industry?

Value, quality, or momentum: where does Aphria excel?

Two overheated market variables and a missing key shareholder return mean that Aphria's main strength is not going to be value. To put a finer point on it, a P/E of 89 times earnings, P/B of 2.8 times book, and lack of dividends mean that this stock has poor value at \$15.15 a share.

Aphria stock scores a little better on quality, though it should be pointed out that a ROE of 2% and most recent EPS of \$0.19 do not indicate a classy stock, leaving a 50.6% expected annual growth in earnings to put in overtime in the "hot shot stock" department.

When we come to momentum, we start to get an idea of where Aphria's main utility lies. Aphria's share price shed 6.6% in the last five days, while a 36-month beta of 3.46 indicates high volatility, and its share price is overvalued by over 3.5 times its future cash flow value.

While upward momentum may well be more useful for those investors unused to trading on the price difference of a stock, an opportunity may exist here for the capital gains investor still [bullish on weed](#).

The bottom line

If you want to make money with cannabis stocks, momentum and upside are your key investment strategies. While much of the capital gains to be had in the legal weed industry may have materialized already – at least for the time being – Aphria stock might be emblematic of the way forward if you want to invest in Canadian marijuana.

For the general investor, though, poor value and mixed quality might not make up for what is essentially a stock for momentum-focused traders only, with an overall sell signal.

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