



3 Critical Factors in Why Aphria Inc. (TSX:APHA) Is Having Difficulty Proving Its Worth

Description

Is time running out for Aphria Inc. ([TSX:APHA](#))(NYSE:APHA)? Up until now, investors are not totally convinced that the stock is [one of the most promising in the sector](#). Canada's third-largest marijuana producer has plugged in all the loopholes.

The preparations leading to the adult-use marijuana legalization should have given the company the competitive advantage it richly deserves. Also, the takeoff and payback shouldn't take forever given the size and magnitude of Aphria's aggressive acquisitions. The script has been rewritten, as the market reveals.

Downtime for the stock

After a tumultuous October and broad market selloffs, Aphria rose to the occasion. The stock demonstrated potential as the price climbed slowly to a high of \$17.32 on November 7. It appeared the stock was on the cusp of a rally when the trend suddenly reversed. After a brief spell of sunlight, the stock went on a tailspin.

In a matter of seven trading days, the price plunged 26.96% to \$12.65. The stock of the Ontario-based company is again on a downtime. As of this writing, the price is \$10.29 which is just \$0.14 shy of its lowest recorded price.

Critical factors

Aphria Inc. holds a lot of promise, but there are critical factors that are getting in the way. First of all, the supply shortages and disorganized distribution process dampened the euphoria. Birth pains are to be expected after the legalization. However, the extraordinarily high demand was in one way miscalculated.

The problem is affecting not only Aphria, but all major players. In addition to ensuring a steady supply and solving supply-chain related issues, labor shortages and license procurement compound the situation. The resolution might extend.

The second critical factor is revenue generation. Aphria is on a buying spree, but the acquisitions are strategic in terms of enhancing production capabilities and penetrating international markets. Like the major rivals, expenses are ballooning faster than earnings.

The company acquired Broken Coast Cannabis for \$185 million, and then proceeded to buy Nuuvera for \$425 million. Aphria bought the assets of LATAM Holdings Inc. for \$300 million. This month, Aphria revealed another potential acquisition –Germany-based CC Pharma GmbH.

Finally, investors aren't biting but patiently waiting for tangible results. The noteworthy acquisitions bring plenty on the table. Aphria will take advantage of the established partnerships abroad.

The company will corner the medical cannabis markets in Europe, Israel, Malta, and Uruguay among others. Aphria's expansion in Latin America and the Caribbean would also mean gaining a bigger slice of the cannabis market in the said regions.

The clock is ticking

Prospective investors remain skeptical about marijuana stocks and the cannabis sector in general. New developments are emerging, but always escorted by high volatility. However, if you look at the nature of the investments, [Aphria's future is amazing](#).

Aphria is obviously aiming for global leadership in the cannabis space or is there something more? The play might be to tempt the bigger giants to make a bid. Only time will tell, but there's real value now.

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