



Aphria Inc (TSX:APHA): Buy, Sell, or Hold?

Description

Depending on who you ask, pot stocks are either crashing or simply on a dip and are likely to recover. While there's no question cannabis companies have been valued at significant premiums and have been due for significant corrections, I'm not convinced they're headed for the floor – yet.

Aphria Inc (TSX:APHA)(NYSE:APHA) is one of those stocks that has been struggling recently, and it's a great example of a stock that could go in either direction at this point. In just three months, Aphria's stock has fallen nearly 40%, although it is still a couple dollars away from reaching its 52-week low.

In its [most recent quarter](#), the company failed to impress investor despite showing strong sales growth and a profit. It generated a big operating loss, which will likely weigh heavily on investors, especially for a company that has focused on being a low-cost provider of cannabis.

While investors have turned a blind eye to a lack of profitability in the industry for a long time now, it certainly appears as though the tide has started to turn. However, low-cost providers are a safer bet to turn a profit than those that focused simply on growth, which makes Aphria a bit more appealing in that respect.

A deal with another industry could give the stock a boost

Just a few months ago, Aphria was rumoured to have been involved in talks with **Altria**, the company behind Marlboro. While we haven't seen any further developments happen since then, a big investor could certainly create a lot more growth opportunities for Aphria, not to mention hype.

Rival **Canopy Growth Corp** saw its stock price soar when it landed a [deal](#) with a big beverage company, and the same could happen for Aphria.

Many ways Aphria stock could soar

There are certainly a lot of opportunities out there for Aphria to win back investors. Whether it's landing a big investor from another industry or turning a profit, either one of those developments could send the stock back on an upward trajectory.

We've seen that all it takes for pot stocks to take off is some sort of hype or excitement to get investors bullish, and in an industry like cannabis where we're still in the early growth stages, there's a lot of potential for that to happen.

But does this make Aphria a good buy today?

There's no doubt that Aphria could rise back to \$20 a share, but it's also far from a guarantee. An investment based on hope is not one I'd make, and until Aphria can put some results to paper, I'd avoid buying the stock for the time being.

Whether or not the stock will go lower is the bigger question, and that too seems very uncertain. From a value perspective, I can definitely see a path where it will fall further, but it has shown some stability lately, thereby suggesting it may steady for the foreseeable future.

For those reasons, I'd say Aphria is a hold for now, but investors should keep a close eye on any developments that could change that.

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