



Should You Buy Aphria Inc (TSX:APHA) Ahead of Earnings?

Description

Aphria Inc (TSX:APHA)(NYSE:APHA) is expected to release its quarterly earnings later this week. The stock has been in the news a lot lately and with so much news surrounding the stock, it's getting a bit difficult to put it all into context and decide whether it is a good investment or not.

Its upcoming earnings will be pivotal for the company, as they will be the first to include post-legalization sales. Recreational sales began in October, and while it won't be a full quarter worth of sales just yet, it'll be a good indicator of how strong the market has been since then. It'll be important not only for Aphria, but also for cannabis investors as a whole to see whether reality is matching up to expectations.

Aphria has been struggling lately, and the [criticism](#) surrounding its business model, which sent investors into a bit of a panic, didn't help. Since September, Aphria has seen its share price get sliced in half and has generally done a fair bit worse than its peers. The drop in price has made it an attractive buy for speculators, and so it might not be a big surprise that the company was [targeted](#) for a potential takeover.

Why the stock could be a good buy

Aphria is trading at a modest 1.3 times its book value, and while a multiple of around 50 times sales is high, it's not nearly as expensive as we've seen pot stocks priced at in the past. It suggests that the stock might be a bit undervalued given the potential upside that it possesses.

With recreational sales included in this quarter's earnings, it's likely going to result in significant year-over-year growth for the company. Whether it's enough to make investors happy is another story. However, given the significant decline the stock has already been on in the past year, unless it has a horrible quarter, there may not be a whole lot of downside from where it is today.

In its last quarter, I was expecting we might hear word of a potential deal, including Aphria and a big beverage maker, as we've seen in the industry with other companies thus far. Although nothing was announced then, it's still something I'd keep on my radar today. After all, given the progress we've seen in the U.S. on cannabis lately, it's possible that there are talks with Aphria behind the scenes. A

big announcement could send the stock soaring.

With edibles set to be legalized later this year, it's likely that Aphria will try to land a big partner before that.

Bottom line

Aphria and other pot stocks remain risky buys, but at a low price point, it might have a lot more upside than its peers. I'd expect that at worst, with a bad earnings result, Aphria sees a modest 5-10% decline, while a good quarter could see the stock rise by double that.

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/26

Date Created

2019/01/08

Author

djagielski

default watermark

default watermark